



**31<sup>st</sup> March 2011**

**PROPERTY INDUSTRY LEADERS CALL FOR A PRELIMINARY CONTRACT TO TACKLE GAZUMPING AND GAZUNDERING**

Leading members of the residential property industry called for the development of a legally binding preliminary contract to reduce the risk of house sales falling through in England. At a roundtable event hosted by former head of the Office of Fair Trading and President of the E-Homebuying Forum, Sir Bryan Carsberg last week, representatives from estate agents and firms of solicitors and conveyancers debated the merits of introducing preliminary contracts as a standard procedure in the home buying and selling process.

Attendees agreed that a legally binding preliminary contract could markedly change the way properties are purchased in England by introducing greater certainty at an early stage in the process. The contract would require both parties (buyer and seller) to commit to the house sale at the agreed price, subject to certain conditions that had been approved from the outset. That way, if the property market changed and the buyer wanted to purchase the house at a lower price or if the seller wanted to take a higher offer, the contract would hold firm and ensure that withdrawal would attract penalties.

Currently, 31% of house transactions in England fall through, with high price and mid-price properties being particularly affected. Roundtable participants noted that failure to complete purchases can be a particular problem with international buyers that have limited time to purchase a property, and therefore place speculative offers on a number of houses.

Sir Bryan Carsberg, President of the E-Homebuying Forum said:

“Gazundering and gazumping can be avoided if the buyer and the seller reach a preliminary agreement and if one party refuses to enter such an agreement, the other is informed that there is no firm commitment. We believe a legally binding preliminary contract, requiring, for example, a 5-

10% deposit would give a serious indication of the intent to purchase or sell a house, therefore helping to identify timewasters and speculative sellers from the market.

However, we recognise that any preliminary contract shouldn't punish home buyers and sellers that pull out of sales for genuine reasons. For example if the property proved to be suffering from subsidence or the buyer couldn't secure sufficient finance, the contract would become void.

There is still some way to go before the preliminary contract becomes a reality, but we recognise there are real benefits to introducing such a contract for consumers and industry alike. We will be working with industry members to develop a standard form of voluntary agreement in the coming months."

Ian Floyed, CEO of MyHomeMove and member of E-Homebuying Forum, who attended the roundtable stated:

"This isn't a case of reinventing the wheel, especially as we've seen how preliminary contracts work so well in other countries, including Australia and France. The English property market can be quite dysfunctional, yet this is something that could give consumers a greater degree of certainty as they make one of the most important and costly purchases during their lifetime. If we can bring to the market a product that makes the whole process quicker and more efficient, I'm sure industry will be right behind it."

- ENDS -

**Notes to Editors:**

- The EHF was set up in 2008 to represent all elements of the home buying process in order to provide a unique and well informed perspective of the current state of the marketplace and to provide solutions as to how this process could best be improved.
- The E-Homebuying Forum provides market-driven leadership on reforms to improve the home buying and selling process.
- An updated version of the E-Homebuying Forum's Blueprint for improving the property transaction process can be viewed at [www.e-homebuyingforum.com](http://www.e-homebuyingforum.com).
- The full membership can be viewed on the E-Homebuying Forum's website <http://www.e-homebuyingforum.com/members.html>
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