

Equity Release

Update

July 2010

Reversions - the unseen side - the legals

With the return this year of greater numbers of reversions and indeed reversion lenders, many IFA's feel frustrated when they have spent many hours discussing reversions with clients only for the clients to withdraw when it gets to the legal stage. The natural tendency is to blame the Solicitors (and this may be true in the case of non-specialists), but what causes clients to withdraw at this late stage?

1. The volume of documents. Whilst the legal documents themselves are no greater in number than with a lifetime mortgage, the lease document that clients have to sign is often long and complicated as well as being couched in such a way that clients feel that the property is no longer theirs. Clients also often do not like being termed as "tenants".

In addition, because technically clients are selling their house to the reversion lender they have to complete the same property information forms as you would complete in a conventional sale of the property. These forms appear very invasive and can total up to 20-30 pages. These often deter people.

2. Clients are required to have an Energy Performance Certificate carried out on the property (cost circa £65).
3. The deeds of the property are no longer in the clients name. In the case of Bridgewater the deeds are in the sole name of the lender; with Hodge the deeds are in the joint name of Hodge and the clients. The clients are often of the generation who believe that their name on the deeds is vital and this requirement to alter the deeds, after down valuations, is the main reason clients withdraw.

4. Frustration. As the lenders are buying the property their solicitors have to carry out full enquiries on the property and require Fensa certificates, work guarantees etc. They ask many in-depth questions, which does cause frustration to clients and provokes a feeling that they are giving up their property.

So what is the solution?

Now that you know the above, the key, it seems to me, is tempering the clients expectations. They build a relationship of trust with you and if you forewarn them of what is coming the transaction will be much smoother and less likely to fall at the legal hurdle.



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