



BUYING ONLINE AUCTION GUIDE

A guide to buying property at an online auction

It's a common misconception that buying a property at auction is only open to property developers or buy to let investors. More and more people are buying their family homes through auction, and you don't need to be a cash buyer!

There are three main benefits to buying a property through auction:

- 1. Security:** Once the auction finishes and you're the successful buyer, there isn't any risk of being gazumped, a chain collapsing or the seller changing their mind.
- 2. Speed:** At the end of the auction, at the fall of the gavel, contracts are exchanged between the highest bidder and the seller. Completion normally takes place 20 working days after the auction so you'll get your keys in no time at all!
- 3. Transparency:** You can see who else is bidding. Unlike 'best and final offers', all bids are in the open and transparency can be assured throughout the auction.

If you've purchased a property before, chances are this was done by 'private treaty'. This is the way most estate agents sell property and it's where you view a property, make an offer and, once accepted, the solicitors will work on the details until you exchange contracts with the seller and get the keys a couple of weeks later. This can be a time-consuming process, often taking many months to finish. Buying at auction follows some familiar steps, but it is much quicker, transparent and far more secure.

Our online auctions all take place on our own website, meaning you can place a bid in the comfort of your own home, at work or on holiday! You can use any device that can connect to the internet, whether a computer, tablet or smart phone. We can also help customers who wish to bid by telephone or in person. Just speak to our auction team if you require any additional help.

The main consideration with buying at auction is commitment. Once the gavel falls, if you're the highest bidder, you've just committed yourself to complete the purchase. This isn't an issue if you're serious about buying the property and you can look forward to getting the keys soon after.

This guide will go through some of the main parts of the process of buying a property through online auction. We will always be on hand to answer any questions. You can reach us by emailing our auction team at:

auction@sheldonbosleyknight.co.uk

or by calling **01789 867123**.



The auction process, a whistlestop tour

All our lots are available to view before the auction, and there are normally viewing dates published on our website showing the viewing schedule. After the viewing, if you are interested in the property, you can register to bid online. Here you will be able to download the Legal Pack (when available) which will detail the contract, searches, title and any information relevant to the property. It is advisable for your solicitor to review the Legal Pack and for you to take advice from them (in the same way you would if you were buying a property by private treaty).

Once the auction starts, there will be a 'bidding window' ranging from 24 hours to six days. Once you have registered to bid, you will be able to place a bid online and follow the progress of the auction which will be controlled by the auctioneer. Provided the reserve price is met (see below for details), the highest bidder will win the lot. There are two different types of online auction; unconditional and conditional. Please ensure you have read the terms of the contract before bidding, as the process differs for either method. Full details of both methods are described in this guide.

More detail

The above summary will give you a flavour of buying a property by auction, but there is more information below on some key areas. If you have any questions about buying a property at online auction, you can email our auction team at auction@sheldonbosleyknight.co.uk or call us on 01789 867123.

Bidder registration

In order to place a bid, you will first need to create an account by entering your contact details. You will be required to verify your email address by clicking an activation link that we'll send to you via email.

Once you've created an account you can 'watch' lots you're interested in - this ensures you're kept updated throughout the auction cycle with notifications when it's nearly closing and an update on the result post-auction, as well as gain access to the legal packs. To place a bid on a lot you will need to complete the bidder registration steps, as detailed below.

Please note, the first time you register to bid you will also be asked to verify your mobile number and upload copies of your photo ID (eg driver's licence or passport) and recent proof of address (dated within the last three months). We will then ask you to complete an anti-money laundering check by completing information sent to you by our provider LexisNexis. This is required so we can easily keep in touch and helps us confirm your identity in the event of you purchasing a lot.

Ensure you read, understand and accept the terms and conditions

You will be asked to read and accept our Online Auction 'Terms and Conditions'. Additionally, there may be specific documentation relating to the sale of the property you're registering to bid on that will need to be read and accepted before you are able to bid.

Once accepted, you will receive a copy of the document(s) via email for your own records.

Register your debit card for the bidder security

To bid online you will be required to register a credit or debit card for the bidder security deposit. We use Opayo who provides a secure, online card registration facility, and will attempt to place a 'hold on funds' on your account for the bidder security amount (often known as a 'payment shadow' as no money is taken at this stage). The bidder security amount will be clearly displayed when registering your card.

On the fall of the electronic gavel, the winning bidder's card will be automatically debited for the bidder security amount, whilst all the unsuccessful bidder's cards will have their shadow payments released (this can take several days depending on the card provider).

For more information about this process please read the detailed explanation at the end of this document.

Details of your solicitor

You will need to provide us with full details of the solicitor you will be using for the sale. Don't worry if you don't have a solicitor, we can recommend one for you. Simply press 'use recommended solicitor' and once the registration has been completed, we will write to you with a full quote.

Final step – auctioneer review

Once you have completed the bidder registration steps, we will review your registration to bid. We may contact you to obtain some additional information, so we can electronically verify your identity with a credit reference agency – this is a quick and simple process which leaves a 'soft footprint' and doesn't affect your credit score. You will be notified by email as soon as you have been approved to bid.

Recommended due diligence before bidding

In general terms, you are strongly advised to view the property and take professional advice as to its condition and suitability. You should also ensure you thoroughly read and understand the auction legal pack and any other associated documentation available online, and take proper legal advice accordingly. Finally, understand the contract you are entering into and the financial commitment you will be liable for should you be the successful purchaser.

Definition of 'guide price' and 'reserve price'

A guide price is an indication of the seller's current minimum acceptable sale price. The guide price is given to help potential bidders in deciding whether or not to pursue their interest in the property. It is usual that a reserve price is set by the seller prior to the catalogue being printed. As the reserve price may not be fixed at this stage and can be adjusted by the seller at any time prior to auction, a guide price is published. This guide price can be shown as a range of prices where the reserve price will be set, or as a single figure where the reserve price will be within 10% of the guide price.

For example:

if the guide price is a single figure of £175,000, the reserve price will be between £157,500 and £192,500

if the guide price is within a range of between £150,000 and £170,000, the reserve price will be between £150,000 and £170,000

Both the guide price and reserve price can change at any time before the auction. A reserve price is the minimum price at which the seller allows the auctioneer to sell the lot at and the reserve price remains confidential between the seller and the auctioneer.

Brochure and viewings

For each property, a brochure will be produced and made available online. It's best practice for you to check the brochure when you view the property to make sure you're happy with all the details. You will be able to arrange a viewing through the auction office by making an appointment at one of our block viewings. It's important to check in the legal pack what fixtures and fittings are included in the sale, as this may differ from what you see during your viewing. Details of the viewing schedule will be on the property listing, on our website or by getting in touch with the auction team.

Legal pack and additional costs

The legal pack is available to review before the auction and it is essential bidders check the legal documents prior to bidding and take professional advice. Special conditions of sale can contain additional costs (that is costs over and above the price the lot is 'knocked down' at) and bidders are deemed to be aware of any additional costs prior to bidding.



Buyer's premium or buyer's reservation fee

For unconditional auctions, a buyer's premium applies to each lot. This is normally £995 plus VAT (£1,194 inclusive of VAT) but may differ on certain lots as indicated in the Auction Catalogue. This is paid by the buyer in the saleroom immediately after the lot has been 'knocked down'.

For conditional auctions, a buyer's reservation fee applies to each lot. If you are interested in a particular lot please speak to a member of the auction team before you bid and clearly read the terms and conditions attached to the property. Please note the reservation fee is in addition to the final negotiated selling price and is received on a non-refundable basis. It is held as a reservation against the subject property until such time as exchange of contracts takes place. If the sale falls through due to the vendor breaching the terms of the agreement the reservation fee becomes repayable to the buyer in full. Fees paid to the auctioneer may be considered as part of the chargeable consideration for the property and be included in the calculation for stamp duty liability. Further clarification on this must be sought from your legal representative.

Rents, information regarding tenants and price estimates

Any estimates provided by the auctioneer regarding the price at which a property may be sold after redevelopment or rented cannot be accepted by a buyer as advice or any form of valuation.

Pre-auction offers

Some lots will consider offers before the auction takes place. Pre-auction offers must be submitted in writing to the auctioneer's office by letter or email, including name, address, telephone number and details of conveyancers. Any pre-auction offer received is assumed to be a 'best and final offer' and no guarantee is given that there will be an opportunity to increase or review the offer should it not be accepted or should a better offer be received. Pre-auction offers can only be considered based on the bidder completing the auction steps relating to that lot (which will differ whether the auction is on unconditional or conditional terms). If an offer is accepted, the lot will not be withdrawn from the auction until all auction steps have been completed and either an exchange of contracts has taken place or the reservation fee has been paid and reservation contract has been signed.

Stress-free bidding from the comfort of your own home

When the auction opens, you will be able to place bids in line with the pre-determined bid increment levels, using the bid increase (+) and decrease (-) buttons provided. Every time you submit a bid you will be clearly shown whether your bid was successful, and a full list of all bids is displayed on-screen at all times.



Maximum (proxy) bids

You are not restricted to placing a bid at the minimum bid amount, but can instead increase your bid and place a maximum (proxy) bid in the system. By setting a maximum bid, the system will automatically bid on your behalf to maintain your position as the highest bidder, up to your maximum bid amount. If you are outbid, you will be notified via email so you can opt to increase your bid if you so choose.

NB: If two or more users place identical bids, the bid placed first takes precedence.

Reserve prices

Virtually every lot is sold subject to a reserve price (the minimum price the auctioneer is authorised to sell for on the day). When you submit a maximum bid, the actual bid placed by the system will depend on whether the reserve price has been met, as defined below.

If your maximum bid is below the reserve price

The system will place an immediate bid at your maximum bid amount.

If your maximum bid is at or above the reserve price

The system will automatically increase your bid to be at the reserve and will only bid again on your behalf if you are subsequently outbid by another bidder (up to your maximum bid amount).

If another bidder has already placed the same maximum bid or higher, they will be the highest bidder and the system will notify you via email so you can place another bid.

NB: Your maximum bid is kept completely confidential – its presence or amount are not disclosed to the auctioneer, vendor or any other bidder.

Bidding example:

1. The current bid on a lot is £90,000. The reserve price has been set at £100,000 (not disclosed).
2. Tom wants to bid. The minimum bid amount is £91,000 but Tom decides to place a maximum bid of £97,000. This is below the reserve price, so the system places a bid for Tom at his maximum bid amount and he becomes the highest bidder at £97,000.
3. Jane logs on to bid. The minimum bid amount is £98,000 but Jane places a maximum bid of £105,000. The system automatically increases Jane's bid to meet the reserve and she is now the highest bidder at £100,000. However, Jane still has a proxy bid of £105,000 "in the system" which will automatically bid on her behalf if anyone else places a bid.
4. Tom is notified he has been outbid. If no more bids are placed Jane would win the lot for £100,000.
5. Tom places a bid of £101,000, and Jane's proxy bid instantly outbids him at £102,000 as this is the lowest bid required to make her the highest bidder.
6. Tom then places a maximum bid of £105,000. The current bid jumps to £105,000 with Jane as the highest bidder as she placed a proxy bid at that amount before Tom did.
7. Tom then places a bid at £106,000 and wins the lot as there are no other bids and it is above reserve.

The bidding extension window eliminated 'bid sniping'

Unlike eBay, bid sniping is impossible on our online auction platform. All auctions will close as per their advertised 'Auction End Date'. However if a bid is placed within the final 60 seconds of the auction's scheduled end time, the auction will be extended by an additional 60 seconds – known as the 'bidding extension window'.

If a bid is placed in the bidding extension window, the countdown clock will immediately reset to 60 seconds again, and the auction will only finish when an entire 60 second bidding extension window passes without any further bids being placed, ie 60 seconds of 'bidding silence'. This ensures every bidder has a fair and equal opportunity to place another bid.

Do not leave your bid to the last few seconds as you risk your bid not being received by the server in time, and you could lose the lot to another bidder.

Legal position when you've won the auction

We offer property for sale by both immediate exchange of contract (unconditional) and conditional exchange of contract. It is imperative bidders are aware which method is being used for the lot(s) they are interested in, and they understand the terms to which they are bound by under each method. Both the particulars of sale and the legal pack will indicate which method is being used, and a summary of each type is shown below.

Immediate exchange of contracts means the fall of the electronic gavel constitutes an exchange of contracts between the buyer and seller. Both parties are legally bound to complete the transaction – usually within 20 working days following the close of the auction, but this will be confirmed within the legal documentation.

Conditional exchange of contracts means the fall of the electronic gavel secures the winning bidder with an exclusive 'right to exchange contracts' on the property within the prescribed time frame – usually 56 days, but this will be confirmed in the terms and conditions of sale and/or legal pack. Unlike the immediate exchange of contracts, this method gives the bidder additional time to carry out surveys and secure mortgage finance before exchanging contracts, whilst the seller undertakes not to sell to anyone else during this period.

We'll guide you through to completion

If you are the successful purchaser, we'll be in touch following the online auction to discuss the next steps. The system will take the bidder security amount from your registered debit card (all underbidders will have their hold on funds released); the contract will then be signed on your behalf with copies being sent to both your solicitor and the seller's solicitor.



How the payment registration works

In order to bid online you are required to submit details of a debit card. When you register your card, we will be placing a hold on funds on your bank account to the value of the bidder security deposit. This means the amount we're holding will affect the available amount you have to spend on your card, as the amount will be ring-fenced and you will not be able to spend it until the hold has been released.

If you are the winning bidder, then the amount will be taken in full from your registered bank account immediately following the close of the auction. If you are not a winning bidder then the hold on funds will be released from your card. Be aware it can take anything from a few hours up to several days for the hold to be released (dependent on the card issuer). If in doubt, contact your card issuer. Please be aware you will not have access to the funds until the hold has been released.

Please see two example payment registrations below:

Scenario 1:

Tom has a debit card with a current available balance of £4,500

- Tom registers to bid on an online auction lot which has a 'buyer's premium' of £1,194 applicable
- Tom registers his credit card – a hold on funds is placed on the card to the value of £2,500
- The available balance to spend on the card is now £2,000
- Tom goes out shopping and buys a new laptop for £1,500
- The available balance on Tom's card is now only £500
- Tom bids on the online auction but is unsuccessful and doesn't win. The auction closes and the system automatically instructs Opayo (payment processing platform) to release the hold on funds from Tom's card
- The available balance on Tom's card will revert to £3,000 once the 'release' has taken place

Scenario 2:

Jane has a debit card for a bank account with a current balance of £2,750

- Jane registers to bid on an online auction lot which has a 'buyer's premium' of £2,500 applicable
- Jane registers her debit card – a hold on funds is placed on Jane's bank account, to the value of £2,500
- The available balance in Jane's bank account is now only £250
- Jane goes shopping and buys a new mobile phone for £300, pushing her £50 into an overdraft
- Jane bids on the online auction and wins the auction. The auction closes and £2,500 is immediately taken from her bank account
- Jane remains £50 overdrawn

Identification documents

When you register to bid, you will need to complete an anti-money laundering check. We use a company called LexisNexis who will send you a link to complete your check on your mobile device. If you don't have a smart phone, simply let us know, and we can make alternative arrangements. Once you have completed your bidder registration online, you're authorised to bid in the auction.

Buying in your sole name

You will need to provide two forms of original identification for yourself, one showing proof of person, and the second showing proof of address.

Buying in joint names

You will need to provide two forms of original identification for both parties, one showing proof of person, and the second showing proof of address. They must be detailed on the registration form prior to bidding for them to be included on the memorandum of sale and contract as it cannot be amended afterwards.

On behalf of your partner, family member or third party

If you are bidding on behalf of someone else you will need to provide two forms of original identification, one showing proof of person, and the second showing proof of address for yourself and for each person who wishes to purchase the property. You also need to provide a letter of authorisation, signed by each person, authorising you to bid on their behalf. As the bidder, you take full responsibility and if you don't provide all the necessary documentation, the property will go in your sole name, and you will be legally obliged to complete the purchase.

Funds being provided by a third party (not including a bank or financial institution)

If your funds are being provided by a third party such as a relative or friend, you will need to provide two forms of original identification, one showing proof of person, and the second showing proof of address for each party.

On behalf of a company

You can bid on behalf of a company if you are one of the shareholders and have more than 25% share capital. You will need to provide the certificate of incorporation, company registration number, personal details, two forms of original identification, one showing proof of person, and the second showing proof of address for all shareholders owning 25% or more share capital. If you are not a shareholder listed on Companies House, you will also require a letter of authority signed by the majority shareholder(s) granting you permission to bid.

Non-UK citizen/resident

You can still buy a property at auction if you are a non-UK citizen or resident. Wherever possible, you should use funds from a UK bank account (you will need to provide a recent bank statement as proof) and appoint a UK solicitor who will need to email us at auction@sheldonbosleyknight.co.uk to confirm they have been appointed to act on your behalf. You must also provide two forms of identification (which must be certified as a true copy by a bank, solicitor or governing body in our own country), passport number for yourself and each party wishing to be named. You will need to transfer 10% of your maximum bid (subject to a minimum of £2,500) and buyer's premium of £995 plus VAT (£1,194 inclusive of VAT) which must clear in our account prior to the auction sale. This will be refunded if you are unsuccessful which can take up to 10 working days. If you don't have a UK bank account, please contact our team on **01789 867123** to discuss your individual circumstances.



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