



# Using Equity Release To Purchase A New Build Property

  
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Purchasing a new home can be a very stressful time for homebuyers and we understand that you may have a lot of questions regarding our part in the process. This leaflet aims to offer you a general outline of the main considerations to bear in mind, and things to be aware of when moving to a new build property using equity release; both your independent financial adviser and solicitor will be able to provide you with additional information, and recommendations tailored to your needs.

## Key milestones in your journey

Having found your new property and established that you'll be looking to purchase it using equity release, you'll need to discuss your needs with an independent, qualified, equity release adviser. In addition, you'll need to instruct a solicitor to act on your behalf - we recommend using a solicitor who is a member of the Equity Release Solicitors Alliance (ERSA).

If you choose to accept the adviser's recommendation, they will submit an application to us, which will include details about you, the loan and the property you wish to purchase. It is important that we get the accurate property details as soon as possible, as this will help us to give you an early indication of the likelihood of the application being accepted and whether there will be any conditions to the offer. Our team of underwriters will assess the application and let your adviser know if they need more information.

We will instruct our solicitors to act on our behalf during the conveyancing process, and they will deal directly with the solicitors acting for you - this process will involve the issue of a legal pack containing queries and requests for information from your solicitor and the property developer.

## What to expect - conveyancing requirements

It is essential that you speak to your solicitor to make sure you are aware of all the requirements of purchasing a new build property, and that you are comfortable with everything involved.

There are a number of checks that your solicitor will need to undertake relating to new build purchases. As well as the relevant local searches they may also need to check that:

- A valid building warranty is in place.
- The correct planning permissions and building regulations is in place.
- The construction and design of the property complies with the planning consents.
- Appropriate agreements are in place for the adoption of roads.
- Drainage and sewers are established and maintained.
- Any restrictive covenants in the lease or registered against the freehold have been highlighted to you and explained.
- You are aware of the tenure of the property and where applicable that you understand the terms of the lease.
- You are aware of any maintenance agreements that are in place for common areas and the associated fees and rights access.
- You are happy with any retentions that are in place.

Our solicitors will also issue a Disclosure of Incentives form to your solicitor, which they will need to complete and return. Where service charges or freehold estate maintenance charges are payable you must provide full details of current payments and associated information as soon as possible, as both the form and charge terms will need to be approved by us as the lender before the case can progress.

## What to expect – lender's requirements

We will need to be made aware of the property details as soon as possible so we can assess the property's suitability compared to our lending criteria, and your solicitor will need to let our solicitors know the outcome of their checks (as well as provide us with relevant evidence). It is important that we are made aware if anything changes during the process (for example if the developer increases their service charge beyond our criteria limit) as this may affect our ability to lend.

We require a valid new build warranty to be in place so your solicitor will need to provide this to us as part of their checks. This is a common practice exercised by lenders to provide the reassurance that your new home will be covered by a recognised guarantee initiative, such as the NHBC Buildmark Scheme - these guarantees are a type of insurance policy that protects against property physical defects arising from a property not being built to the required standards. Our underwriting team will provide your adviser or solicitor with a full list of acceptable warranties at the time of your application.

## Things to consider

- Many developers will require your mortgage finance to be secured before contracts are exchanged. Our offers are only valid for a set period of time so a new offer will be required if completion of your mortgage takes longer. You may be able to apply for an offer extension but a new assessment could be required should your circumstances or the property details change.
- The legal side of buying a new build home is a complex process so it is highly recommended that you instruct a conveyancing solicitor who will understand the ins and outs. You will also need your solicitor to be familiar with the equity release process, and we would recommend speaking to the Equity Release Solicitors Alliance (ERSA) which provides borrowers with access to independent, specialist solicitors. ERSA is unbiased and offers a fixed fee service to borrowers in England, Scotland and Wales. Visit their site for more information: [www.ersalaw.co.uk](http://www.ersalaw.co.uk)
- Some developers and estate agents may suggest that you instruct a solicitor that they work with, but it is essential that you choose a solicitor that can provide you with expert advice throughout the purchase and the equity release process.
- Where a property is subject to service charges and maintenance fees, we will need to know the terms as soon as possible. This is often one of the last pieces of information that the developer finalises but your solicitor may be able to push the developer for a definitive answer at the application stage.

Your independent financial adviser and conveyancer will be able to provide you with further information and advice that is suited to your needs so we would always recommend speaking to them in order to fully understand the process.



## Terms used by conveyancers

**Adoption (of roads)** - An adopted road is a road that is maintained at public expense. Road adoption is a term used to describe the council taking ownership of a 'private street'.

**Building Regulation Consent** - Approval by the local authority to the method of construction and materials used in building work.

**Chain** - A position in which Seller 1 sells to Buyer 1 and Buyer 1 sells to Buyer 2 and so on thus creating a 'chain' of connected transactions.

**Completion** - Final completion of the transaction when the Seller receives the money and the Buyer receives the keys.

**Contract** - The written legal agreement prepared in duplicate for respective signature by the Seller and the Buyer setting out all the legal rights and obligations agreed between them.

**Conveyancing** - The legal process used to buy and sell land and property. The person tasked with overseeing this process will be your conveyancer, a specialist legal representative who specialises in the buying and selling of property.

**Disbursements** - Payments made by the conveyancers on your behalf but for which you will be responsible.

**Environmental Search** - A search to see whether there is any indication that the property may be affected by contamination, flooding etc.

**Exchange of Contracts** - The formal exchange of the two identical copies of the Contract when the Seller and Buyer become legally bound to complete the transaction on an agreed date.

**Freehold** - Where the ownership of the property and the land it stands on is for an unlimited period.

**Ground Rent** - This is the rent paid by a lessee to a lessor where a property is leasehold. It is often paid yearly.

**Index Map Search** - A search at the Land Registry to see if a property is registered or unregistered.

**Land Charges Search** - A search against a person's name at the Land Registry to see if that person has been the subject of any bankruptcy proceedings and (if the property is unregistered) to see if there are any mortgages or other adverse interests registered against the property.

**Land Registry** - An organisation controlled by central government which maintains a register of properties and their ownership in England and Wales.

**Land Registry Search** - A search at the Land Registry to check that nothing new has been registered against the property since the date the registers were last inspected.

**Leasehold** - Where the ownership of property is for a limited period only. For example 99 years or 999 years. It will normally involve payment of an annual ground rent.

**Planning Permission** - Approval by the planning authority to the construction (and extension/alteration) of a property or a change of its use.

**Radon Gas Search** - A search to see if the property is affected by naturally occurring radioactive gas which may if above certain safety levels, require preventative action to be taken (e.g. more ventilation in a property).

**Rent charge** - Some freehold properties are required to pay some form of rent (despite being freeholds). It is sometimes created simply for profit but may be used as a legal device to ensure estate covenants are enforceable.

**Reservation Fee** - An initial payment to a Builder / Developer (or its agent) to reserve a new property.

**Restrictive covenants** - restrictions put onto land, usually by previous owners, to prevent people from carrying out certain actions on it such as building on sections of land or making property alterations.

**Service Charge** - A payment required by a Landlord (or managing agent) to cover the costs of insuring and/or maintaining a development or block of which the property forms part.

**Stamp Duty Land Tax** - A government tax payable on completion of the purchase of a property over a certain value.

**Subsidence** - Where a property moves due to poor construction or ground movement for geological reasons.

**Tenure** - the conditions under which land or buildings are held or occupied. See also 'Freehold' and 'Leasehold'.

**Tree Preservation Order** - An order made by the planning authority specifying a tree or group of trees as protected and requiring that authority's permission to cut branches or fell them.

**Unregistered Title** - A title to a property which has not been registered at the Land Registry. The title will consist of old style conveyances and other documents.

**Warranty** - A building warranty is a comprehensive insurance policy that is provided by a developer to the owner/buyer. It offers peace of mind that the building has been constructed to a standard set by the warranty provider.

Please note that this document is for guidance purposes only. You should speak to your conveyancer if you are not certain what your agreement means for you and your circumstances.



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We look forward to helping you make the  
most of the equity in your home.



Providing solutions for your future

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