



You can't just rely on trust

Despite the recent fall in property prices, more and more people are looking to buy with partners, friends or colleagues. Karen Mayes, Director at HRJ Law LLP, looks at some of the issues involved

WHEN two or more people, who aren't married, decide to buy a property together it is vital that they agree the ground rules.

If they buy jointly without specifying their respective shares properly, it is likely to be assumed that they intend to own the property in equal shares. Where they are contributing to the deposit or the mortgage installments unequally, this may not be what they actually intend. So to avoid problems later, things should be clear from the start.

The most common way of doing this is through a Declaration of Trust (Trust Deed) which sets out whether a property is to be held in equal or unequal shares. Ideally the declaration should set out the contributions that each person has made to the purchase of the property, who owns what and what happens in the event of someone wishing to move on.

Perhaps most importantly it will provide a mechanism for each party to realise his or her interest in the property be it because of a breakdown in the

relationship, a change in circumstances or on the death of one party.

If the declaration of trust is agreed in advance and signed by all the buyers, they will normally be bound by the terms of the declaration, providing them with security and certainty. They can come up with whatever formula they wish for working out their shares in the property – this might include reference to differing contributions to mortgage payments, household bills or maintenance costs, as well as initial contributions to the purchase price.

It is also important to think about what would happen to each share in the event of another slump in property prices. There are many possible alternatives and it is entirely up to the owners to specify how they want to work their final shares out when they come to sell, or terminate the arrangement.

Remember it will benefit everyone to know exactly where they stand and it will be so much easier if everything has been agreed and set out in a legally binding agreement from the outset.



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