

Property Fraud and Title Insurance

There have been reports in the press relating to fraud and title insurance over recent months.

What's the problem?

In a nutshell, the risk being insured against is that someone will 'steal' the legal title to the property you own and register a mortgage against your property. You can't sell a mortgaged property without paying off a mortgage which is registered against your title.

Should I be worried?

To put the problem into context, the Land Registry reported 53 cases of this kind of fraud last year. The Land Registry's most recent annual report isn't available yet but in 2009/2010 the Land Registry registered over 1.1 million mortgages. Any case of fraud is regrettable but we don't want to overstate the extent of the problem of title fraud. The risk of being the victim of fraud is also lower if you live in the property, as most owners do, and/or if you already have a mortgage on the property. It is also important to be aware that the Land Registry has a compensation fund for victims of title fraud, where they suffer a loss.

Is insurance the answer?

We don't believe that it is. Like the Law Society President, who spoke out against these insurance policies in February, we believe that premiums of roughly £150 per year to insure against such a small risk are an unnecessary expense. Furthermore, the availability of the Land Registry's compensation fund makes us question the likelihood of it being necessary to get financial compensation for loss through insurance.



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Do you recommend that I register a restriction?

If you are concerned about fraud, it is possible to register a restriction against your property at the Land Registry. The effect of this is that the property can't be mortgaged without your specific consent (or that of your conveyancer). The Land Registry charges £50 to register a restriction. If you would like us to deal with this for you, we can offer this service for £150 plus VAT, in addition to the Land Registry fee.

Because we consider that the risk of fraud is generally very low we're not recommending that everyone should go to the added expense of getting a restriction. However, if you do want to take action to protect yourself, we believe that a restriction is a better option than insurance. The cost of registering the restriction is a one off cost, whereas insurance is an annual expense and the restriction prevents fraud, whereas you are only ever picking up the pieces after the fact when you make an insurance claim (or, for that matter, a claim to the Land Registry for compensation through its fund).

Is there anything more I can do?

We recommend that you should always ensure that the address you have given the Land Registry is kept up to date. If the Land Registry doesn't have a current address for you, the risk of fraud increases. The Land Registry does not charge for changes of address and has identified certain circumstances as increasing the risk of fraud, e.g. if you rent out a property, live part of the year somewhere else, or move into a care home, all of which involve your being absent from the property. You can give the Land Registry up to three addresses, including an email address, so if you are going to be absent from the property for any length of time you could add an email address to the register or add the address where you will be during that time.

If your property is not registered at the Land Registry (you would have to have owned it for a long time for it to still be unregistered), it would be a good idea to register it to reduce the risk that someone could register your property in their own name and mortgage it. **Our property team are happy to help with first registrations.**