

CONSUMER GUIDE



Property auctions

A clear, impartial guide

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Introduction

Property auctions have long been a popular and well-known method of selling and buying – whether by owners, occupiers, developers or investors. It is now a method of selling and buying that is chosen by thousands of people each year.

This guide highlights what both buyers and sellers should be aware of when deciding upon this method of sale, and the service they should expect from their professional auctioneer.

RICS is the largest organisation for professionals working in property, land and construction worldwide. If you're thinking of buying or selling a property at auction, it may be in your interest to make sure the auctioneer is an RICS member.

An RICS member can advise you on a number of aspects of your transaction, including valuation, building survey, property management and investment. They can also advise you on how to achieve the best auction result.



Selling at auction

The main advantages of selling at auction are:

- **Certainty:** properties are not sold 'subject to contract' in the same way as through a traditional agency sale method. The successful bidder is legally obliged to complete the sale once the hammer falls, subject to the The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (money laundering regulations). Terms may vary for conditional sales.
- **Good marketing exposure:** auctioneers advertise online and have extensive databases of potential buyers from previous sales.
- **Speed:** the sale is relatively quick and completion usually takes place between four and six weeks after the auction.



Types of auction

The three principal ways auctioneers will offer properties are:

- 1 room auctions
- 2 live-streamed or broadcast auctions, and
- 3 online-only auctions.

1 Room auctions

These are where prospective buyers attend and participate in an auction that is held at a venue and conducted by an auctioneer. While bids will come from the attendees, the auctioneer will also receive written bids (also known as proxy bids), telephone bids and online bids. As with all auctions, the successful bidder will be the one who places the highest bid for the lot, as long as that bid is at or above the reserve price.

2 Live-streamed or broadcast auctions

These are a combination of room and online auctions where the auctioneer is physically present on the rostrum and conducting the auction, which is also broadcast online. The auctioneer takes bids submitted online, by telephone and by proxy. The only difference between these auctions and room auctions is that bidders are not physically present in the auction room.

3 Online-only auctions

The bidding takes place through the internet with no physical auctioneer. All bidders will need to register prior to the auction. There may also be auctioneer's charges to secure the right to bid.

The auctioneer will determine the starting price, bid increments and reserve price. The bidding platform will receive bids coming in from bidders and regulate the process on the basis of these settings. The closing time for the bidding is also determined from the outset, but this can be extended if bids are made at the last moment.



Types of auction contract

1 Unconditional auctions

Unconditional auctions have been an integral part of the UK property industry for centuries. With an unconditional auction, contracts are exchanged on the fall of a hammer (subject to the money laundering regulations), be it a physical hammer, or an online hammer in the case of online auctions. The buyer is then under a strict obligation to complete the purchase in the time period set out in the conditions of sale (normally between four and six weeks after the auction), and the seller is under a similar obligation to complete the sale on the same day.

2 Conditional auctions

This method of sale has grown in popularity over the past 10 years. Unlike unconditional auctions, the fall of the hammer does not conclude an exchange of contracts for the sale of the property. The bidder has instead purchased an 'option to exchange contracts' at the 'hammer price' within a specified number of days after the auction.

You need to check what money you will need to pay on the fall of the hammer and what happens if you do not subsequently go on to exchange. The 'option to exchange' period is usually four weeks after the auction.

For properties in Scotland, Scottish law applies. The auctioneer is known as the judge of the roup, and the auction conditions are known as the articles of roup. Whether you are a buyer or a seller, it is important that you appoint a regulated solicitor.

For the seller

Choosing a professional auctioneer

When choosing an auctioneer to act for you in the sale, you may wish to appoint a member of a professional body such as RICS. RICS members must follow the RICS Rules of Conduct and are regulated by RICS. A non-regulated auctioneer may not adhere to these rules.

The auctioneer should be able to demonstrate a track record of acting to the highest professional and ethical standards, and have experience in selling your type of property. Look at what they have sold in the past and the prices achieved.

You will need to appoint a solicitor as soon as possible to prepare the legal pack, including the special conditions of sale. A good solicitor, who understands auction sales, can act within the auction timescales and engage with questions from interested bidders. This can have a positive effect on the price you receive.

Before the auction

If you want to sell a property at auction, first ask the auctioneer for advice about its saleability and what they would recommend as the guide and reserve.

Once you've decided on the type of auction sale, and when and where it is taking place, ask the auctioneer for details of their terms of appointment. You need to agree these before the auctioneer does anything.

Auctioneers have to follow a number of statutory regulations, including the Estate Agents Act 1979, which require them (among other matters) to disclose any personal interest in the property. 'Personal interest' is defined widely and includes any interest owned by a family member or any other relative.

The terms of appointment will include:

- the auctioneer's commission, if:
 - the property sells at auction
 - it's withdrawn or sold before the auction
 - it's sold after the auction by them, by you or by any other party.
- any extra charges for which you will be liable, and
- any charges that the auctioneer requires the buyer to pay in addition to the purchase price.



Ask the auctioneer to explain to you the procedures for the following:

- amendments to the reserve and guide figure
- putting up sale boards at the property
- inspections by potential buyers
- proxy, internet and telephone bidding procedures
- identifying the successful bidder, obtaining payment of the deposit and signing the memorandum of sale, and
- dealing with any unsold lots.

The terms of appointment will require you to provide the property's full information, including its legal title. Whether it comes from you or your solicitor, it is very important that this information is accurate and comprehensive.

Both you and your solicitor need to see the auctioneer's conditions of sale. Most auctioneers use RICS' Common Auction Conditions (CAC; now incorporated into RICS' Auctioneers selling real estate).

For the purposes of the money laundering regulations, you will need to provide, at the outset, identification documents for yourself and the owner of the property, if it is not you. Ask your solicitor to confirm to the auctioneer details of the legal owner and that you have authority to sell.

Auction particulars

The next step is preparing the auction particulars.

The auctioneer will want to make sure that any marketing information is accurate, comprehensive and not misleading. They will also want you and your solicitor to notify them as soon as possible if there is anything in the title deeds or pre-contract enquiries, or other matters that you may be aware of, that might have a bearing upon the bidder's decision to bid and the price that is paid. For instance, public health notices, local land charges, easements, arrears of rent or service charge, and ongoing negotiations or disputes.

During the marketing period, the auctioneer should keep you informed about the level of interest in your property and let you know if they get any prior offers.



Auction day

Subject to the money laundering regulations, the lot is sold when the hammer comes down, which signifies a binding contract (unless it is a conditional auction). The auctioneer completes the memorandum of sale and collects the deposit.

If the auctioneer is using the CAC, completion will be 20 business days after the auction, unless you specify a different timescale.

If the lot doesn't reach your reserve price, you need to know what the auctioneer's procedure is for dealing with unsold lots. Usually the auctioneer will seek to sell the lot at the reserve or higher, in accordance with the terms of appointment.



For the buyer

Buying at auction

The main advantages of buying at auction are:

- **Certainty, control and transparency:** as a buyer, you are in control, deciding when to bid and how high you wish to go. You buy the property at the price achieved in the open market in a transparent process, and if your bid is successful, then the property is yours on completion. The seller cannot withdraw.
- **It is possible to buy properties quickly:** if you are well organised, properly advised and have the requisite financial resources, on the fall of the hammer (or even sometimes prior to the auction) you can exchange contracts in a matter of days, subject to complying with the money laundering regulations.

Before the auction

You will need to know from the auctioneer the following:

- the type of auction
- the timing of the auction, and
- its venue, if it is a room auction.

Most auctioneers will provide a guide for bidders that sets out what to do next. Specifically, find out what the auctioneer's procedures are for the following:

- viewing the property
- obtaining the legal pack
- internet and telephone bidding and for lodging proxy bids with the auctioneer
- signing the memorandum of sale and other documentation if required

- insurance on the property from, and including, the auction day. Generally, insurance on the property is up to the buyer as soon as the hammer falls
- paying the deposit and any other charges made by the seller and auctioneer
- checking your ID for money laundering regulation purposes
- pre-registration procedures for bidding, and
- when completion of the sale is to take place.



On the fall of the hammer, you are entering into a binding legal contract. Therefore, you must have read and understood all information that the auctioneer is providing on behalf of the seller and their solicitor.

You will need a solicitor or other conveyancer to represent you on completion. Seek their advice before you bid.

The property particulars

As a potential buyer, your first step is to obtain the particulars of the property and information on the sale. These should be obtained from the auctioneer's website as it will have the most accurate and up-to-date information. Information on listing sites may be out of date and incomplete.

You should always view and measure the property you plan to bid on before auction. You should also view the physical condition and extent of the property, and meet the occupier (where possible), if you are buying an investment. You should also check boundaries, access and any right of way, etc. against the Land Registry title plan.

It's worth getting professional advice and both a valuation and an appropriate survey before you buy (see RICS Home surveys for further information).

The legal pack

As you are entering into a contract, you are advised to take legal advice, especially if you are a first-time buyer.

The seller's solicitor, whose contact details will be in the particulars, will provide a legal pack that contains the documents relating to the property. It is usually free to download from the auctioneer's website.

The legal pack sets out what you are buying and the terms you are buying under, and usually comprises:

- The conditions of sale that apply to the conduct of the auction and to the general terms of sale. Many auctioneers use the CAC.
- The special conditions of sale (SCS), which are provided by the seller's solicitor. The SCS relate to the property itself and give details of what you are buying.
- The memorandum of sale, which will be completed after the fall of the hammer, will usually have your name as the bidder, the name of the buyer if this is different from you, the solicitor acting for you at completion, the purchase price and the deposit paid.

- Other documents that may be in the legal pack include title deeds, local searches, replies to standard pre-contract enquiries and an Energy Performance Certificate (EPC).
- Auctioneers frequently refer to the addendum to which the sale is subject. The addendum is usually published by the auctioneer, and it will include any updates to the particulars and legal pack.

It is recommended practice for RICS auctioneers to state in the particulars, and/or the addendum, any buyer's premiums and other significant seller's costs that a buyer will pay on completion. See the frequently asked questions for more information.

You should be aware that the seller's solicitor may make changes to the legal pack, and you should keep in touch with the auctioneer and/or the seller's solicitor up until the property is offered. The auctioneer will publish these changes in an update, which is usually called an addendum.

Finally, you need to arrange finance – both for the exchange (normally a 10% deposit) and completion. If the auctioneer has adopted the RICS CAC, completion will be 20 business days after the auction, although it can be longer or shorter. Check the special conditions of sale.

If it is a conditional auction, you will usually have a longer period to arrange finance.



The run-up to the auction

You should contact the auctioneers or view their website and check that the property you wish to bid for has not been withdrawn or already sold, or if there are any last-minute changes to the addendum or guide figure.

To pre-register to bid, you will need to submit (and have approved by the auctioneers) ID for you as the bidder, and for the buyer if this is different from you (such as your company), and your source of funds. This must be in accordance with the auctioneer's procedures for pre-registration. Give yourself time to complete this stage; this is a legal requirement.

Also make sure you are aware of the auctioneer's procedures for the payment of the deposit and other charges, and for the completion of the memorandum of sale.

Auction day

Make sure you are aware of the auctioneer's procedures for pre-registration; bidding remotely by internet, telephone or proxy; completing the memorandum of sale; and payment of the deposit and any other charges.

You may be issued with a paddle as part of the pre-registration process.

If you are bidding by internet or telephone, make sure you have the latest addendum, if there is one. Don't wait until the last moment to bid. Due to technological constraints, there may be a delay between when the bid is called out by the auctioneer and when it appears on the bidding screen, particularly if you are watching or listening to the auction online.

If you are participating in a room auction, check the procedures with the auctioneer.

When the lot is sold

On the fall of the hammer, there is a binding contract and you are contractually bound to proceed with the purchase.

Check the exact procedures with the auctioneer if you are attending a room auction.

There is a relatively short period of time before completion is due, so it is advisable to contact your solicitor straight away. They will deal with the completion process.

When the lot is unsold

If a lot doesn't reach its reserve, the auctioneer says it hasn't been sold and doesn't bring down the hammer.

If this happens on the property you are interested in, make sure you contact the auctioneer immediately so you can find out about any post-auction sale.

The auctioneer must publish accurate results of the auction, and not include properties that did not sell or sold subject to conditions before completion has taken place.



Frequently asked questions

What is a guide?

Most properties are offered with a guide so a buyer can decide whether to pursue a possible purchase.

Due to the nature of auctions, it is not possible for auctioneers to say in advance what the final sale price will be after bidding ends. This is why most auctioneers prefer to have a guide that reflects the seller's minimum acceptable sale price. You should check how the auctioneer defines this.

If there is any change in the seller's minimum acceptable sale price after marketing has begun, the previously published guide may become misleading. In the lead-up to the auction, check for any changes announced by the auctioneer.

What is a reserve?

The reserve is the minimum price a seller will accept at the auction and the price below which the auctioneer cannot sell. The reserve can be fixed by the seller nearer the date of the auction in the light of interest shown during the marketing period.

Are there any additional charges payable on top of the purchase price?

Charges made by the seller

These may include a buyer's premium or charge to cover the seller's legal and surveying costs. They should be disclosed in the special conditions of sale from the seller's solicitor.

The sale may also be subject to VAT.

Charges made by the auctioneer

These may include a buyer's administration charge or a charge made for registering to bid in the room or online. The auctioneer will disclose them in the auctioneer's particulars and/or addendum.

In the case of conditional contracts, there may be other non-refundable payments or reservation fees if the contract does not complete.

How an RICS member can help

As the world's largest professional body for chartered surveyors, RICS offers clear, impartial, expert advice on the issues raised in this guide.

RICS members can help property owners in a variety of ways, so whether you want expert advice and a professional assessment of your issue, an opinion on costs, representation, or a professional to manage a project for you, visit [Find a Surveyor](#) to find a RICS member in your area.

Using the services of RICS members offers confidence because:

- they give you clear, impartial and expert advice
- they are regulated and have strict rules of conduct to protect you, as well as holding appropriate professional indemnity insurance
- they must update their skills and knowledge throughout their careers, so you can rely on their expertise
- you are further protected by RICS' complaints service and access to independent redress.

Look out for firms that are regulated by RICS. They are easy to spot as they use 'Regulated by RICS' on their stationery and promotional material.

Free RICS guides

RICS has a range of free guides available for the following property issues:

Development issues

- Compulsory purchase
- Home extensions

Home hazards

- Fire safety
- Dilapidations
- Flooding
- Subsidence

Neighbour issues

- Boundary disputes
- Party walls
- Right of light

Residential

- Buying a home
- Buying and selling art and antiques at auction
- Home surveys
- Letting a property
- Property auctions
- Renting a property
- Selling a home

Visit [our consumer guides website](https://www.rics.org/consumerguides) or the [RICS website](https://www.rics.org).

Further information

Visit our website

[Visit the RICS website](#) for more information on renting a home.

Consumer helplines

[Contact one of our regulated firms](#) for a 30-minute initial consultation.

Find a Surveyor

[Contact us](#) if you want to find independent, impartial advice from a qualified professional with good local knowledge.

Surveying firms that are regulated by RICS are easy to spot as they use 'Regulated by RICS' on their stationery and promotional material.

Delivering confidence

We are RICS. As a member-led chartered professional body working in the public interest, we uphold the highest technical and ethical standards.

We inspire professionalism, advance knowledge and support our members across global markets to make an effective contribution for the benefit of society. We independently regulate our members in the management of land, real estate, construction and infrastructure. Our work with others supports their professional practice and pioneers a natural and built environment that is sustainable, resilient and inclusive for all.

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