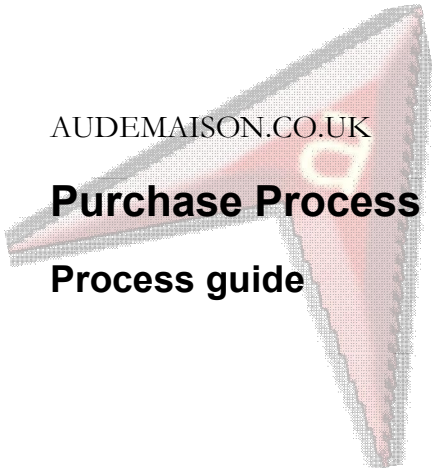
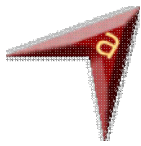


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Purchase Process in France

Process guide





BUYING A PROPERTY IN FRANCE

1. INTRODUCTION

So, you have decided to take the plunge and buy a property in France. This is the first step to a second home, holiday home, or rental property in France. Whatever your reasons for deciding to buy, this document will guide you through the legal process of purchasing property in France. It will assume you have obtained financial and legal advice, neither of which are offered by this document and which you are advised to obtain from a reputable source.

Most people in the UK, when they purchase a property, seek expert advice from many kinds of services. They have a survey and have damp surveys, check the roof, check building regulations, etc. The average Briton purchasing a property abroad will not do the same checks on a foreign property. It is advisable to have a basic survey done, unless you are reasonably comfortable that you know what you are doing. Buyers beware: there is rarely any way of reversing a purchase because you have discovered that the property is wringing with damp.

Similarly, do not hand over large sums of money to a developer or agent without having something to show for your money. Also, beware vendors and agents who insist on a part-cash purchase. This is for the sole purpose of avoiding Capital Gains Tax or Inheritance Tax and has gross repercussions if discovered. Check the sale price quoted on legal documents to ensure it matches what you think you are paying. If it does not, inform the Notaire immediately – because when you come to sell the property in the future, you will be liable for CGT for the part of the price you have paid in cash, if it does not appear on the official purchase price.

2. PRELIMINARY RESEARCH

Before you get too carried away with the dream property you have found, there are a few things you need to know, do and be sure about. If you repress your eagerness now and keep a level head, you will be doing everything in your power to make sure you chose the right place for you.

First things are first.

You might be buying a house in France for any number of reasons but you should not lose sight of the fact that this is your money you are spending and you need to take as much care over the purchase of a property in another country as you would if you were buying one in your own country. Prices might seem cheap, you might be drawn in by the chance to move to a warm, beautiful country, but still you should do your homework!

The best way to start this is to ask yourself some searching questions before you start: can you afford it, what will its purpose be, which areas do you like, what kind of building are you interested in, what are the minimum requirements (number of rooms, swimming pool, standards of repair and décor)? Make a list of your must haves and nice to haves. If you can think of any not in a million years then note these down too. This will help you when you search and view properties to narrow your search to the ones you are most

likely to be interested in. Particularly, you can save a lot of time doing this—if you are not able or willing to renovate a ruin; you can cancel this from your criteria and considerably limit your searching. There are many properties in France that require a considerable amount of renovation and usually structural work.

Do a search.

You don't need to be in France to look for properties. You can find out a great deal of information on France, its areas, regions and properties for sale from the internet. There are hundreds of Agents with web presences. You can find out about some of them, and national agencies, from the LINKS section on the website, audemaison.co.uk.

Estate Agents in France are regulated by the government and a central web site provides links to a large number of Agents across the country. Click on www.fnaim.fr to search for properties. This will help you to find parts of France into which you can narrow your searches. You should also visit the area several times, preferably at different times of year (an area can look really pretty in Spring and Summer but try it in Winter and it will be cold, drab, wet and unpleasant) to make sure you will enjoy it regardless of the weather or when local tourist conveniences and attractions have closed during the out of season period.

You should be aware that different parts of France have wildly different prices. Paris and some other parts of the country are much more expensive than some of the more rural areas. Alsace, the Riviera and parts of the Alps are also expensive. Other areas, such as those in the centre of the country, like Lot, for example, are relatively cheap.

While you are there, take a look at some towns, villages and houses and get a feel for what is available and what you like. Get some of the local Estate Agent brochures which detail what is on the market in the region and how much properties are worth. Bear in mind that you can't always tell what a property is like from the details. Use this research to ensure that you are realistic about what you can afford and what you can get for your money in your chosen areas.

Keep searching on the internet and get a feel for what is available. When you find some properties you want to view, make arrangements with the Estate Agents (some French language would be useful) and book a trip specifically to view properties. We would advise that you do not get drawn into viewing a range of properties with an Agent – sometimes they show you several properties you will not be interested in so you have a higher opinion of the one they are trying to sell you (which might not be the one you wanted to view anyway). Also, make sure you leave plenty of time between appointments with different Agents, especially in rural areas: there is nothing worse than rushing between Agents, being late for each appointment and having no time to eat or freshen up between appointments. Remember, it takes time to travel to house locations and back to the Agents in each case.

Do not allow yourself to be pushed by the Agent. If you do not see a property you like, or if the Agent tries to show you properties you are not interested in, tell them. In general, Agents in France are friendly and helpful although you should not rely solely on the advice they offer (sometimes you should have some background research on relevant regulations and requirements ready). If you view a property and you are really not interested in it, tell the Agent and move on. You will have a limited amount of time and the Agent will respect you more for being mindful of your requirements. However, ensure that you are being reasonable in dismissing a property – always ask yourself if you are being realistic about your requirements and what you will compromise on for the right place.

When you find a house you are interested in, stand back and think. Properties in some areas of the country sell very quickly but you should not be rushed by the Agent, your own enthusiasm or panic into making an offer you may regret later (the French system is not the same as in the UK). Be sure you are satisfied before you make an offer. If you see a property you like, take some time to think about it before you make an offer – this could be overnight or over a meal – and make sure you think about all of the pros and cons.

As mentioned above, there are a lot of properties in France that are in poor condition, mainly due to inheritance problems or simple neglect. This should not put you off buying a property for which you can see potential, but you should be sure of the work that is required and the likely costs involved. You must be aware of the risks and the outlay required – construction and building costs in France are comparable to the UK. Even if you are not taking out a loan or mortgage to purchase the place, you should consider a survey.

If you are thinking of buying a property in a rural location, ask yourself the following questions: how far is the nearest town with a shop, how far is the nearest building merchants, how often am I going to be able to get here to work on the house and maintain it, what local facilities are there to interest you in five years time? Also, if it is remote and you want to rent it out as a holiday let, will you find clients for this area?

From a cost perspective, the key things that you should consider when thinking about a property are:

- ✓ *drainage* (is it linked to a sewer system or does it have a septic tank – does this comply with latest regulations?);
- ✓ *electricity* (does it have a power supply, what is the rating of the supply – a low rating means you will need to upgrade it – is the supply actually connected – reconnection of supplies can be a headache with latest regulations?);
- ✓ *roof* (does it need a new roof – this can be a major outlay if it does and may take some time before you can find a suitable builder for the work?);
- ✓ *structure* (is the structure of the house sound – if it is built from *masse* or some other materials you should get this properly checked out and if it is made of stone, does it have really major cracks that might need to be dealt with?)

When you view the properties bear in mind the list of criteria you created in the first place and mentally check them off against each property. You might not get a complete match, but you should know whether you are prepared to compromise for the right property. This will also keep you focused on the reasons you are doing this anyway.

Hopefully, you will find the right property (do not be disappointed or concerned if this takes several trips or many viewings).

3. THE PURCHASE PROCESS

The verbal offer

The first thing you should do once you have decided to buy a property is to make a verbal offer via the Agent. In France, Agents have a legal obligation to put an offer to the vendor. In the first instance, this is usually a verbal offer which is accepted or declined. The Agent can offer some advice, sometimes it is useful and it is worth assessing the value of the advice your Agent offers.

Written offer: Offre d'Achat

Once the verbal offer has been accepted the Agent draws up a document called the *Offre d'Achat*. This forms the written offer and the Agent will send it to you to complete and sign. The *Offre* gives details of the offered price, the Agent's commission, the description of the property and location. This is a legal document and you should read the details it contains fully. You need to provide your full name(s), address(es) and occupation(s). The form also asks whether or not the Notaire will have to wait for funds from a mortgage or other lender or whether the purchase is cash only. It is important to get this right as an unplanned delay later could jeopardise the purchase. This form should be returned to the Agent who will get the signatures of the vendors.

Beware when an Estate Agent or a vendor comes back to you and asks you to agree a cash proportion for a purchase. The official figure (marked on the *Offre* and given to the Notaire) is the price minus the 'cash proportion'. This limits the Capital Gains Tax of the vendors to that amount. This will also be the official purchase price you paid for the property; meaning when you sell the property in the future you are liable for the CGT of the cash proportion as well as the additional value of the property since your purchase. The practice is illegal in France and both parties and the Agent are liable to prosecution if it is discovered.

When you provide the *Offre* document is also a good time to prepare and send copies of identification documents required by the Notaire and Agent. You can ask the Agent what they will need (usually it is a passport, sometimes also a birth certificate). By preparing the documents at this stage and sending them to the Agent delays to the purchase can be minimised later. The Agent (if they are efficient) is likely to ask you for this at this stage in any case.

The *Offre* will be signed by the vendors creating a binding agreement to purchase and sell the property at the stated price. This does not yet form a contractual bind, simply an agreement to buy/sell at the price of the offer without a third party intervention. Once all the signatures are present, the Notaire is appointed.

This is a good stage at which to think about opening a French bank account (if you have not already) into which to transfer money to pay the fees, deposit and eventual cost. The earlier you do this, the greater the opportunity you have to maximise the benefit of currency fluctuations. The French use cheques everywhere! In the UK, cheques have really died out these days, replaced by plastic money. But in France, they still labour over the scribbling of a cheque counterfoil. Without a cheque book and FRENCH credit card (*carte bleu*) you will be lost in France.

Remember, UK banks charge fees for foreign transfers on top of the spread and/or commission they charge. Transfers can also take a week or more for some UK banks to effect. You might find it beneficial to consider a bank account in the UK that will allow you to make foreign transfers, pay in foreign currency, etc, without charging commission and providing a competitive exchange rate. The only bank known to offer this, as standard, is Nationwide. Finding the cheapest way to transfer money into a foreign account will be essential while you own a property abroad. It is particularly important to find the cheapest way to transfer money when purchasing your property as the sums transferred are much higher than normal and any fluctuations in the exchange rate and charges are likely to have a considerable effect on the actual amount you pay for your house.

Official agreement to buy: Compromis de vende

The next stage is the *Compromis de vende*. This is when the Notaire has drawn up the documents of sale and both parties formally agree to the sale. You will need to provide a 10% non-refundable deposit at this stage. From this moment, if either party pulls out without a valid reason, they will lose the deposit, which will be awarded to the other party. Reasons for pulling out include search results, survey results and unnecessary extended delays to completion. It is also worth paying a visit to the property immediately before you complete the sale because unclaimed damage could be another legitimate reason for withdrawing from the sale or seeking compensation to continue. You are now both committed to the transfer.

The appointed Notaire will usually act for both parties; there is no need in France to have separate solicitors as the Notaire acts for the government to ensure the transfer happens in accordance with French law. It is the purchaser's responsibility to pay the fees of the Notaire, which can add up to 10 to 15% to the purchase price (this will not usually be included in the advertised price of the Agent; it is an additional cost unless the Agent specifically includes it in the advertised price). If the property is the subject of a complicated inheritance or a divorce, where there are several vendors involved, a Notaire can be appointed by each party. In this case, the purchaser fronts 50% of their fees.

Remember: if you have not followed the advice outlined above and have agreed to a partial cash purchase, this will not be notified to the Notaire. It will need to be paid prior to the completion through the Agent and it is usually considered a bad idea to ask the Notaire why the cash element is not included in the official purchase price as he/she will be obliged to report you to the gendarmerie!

Other things to do at this stage

While the Notaire is busy doing searches, checking deeds and drawing up the legal contract, you will need to arrange for building insurance. This is much cheaper in France than it is in the UK and there are a number of market leading competitors available. The Agent may be able to help with this but you should check the information he/she provides to the insurers as the calculation of premiums is based on the number of principal rooms; the definition of principal room is different for an insurer than that used by an Agent and if you get this wrong, it can be costly. For example, an Agent will probably consider an uninhabitable cellar a 'room'; this may not be used in the definition required by the Insurer. Also, be aware that rooms requiring considerable renovation are not deemed to be inhabitable by an Insurer, and that you can include insurance premiums during major building works or renovations, which will cover your liabilities to your neighbours, the public and your contractors.

Completion of purchase

Completion usually takes place at the office of the (principle) Notaire during a formal meeting of both parties and the Agent. The Notaire will run through the formal procedures, reading the whole of the contract of purchase and checking all relevant documentation, search results, deeds, etc., to ensure that everything is in order and that both parties understand what they mean. The Notaire will check to ensure that the purchasers have provided buildings insurance for the property, including public liability indemnity. This is the time to ask the Notaire any tricky legal questions you may have, (with the express exception of the one noted above about the purchase price.) For instance, you may have a question about the ownership of a piece of land adjacent to your property, or about the rights of access to your property or over its land.

The whole completion ‘ceremony’ usually takes about an hour, dependent on the number of people involved and the complexities of the transaction. You can ask the Agent to act on your behalf as a proxy; however, it is usually worthwhile going to the event yourself. At the end of the ceremony, you will receive a confirmation of the purchase, which you will need to prove you own the property if the neighbours question your presence or call the officials because someone is doing some work to a house they think is owned still by the Vendors. It is worthwhile keeping this receipt until you are established within the property. You should also get the keys to the property at the end of the official proceedings.

Deeds

The deeds will be kept at the office of the Notaire, who will register the exchange with the Land Registry. The Notaire will usually offer a copy of the deeds and registration to the purchaser once the paperwork is completed (this can take a very long time—even years).

Congratulations, you now own a French house!