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## **Generous parents at risk from Christmas house deposit gifts warns Law Society**

The end of the stamp duty holiday on 1 January 2010 means thousands of first time buyers are climbing on the property ladder now to avoid charges, but with deposits hovering in the 25 per cent range, more consumers are turning to the bank of mum and dad for financial assistance.

The Law Society says parents should seek advice from a solicitor before handing over tens of thousands of pounds in a bid to get adult children set up in their first home.

Consumers must consider the legal aspects of such large loans, which can be upwards of £50,000 thanks to today's stricter mortgages, and ensure their interests are protected. Now that 100% mortgages are a distant memory, deposits can be as steep as 40 per cent; out of reach for many people who want to buy their first home.

Research\* shows that almost eight out of 10 first-time buyers in London are being forced to ask their parents to step in and help with finance for deposits as loan options disappear.

Law Society President Robert Heslett says:

“The imminent end of the stamp duty holiday means many people buy their homes now, and despite the fact that house prices have fallen over the past year, first time buyers can still face an average house price of around £250,000. If parents are helping their children, they should see a solicitor before hand in order to draw up a loan agreement.

It is very important that all parties involved are comfortable with the arrangement and that everyone knows where they stand with regards to paying back the money. While it's unlikely your children will run off with your savings, handing over a large amount with no legal structure in place is a minefield. This would be the ultimate Christmas present for many, but it could also tear families apart if things went wrong.”

Before handing over your life savings it is crucial to obtain expert legal advice in order to avoid potential problems and to protect your best interests at every step. A solicitor will also talk through all options available, and provide alternatives, such as parents acting as loan guarantors or entering into a joint ownership agreement.

Solicitors are trained experts and are highly experienced in navigating the maze of paper work and dealings with house purchases. Not only will a solicitor offer the best advice and service, they will help to avoid some unforeseen hazards that may occur

down the line.

## Notes

Stamp Duty is a percentage paid on the purchase of a home or non-residential property, graded into bands, which start at £125,000. From September 2008 until the end of 2009, properties worth up to £175,000 have been exempt from the charge.

\*Estate agent Douglas & Gordon revealed figures in January 2009 showing 78 per cent of its first-time buyers received financial help from their parents in November and December last year, compared with 35 per cent in the same period of 2007.