

SEO Article

Gazumping and Gazundering – How to Protect Yourself

Selling your home can be a tricky and complicated affair. Not surprising, as there are at least three parties involved in a sale. The seller of the property (you), the buyer, and your estate agent. In the 1980s and 1990s some dodgy practices reared their ugly heads (and they seem to be here to stay), which made selling a property even more tricky. These questionable methods are called Gazumping and Gazundering. Huh? Sounds like Santa found two new reindeer.

What exactly are these strange-named connivances and how can sellers and buyers protect themselves?

Gazumping

Gazumping is the word used when a seller accepts an offer from a prospective buyer and then later accepts a higher offer from a different buyer. This leaves the first buyer in an awkward position – does he now offer a higher price, or walk away from the deal?

More often than not, gazumping happens when there are more buyers than properties for sale. The problem is that a sale agreement doesn't become legally binding until contracts have been exchanged. Up until that point, either party can pull out of the deal at any time.

It's also very unfortunate that agents are legally obliged to inform sellers of all offers made on their property even after an offer has been accepted. Wow! That sounds crazy, too, no?

Tips for buyers to help them avoid gazumping

- ~ Try to speed up the sale – the quicker this happens, the less time and opportunity the seller has to accept a higher offer and ruin your chances
- ~ Check if a seller's agent has a policy against gazumping
- ~ Stay in regular contact with the seller and the seller's agent so they can see you're keen and actively involved – hopefully they'll be less likely to entertain any other offers
- ~ Negotiate a pre-contract deposit with the seller. In this event, you and the seller pay a deposit, held by the estate agent, equal to a percentage of the purchase price. You also agree on a date when contracts will be exchanged. If one side pulls out before the exchange, then the other will be entitled to both deposits. This doesn't mean someone won't pull out of the deal, but if they do, they'll lose money. This type of agreement reduces your risk and, if you end up being gazumped, at least you'll receive some compensation
- ~ Sign an exclusivity agreement with the seller. In this case, you get exclusive rights to the house as long as contracts are exchanged within an agreed period
- ~ When you've made an offer and it's been accepted, insist that the seller takes the property off the market

~ If, at the end of the day, you get gazumped, ask the agent or seller to contact you if the new buyer pulls out of the deal (or just swear loudly, slam the phone down and never contact them again!)

Gazundering

Gazundering is the opposite of gazumping. It's the word used when a buyer reduces his price after his original offer has been accepted (how awful!). This is usually done before the exchange of contracts, because until then a sale agreement is not legally binding.

Gazundering is tough on the seller because if he rejects the lower offer, the whole chain could collapse.

Gazundering occurs mainly in a depressed property market, where there are more sellers than buyers. (Oh, and if you thought it couldn't get any uglier, the buyer usually threatens to withdraw completely if the seller doesn't agree to his lower price.)

Tips for sellers to help them avoid gazundering

~ Speed up the sale because the faster it goes through the less time there is for the buyer to re-consider their offer

~ Negotiate a pre-contract deposit where both parties pay a percentage of the purchase price and agree a date when contracts are to be exchanged. If one side pulls out, the other takes both deposits

~ Ensure that your asking price is realistic because the longer your property takes to sell the more likely a gazunderer (Hey, I just made 'gazundering' into a noun) will step in and make a lower offer than previously agreed

~ Be upfront about any defects in your property, so that your buyer has no legitimate reasons for lowering their offer