

A SIMPLE EXAMPLE!!!

This is a worked example of a Deed of Trust incorporating a living together agreement.

The example is based on a scenario of 3 people all in employment who by themselves are unable to get onto the property ladder.

Hayley, Gemma and **Rachel** are 3 friends. They have decided to group together to purchase a reasonable sized property. They have all had enough of living in rented property! They have different contributions to make towards the purchase price of the property being: **Gemma £5,000, Hayley £10,000 and Rachel £3,000.**

They want to protect these individual contributions, but have agreed that any increase or decrease in the value of the property will be shared equally. They will be having a mortgage with the Abbey National.

In addition to the standard Deed of Trust clauses there are a number of additional clauses that could be added to govern how bills etc are paid, which can even include expenses like the telephone, satellite/cable TV and any internet service.

In this scenario we have selected an additional clause to equally pay the home insurance premiums and utility bills. There is even a clause governing how many days visitors can stay - often a source of conflict where people live together!



The Deed really becomes important when one of the owners wants to **sell up**, or the others decide that they wish to go their various ways.

If Gemma decides that she wants to go and buy a house with her boyfriend then she will just give a written note to Hayley and Rachel

stating that they have six weeks to respond to Gemma stating whether they wish to purchase her share. In practice Hayley and Rachel will probably take financial advice and either approach the Abbey National for a further advance of mortgage funds or approach a new lender for a remortgage which would include sufficient funds to pay off the Abbey and also buy out Gemma's share.

Gemma had originally put in £5000. We have assumed that the property has gone up £3000 in value since they had bought it, then they would have a nominal increase of £1000 each (in this example that they have agreed to split the increases equally).

Gemma will therefore be entitled to be paid **£6000** by the remaining two. This is her original **£5000** deposit plus her **£1000** share of the increase in value.

If they cannot agree the value of the property then the Deed allows for a **Chartered Surveyor** to make a decision as to its value which would be binding on them.

As an alternative it may well be that Rachel has a friend, **Sarah**, who would like move in and to join in the ownership of the property. She could either apply to the Abbey to be added to the original mortgage or she could join in with Rachel and Hayley in a remortgage. In either option she would obviously have to pay Gemma's £6000.

Alternatively, if no one could be found to replace Gemma, or if Hayley and Rachel cannot get the funds to buy out Gemma then the property would be **sold** and, after the expenses of sale they would get their original contributions back together with a third share in the increase and would be free to go and buy other property either alone or with their buddies!

It is not only friends who can get together using this Deed – some lenders allow the **parents income** to be taken into consideration and allow them to become co owners!

