

# First Time Buyer

## Glossary of Terms

### Deposit

The amount of money you pay upfront towards the purchase price of your home. This is usually **5–20% of the price** and comes from your own savings (not the mortgage).

*Why this matters:* the larger your deposit, the less you need to borrow, which can improve your mortgage options and interest rate.

#### Important clarification

Lawyers sometimes use the word deposit in a more specific legal sense. On exchange of contracts, this usually means the **10% security deposit** paid to the seller as proof that you are committed to the purchase. This is different from the **overall deposit or equity** you have in the property, which may be more or less than 10% depending on your mortgage and funds.

In practice, the money paid on exchange normally forms part of the funds you are already contributing towards the purchase price, it is not an extra payment.

---

### Mortgage

A loan from a bank or mortgage lender that helps you buy your home. You repay it in **monthly instalments** over an agreed number of years.

A mortgage is **secured against the property**. This means the property itself is used as security for the loan. If the mortgage is not repaid, the lender has the right (as a last resort) to sell the property to recover the money owed.

#### Each monthly payment usually covers:

- Interest (the cost of borrowing), and
- Capital (repaying the loan itself).

#### Legal terminology you may see

In legal documents, you (the buyer/borrower) are sometimes called the **mortgagor** because you are granting the mortgage (the security) over the property. The lender is called the **mortgagee**, because they are receiving that security.

You do not need to use these terms yourself, but you may see them in mortgage deeds or legal paperwork.

## LTV (Loan-to-Value)

The percentage of the property's value that you are **borrowing as a mortgage**, compared to the price (or valuation) of the property.

For example, if you buy a £300,000 home with a £240,000 mortgage, your LTV is **80%**.

*Why this matters:* a lower LTV (meaning a larger deposit) usually gives you access to **better mortgage interest rates** and more lender options.

---

## Stamp Duty Land Tax (SDLT)

A tax paid to HMRC when you buy a property in **England or Northern Ireland**. It is calculated based on the **purchase price** and is payable shortly after **completion** (not on exchange).

### First-time buyer relief

If you, and anyone you are buying with, have **never owned a property before**, you may qualify for SDLT relief on a residential purchase. Under the current rules, where the purchase price is **£500,000 or less**, you will pay:

- **0% on the first £300,000**, and
- **5% on the portion from £300,001 to £500,000**.

If the purchase price is **more than £500,000**, first-time buyer relief does not apply and SDLT is charged at the **standard rates on the full purchase price**.

### Important points to know

- SDLT is worked out in **bands**, meaning you only pay the higher rate on the part of the price within that band.
- SDLT is paid on **completion**, and your solicitor normally files the return and pays it on your behalf using the funds you provide.
- Different rules apply in **Scotland (LBTT)** and **Wales (LTT)**

---

## Agreement in Principle (AIP) or Decision in Principle (DIP)

An initial indication from a mortgage lender of **how much they may be willing to lend you**, based on the financial information you provide (such as income, outgoings and credit history).

An AIP/DIP is **not a formal mortgage offer** and does not guarantee that the lender will lend this amount. The final decision is made later, once the lender has carried out full checks and valued the property.

*Why this matters:* an AIP/DIP helps you understand your budget and shows sellers and estate agents that you are a serious buyer.

## Exchange of Contracts

The stage where the buyer's and seller's solicitors formally exchange signed contracts. From this point, the sale becomes **legally binding** on both sides.

After exchange:

- Neither party can walk away without serious financial consequences.
- The **completion date is fixed**.
- The buyer usually pays a **deposit (often 10%)**, which is at risk if they do not complete.
- The buyer normally becomes **responsible for insuring the property** from this point.

Before exchange, either the buyer or seller can withdraw without legal penalty (although costs such as surveys and legal fees may already have been incurred). For more information about Exchange of Contracts; head to: [Exchange Of Contracts Explained - HomeOwners Alliance](#)

---

## Completion Date

The day the purchase is finalised and **legal ownership transfers** from the seller to you. On this day, the purchase money is paid, the transaction is completed at the Land Registry, and you can **collect the keys and move in**.

The completion date is usually **agreed and fixed at exchange of contracts**. From this day, you become responsible for the property, including insurance, council tax and utilities.

---

## Conveyancing

The legal process involved in **buying or selling a property** in England and Wales. It includes carrying out searches, checking the legal title, dealing with contracts, handling mortgage requirements, and transferring ownership to the buyer on completion.

Your conveyancer (a solicitor or licensed conveyancer) manages this process and ensures the purchase is **legally valid and properly registered** in your name.

---

## Tenure (Freehold / Leasehold)

Tenure describes **how you own a property**; either outright, or for a fixed period of time.

- **Freehold** means you own both the **property and the land it stands on** outright, with no time limit.
- **Leasehold** means you own the property for a **fixed number of years** under a lease, but **do not own the land** it sits on. When the lease expires, ownership returns to the freeholder unless the lease is extended.

*Why this matters:* leasehold properties can involve **ground rent, service charges, and restrictions**, so your conveyancer will check these carefully before you exchange contracts.

## Gifted Deposit

Money given to you (most commonly by parents or close family) to help fund your deposit, with **no requirement to repay it** and no ongoing interest in the property.

Lenders and solicitors will usually require the person giving the gift to **confirm in writing** that the money is an unconditional gift, not a loan, and that they will have **no ownership rights** over the property.

*Why this matters:* gifted deposits are allowed by most lenders, but they must be fully disclosed and properly documented as part of the conveyancing and mortgage process.

---

## Lifetime ISA (LISA)

A type of savings account designed to help people **buy their first home** (or save for later life). The government adds a **25% bonus** to what you save, up to **£1,000 per year**.

You can usually use a LISA towards your first home if:

- you have never owned a property before,
- the property costs **£450,000 or less**, and
- you have held the LISA for **at least 12 months** before buying.

*Why this matters:* the government bonus can significantly boost your deposit, but there are strict rules, and withdrawing the money for another purpose usually results in a penalty.

---

## Searches

Checks carried out by your conveyancer to identify **legal, planning and environmental issues** that might affect the property or your use of it.

The main searches usually include:

- **Local authority searches** – covering planning permission, building regulations, road adoption and local land charges.
- **Water and drainage searches** – confirming whether the property is connected to mains water and sewers, and where drains are located.
- **Environmental searches** – identifying risks such as flooding, contaminated land or previous industrial use.

*Why this matters:* searches reveal issues that are not visible when you view a property and can affect its value, mortgageability, or future use. Most mortgage lenders require them before exchange of contracts.

## Survey

A professional inspection of the **physical condition** of a property, carried out by a qualified surveyor.

A survey looks for issues such as structural movement, damp, roof problems, or repairs that may be needed. It is **separate from a mortgage valuation**, which is carried out for the lender and does not assess the property in detail for you.

*Why this matters:* a survey helps you understand the true condition of the property before you commit, and may influence whether you proceed, renegotiate the price, or budget for repairs.

---

## Tax and Disbursements

Costs that are paid to third parties, rather than to your solicitor, as part of the conveyancing process.

Common examples include:

- **Stamp Duty Land Tax (SDLT)** paid to HMRC (if applicable),
- **HM Land Registry (HMLR) fees**, such as registration fees and title searches, and
- **VAT** charged on your solicitor's legal fees (where applicable).

These amounts are usually passed on **at cost**, meaning your solicitor does not add a mark-up.

*Why this matters:* tax and disbursements are compulsory external costs that sit **separately from legal fees** and form part of your overall moving budget.

---

# Conveyancing explained.

Questions? We're here to help:

tel 0800 987 8156 | email [enquiries@kewlaw.co.uk](mailto:enquiries@kewlaw.co.uk) | [www.kewlaw.co.uk](http://www.kewlaw.co.uk)

*\*Information correct as of April 2026, please contact us if you have additional queries.*