



Property sourcing



What makes a good property sourcer?

A property sourcer should be someone with a good understanding of the property market who will research a variety of properties available to investors to buy and rent out to increase their monthly income or sell on for profit.

A professional property sourcer will know that under s1 of the Estate Agents Act 1979 they will be considered an estate agent if they do estate agency work as they are effectively buying a property for their client.

For a full definition, see [What estate agency work is \(bristol.gov.uk\)](http://bristol.gov.uk)

What is a 'good understanding'?

- Numbers and figures – where are they coming from?
- Why would a property be priced at below market value?
- Understands the needs of the person they are representing
- Knowing how the regulations apply to what you do as a specific activity, which include a good understanding of consumer law

Some investors will not purchase the property outright but look for the agent to source rent-to-rent deals. You can see our 'Rent to rent' guides, on the pros and cons of this model, in our resource sections at <https://www.theprs.co.uk>

Refurbishment of the property may be arranged by the sourcer or the investor themselves.

The benefits of a good property sourcer is their understanding of the properties on offer at below market value. They save investors time and introduce new investors into the market. They are in effect the middleman between investor and seller.

A good property sourcer will analyse potential deals based on:

- the investor's risk appetite
- yield
- payback period
- return on investment
- return on capital employed

Professional property sourcers must also:

- be registered for AML supervision
- have professional indemnity insurance, to cover the appropriate level of risk for any mistakes they make that result in client financial or reputational loss
- be a member of one of the Government authorised redress schemes which provide dispute resolution as an alternative to court and improves industry standards*
- be registered with the Information Commissioners Office to comply with data protection rules as they handle personal information as well as their own privacy policy and GDPR statement for those whose data they are handling
- have client money protection, if handling money, and have a separate client account**

* Who must join a redress scheme see <https://www.theprs.co.uk/propertyagent/why-join>

** Who must have client money protection
<https://www.gov.uk/client-money-protection-scheme-property-agents>

What is a sourcing fee?

This fee is usually for the agent's work to research, negotiate and complete the deal with the investor (in line with the investor's requirements). The agent negotiates on the investor's behalf and then completes the transaction for a fee.

All fees must be transparent and clearly visible with nothing hidden. The consumer should be made aware of all fees (including VAT) before consenting and signing any contract.

What fees can be involved?

- Holding deposit: payable at the start to take the property, that the investor wishes to buy, off the market. This is often deducted from the completion fee that the sourcer charges if the investor continues with the purchase of the property. Terms and conditions should be fully understood
- Completion fee: will be charged when the investor continues with the purchase of the property and is usually a percentage of the purchase price
- Other fees: some sourcers will also charge for things like viewings, renovation project management and other activities

The fee is sometimes referred to as a 'reservation fee'

Is a deposit, or retainer, different to a sourcing fee?

Yes. A deposit is the sourcing company's way of guaranteeing some certainty that the buyer is going to go ahead with the project. This not only to protects themselves but allows them to pass that certainty on to the seller, with some confidence. It is important to understand how the deposit will be treated and what conditions will apply if you pull out relating to any refund or the seller pulls out. A deposit is typically around £500 and may be up to £1500.

When are fees due to be paid?

This will depend on the property deal requirements.

- If looking to buy a property off-plan, a deposit is payable when the offer is made and the sales process starts
- Where a property is being refurbished, the deposit may only be payable at the point of exchange as opposed to when the buyer puts their offer in
- Taking the property off the market may require the buyer to pay the deposit so that due diligence, which takes time, can be carried out

Is it reasonable for an agent to keep the fee?

- **Yes**, if a buyer pulls out of the contract for no good reason and:
 - the agent has delivered the contracted service and
 - the terms proposed were reasonable and
 - the amount being retained by the agent minimises the loss to the buyer but covers all reasonable costs

- there are no circumstances that make the deal unfair, under consumer law
- **Yes**, if the original deal does not materialise and
 - the buyer is presented with an alternative deal, in a reasonable time, and it meets the original requirements which the original fee covers

Our general approach is that a fee should only be retained if the deal is completed.

However, where some costs have been incurred it may only be reasonable to withhold part of the fee when a deal could not be completed, depending on the circumstances. All cases are investigated on an individual basis and decisions will depend on the evidence provided.

What are the most common complaints?

The sourcing company:

- made promises, took the fee, and did not provide the service
- did not provide the property that was asked for
- could not provide the required property
- the property was mis-sold because:
 - the return advertised was unrealistic or inaccurate
 - it was advertised as having no restrictions,
 - it was presented as labelled for a specified use
- relied on the contract clause saying the deposit was non-refundable

What are the most common awards?

- Sourcing fee refund
- Compensation for distress and inconvenience
- Repayment of other fees charged

What does the agreement say and who is it between?

Understanding the relationship between the parties is key, and whether the complaint has been made against the right entity are the first steps?

A written agreement is best practice to make sure all responsibilities, conditions and fees are clear for both parties and should always be reasonable and fair.

Common practice is that agreements:

- are usually between the sourcer and the investor; may be on behalf of both parties and this must be fully disclosed
- give information on how the agent will source property investment opportunities and offer an appraisal of the investment, using their own market experts
- require the investor to sign and pay a fixed payment for each deal. In return, the sourcer will provide the investor with details of potential property investment opportunities
- will usually hold the investor responsible for doing their own due diligence

- say that they are not responsible for incorrect information (but are responsible for material information)
 - Reference to misleading actions and omissions can be found in [The Consumer Protection from Unfair Trading Regulations 2008](#)) and [Material Information - National Trading Standards](#)
- say that they are not responsible if the investor makes a loss on the investment
- sometimes refers to the funds, once they have been paid, and in what circumstances they may be refundable

Just because the contract includes some, or all, of the above, does not mean these are reasonable or binding terms in all circumstances. The sourcer is always responsible for the information they provide to investors and the material information they provide. It is fundamentally unfair for a consumer contract to make a financial payment non-refundable in any circumstances.

What can we deal with and what is outside our authority?

We will consider **all** of the following:

- no cooling off period
- unfair terms e.g. non-refundable fee
- all allegations of mis-selling
- timescales

We are unable to look at anything relating to responsibilities of third parties.

The exception is that if the sourcing fee was paid to the sourcer, we could look to hold the sourcer responsible for the refund of the fee and then the sourcer is responsible for recovering this from a third party if they have transferred all or part of this fee to another party.

What rules/laws can we rely on?

- Contract law
- Estate Agency Act 1979
- Consumer protection law, including cooling off periods

Where else could you find help?

- Legal advice
- NAPSA or similar trade body <https://napsa.org.uk/>
- Trading Standards (NTSELAT or local trading standards via Citizens Advice)
- Our own guide to 'Other places for help and advice' in the resource sections at <https://www.theprs.co.uk>

For more information on specific areas of complaint and case studies, please visit our website's resources section.

 www.theprs.co.uk

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