



# JARGON BUSTER

150 of the most common property phrases & lingo



**CHRIS BROWNE**

## Welcome to our new book!

Getting started in property can be daunting, so many new words, lots of confusing acronyms, it can almost feel like a whole new language!

So, we want to help you. We don't want anyone to feel lost in property – so we've created our very own Property Wikipedia. We like to keep things as simple as possible. Property investing and being a landlord should be profitable, at times exciting and always, easily understood. So, we've put together a list of property related terms and phrases, and then explained them in plain English.

Even for the most geeky of experienced property investor there will be something new to learn in here.

So get the kettle on, put your feet up & let Horizon Lets take the stress out of the unknown.

If you want to learn more about how we can help with property investments, drop us a message [hello@horizonlets.com](mailto:hello@horizonlets.com)

Happy reading!

# A

---

## Absent Landlord

A landlord described as 'absent' is one who cannot be contacted.

## Abstract of Title

A legal document prepared by the vendor's solicitor relating to land not registered with Land Registry, proving the vendor owns the land and any previous mortgages have been discharged.

## Acquisition Date

The date the Property Management company took over legal responsibility of running of the property.

## Agreement in Principle (AIP)

A document given by a lender that gives an indication of whether they would be willing to give you a mortgage and how much for. Even if an Agreement in Principle has been given you will still need to go through a full mortgage application, which could still be declined based on personal circumstance.

## Annual Equivalent Rate (AER)

A notional rate that is often quoted on interest paid on savings and investments. It aims to demonstrate what your interest return would be if the interest was compounded and paid annually instead of monthly (or any other period).

## Annual Percentage Rate (APR)

APR is a figure used to compare different mortgages. Defined by law, repayments, booking, arrangement or redemption fees. The APR shows the cost of borrowing and will be displayed on all mortgage documents.

## Annuities

A mortgage that includes repayments of both capital and interest in the monthly instalments.

## Applicant

The name given to a potential purchaser or tenant.

## Apportionment

If you own an apartment in a managed block, apportionment is how the service charges for the whole of the building are divided. Your proportion of the service charges should normally be set out in your lease.

## Appraisal Value

The property value as estimated by a surveyor.

## Appreciation

Increase in property value as a result of market changes.

## ARLA

Association of Residential Letting Agents: an association set up to maintain the operating standards of its members. Membership requires letting agents to have professional indemnity insurance, prove their competency and provide annual proof, via their accountants, of their banking and accounting procedures.

## Arrangement Fee

This is a charge to cover the costs of administering and reserving the funds for certain types of mortgage. May be paid separately or added to the loan amount.

## Assured Shorthold Tenancy (AST)

AST is the most common form of tenancy. A tenancy can only be an AST if you are a private landlord or housing association.

## Auction

A means of selling a property by listing at an auction. If a property does not reach the reserve price then it is not sold. If it does, then that represents an exchange of contracts and the successful bidder is legally obliged to pay a 10% deposit and sign a memorandum of sale before leaving the auction. Completion usually takes places 28 days later and the buyer is not in a position to re-negotiate any of the stipulated terms and buys the property "as seen". Structural surveys and searches would have to be made in advance by a bidder.

# B

---

## **Basic Rate Mortgage**

This refers to the standard interest rate used.

## **BMV Property**

These are properties marketed as available for sale at a price below their true Open Market Value (OMV). This is usually because the owners of such property need to sell their property very quickly. This term is used heavily in property selling as a marketing tactic to appeal to investors pre-occupied with looking for "a deal". Care should be taken with thorough due diligence to ensure the figures quoted as OMV and the BMV value are accurate – especially as these values are hard to quantify reliably.

## **Breach**

A breach of contract is a failure to perform a promise or condition that forms part of the contract between the buyer, renter and seller.

## **Bridging Loan**

A short-term loan that is used to cover the overlap between the purchase of a new property and the sale of an old one.

## **Build to Rent (BTR)**

This is a term used to describe new build privately rented residential property; which from its construction was designed from for rent rather than for sale. These developments are typically owned by companies (such as large property companies or pension / insurance investment companies). Also written as B2R, this is an emerging and fast-growing market in the United Kingdom.

## **Building Survey**

This type of survey does not typically include a valuation of the property. It is designed to provide a full assessment of the construction of the building and its current state of repair.

## **Buildings Insurance**

An insurance policy that pays the cost of repair or rebuild in the event of your property being destroyed or damaged. This needs to be purchased before completion of your new property.

## **Buy-to-let Mortgage**

A type of mortgage specifically for those purchasing a property with the intention of letting the property.

# C

## Capital

An amount of money either put into buying a property or the deposit placed on a property.

## Capital Appreciation

Growth in the value of a property over time.

## Capital Gains Tax

A tax on profits above a fixed level made from the sale of financial assets such as property or shares.

## Capped-Rate Mortgage

A mortgage that sets a maximum rate on interest that a lender can charge for a specified period.

## Chain

Where a buyer is reliant on the completion of sale of their current property before they can complete on a purchase of a new property.

## Claim notice – Section 79

This refers to a claim to acquire the right to manage any premises, made by giving notice of the claim and the relevant date (the date on which notice of the claim is given).

## Collective Enfranchisement

This enables leaseholders to buy their freehold conditional upon fulfilling certain qualifications. This can also include right of first refusal if the Landlord decides to sell his freehold interest.

## Commonhold and Leasehold Reform Act 2002

This Act of Parliament makes provision about commonhold land and amends the law about leasehold property. Part of the Act makes provision for leaseholders to assume the responsibility for the running of their building. It also ensures the reasonableness of service charges.

## Competent Landlord

In the context of Lease extensions and freehold purchase, a competent landlord is the person who, in relation to the relevant tenancy, has sufficiently superior interest in the property to be able to grant an extension to the lease. To identify the competent landlord, you would need to know the details of all landlords who may be between you and the freeholder and especially the length of term of any intermediary landlords' leases.

## Completion Date

This is the date on which you take legal possession of the property.

## Conditions of Sale

Details that set out the rights and duties of the seller and buyer.

## Contents Insurance

Insurance that covers the contents of your home such as your furniture, carpets and electricals, like a TV.

## Contract

A contract is a legally binding exchange of promises or agreement between parties that the law will enforce. Breach of contract is recognised by the law and remedies can be provided.

## Conveyance

The legal term for transferring the title of a property from one party to another, typically by deed or bill of sale, etc.

## Counter Notice – Section 84

A notice sent by the Landlord to the RTM company that either admits that the RTM company is entitled to acquire the RTM or alleges that the RTM company is not entitled to acquire the Right to Manage.

## Covenant

A binding promise in a deed to do or not to do something. For a property, covenants are rules and regulations contained in the lease or title deeds such as the maintenance of some part of the building or restrictions to trading.

# D

---

## Deed of Variation

The way a poorly drafted lease is changed. Obtaining a Deed of Variation would entail the freeholder and leaseholders agreeing to change the original terms of the lease.

## Deeds

The legal title documents that prove ownership of a property.

## Defective Lease

This is a poorly drafted lease, which if serious, may require a deed of variation which would entail the freeholder and leaseholders agreeing to change the original terms of the lease.

## Deposit

Initial funds used as a payment upfront in the purchase of property. Can also be known as Mortgage Deposit.

## Determination Date

This is the landlord's deadline for a response to a claim notice, usually 30 days after the issue of the claim notice.

## Dilapidations

Dilapidation is damage to a building or structure through neglect or by intention but more particularly used in the plural in English law.

## DIP

Applied to the process of the lender giving its Decision in Principle on a mortgage. (Also referred to as an AIP - Agreement in Principle).

## Disbursements

During the conveyancing process there are certain fees that are payable to a third party. These include Stamp Duty and Land Registry fees and will be paid through your solicitor or licensed conveyancer.

## Discharge Fee

Paid to lenders for releasing their hold over a property once you have paid off your loan. This often occurs if you pay off your mortgage early before the standard term has run out. However, this is not always the case.

## Down Valuation

Where a lender restricts the amount, you can borrow as a result of a surveyor's valuation report. This indicates the property is not worth the amount you wish to borrow for it.

## Draft Contract

A preliminary version of the contract drawn up when the sale is first agreed.

## Duty to Provide Information – Section 93

A notice sent by the RTM company to the landlord requesting information required for managing the property. This can be sent at any time after the Claim Notice has been issued.

# E

---

## **Early Repayment Charge (ERC)**

A charge issued by the lender as a penalty if a mortgage is paid off within a specific period.

## **Easements**

The rights a person may enjoy over another property such as drainage rights, access to a neighbour's land to carry out maintenance on their own property.

## **Encumbrance**

A term that refers to an obligation or liability attached to a property. Property may be bought or sold even though there are encumbrances attached to it. Encumbrances are attached to the property and not to the property owners and therefore a person who buys property with the encumbrance is bound to the encumbrance.

## **Endowment Mortgage**

Interest-only repayments combined with monthly premiums into an endowment policy. This is designed to pay off the loan at the end of the term.

## **Energy Performance Certificate (EPC)**

This certificate measures the energy efficiency of a property using a scale of A to G. It is now a legal requirement to have a valid EPC before a property can be marketed.

## **Engrossment**

When draft deeds to a property are approved after amendments have been made, they are engrossed for the vendor and purchaser to sign.

## **EICR**

Electrical Installation Condition Report. A report into the condition of the electrical installation within a property that highlights any safety shortcomings and defects or deviations from the required electrical regulations.

## **Equity**

The difference between the market value of a property and the claims held against it.

## **Exchange of Contracts**

The point at which a contract is confirmed and signed (by both purchasers and sellers) and are physically exchanged. Both the buyer and the seller are now legal bound to the sale and purchase of the property at the agreed price.

# F

---

## **Financial Conduct Authority (FCA)**

This is a financial regulatory body in the UK, but operates independently of the UK Government, and is financed by charging fees to members of the financial services industry. The FCA regulates financial firms, such as mortgage lenders, providing services to consumers and maintains the integrity of the financial markets.

## **First Charge**

The first (or main) mortgage on a property.

## **Fixed Rate Mortgage**

A mortgage in which the interest rate is fixed/set for an agreed term or period of time.

## **Fixtures and fittings**

These are non-structural items contained within a property such as door handles, light fittings, radiators etc.

## **Flexible Mortgage**

An arrangement whereby you can increase or decrease your mortgage payments.

## **Flying freehold**

This refers to a part of one freehold property that is built over part of another so that it does not touch the ground.

## **Freehold**

The owner of a property also owns the land it is built on.



# H

---

## Head lease

Also known as a master lease, this is a lease to an entity that will subsequently grant leases to sub-lessees who will be tenants in possession.

## Higher Lending Charge

An upfront, one-off charge to a lender to protect them against the borrower defaulting on the loan. This usually occurs on mortgages that are over 75% of the property value.

## House Buyers Report

A shorter form of a structural survey report carried out by a qualified Surveyor.

## House of Multiple Occupation (HMO)

A property rented out by at least 3 people who are not from 1 'household' (for example a family) but share facilities like the bathroom and kitchen. It's sometimes called a 'house share'



---

## Illustration

A document that has to be issued to you as part of the mortgage process. The information in it has to be the same across all lenders so you can easily compare a financial service, product and costs from different providers, which is why it's important you take time to read it to make sure you're happy with it.

## Improvement rate

In the context of lease extensions and freehold purchase, this is the rate by which the value of a flat increases by virtue of it having an extension to the lease.

## Inventory

A list of items and their condition included with a property, usually furniture, furnishings and movable items. On tenancies, the inventory is used to describe the condition of the property and its contents at the start and end of the tenancy so that any damage during the tenancy can be identified.

## Individual Savings Account Mortgage (ISA)

Interest-only mortgage linked to an ISA fund, which is designed to pay off the loan at the end of the period.

## Inflation

The rise in prices over time.

## Interest Charges

The charges that banks make on a loan, calculated as a percentage of the borrowed amount.

## Interest Only Mortgage

With an interest only mortgage your monthly payments are simply the interest on the mortgage loan. This means that your monthly payments do NOT reduce the actual loan amount. It is therefore important to have some other investment plan in place in order that you can pay off the mortgage at the end of the loan period.

# J

---

## **Joint Contracts Tribunal (JCT)**

Established in the 1930s by the Royal Institute of British Architects (RIBA) & the National Federation of Building Trades Employers (NFBTE), this organisation has produced a suite of standard forms of construction contract, guidance notes and other standard forms of documentation for use by the construction industry.

## **Joint Venture (JV)**

These are a popular form of investing where there is a collaborative effort between two or more partners to work together on a project - each contributing something different; be it capital, skills, contacts, resources or workload.

## **Joint Tenancy**

A form of ownership of a property by two people in which each person owns an undivided interest in the entire property. When one joint tenant dies, the other has title to the entire property. Another form of ownership is tenancy-in-common.

# L

## Land Certificate

This document is issued by the Land Registry to the owner of the registered land as proof of ownership. This land document will include a copy of the register and the plan showing the extent of the land.

## Landlord

This is a property's head lessor or freeholder.

## Land Registry fee

When buying a property, you need to register your new ownership with the Land Registry. To do this they will charge a fee, which you'll pay through your solicitor or licensed conveyancer.

## Land Search

This is a formal application of an inspection of the Land Registry register. A certificate will be issued to show the current situation of the land in question.

## Lease

A lease is a legal document, which confers a right on one person, the tenant or lessee, to possess property belonging to another person, the landlord or lessor, to the exclusion of the owner landlord for a fixed period of time. The relationship between the tenant and the landlord is called a tenancy and the consideration for the lease is rent.

## Leasehold

A form of land tenure where a person has rights over a piece of land for a specific period. Most residential leases have long terms and are usually set initially at 99 years, 125 or 999 years.

## Leasehold property

This refers to property where the owner has the right to occupy a property for a fixed period of time.

## Leasehold Valuation Tribunal (LVT)

A non-departmental public body and statutory tribunal in England that adjudicates on various types of landlord and tenant disputes involving residential property in the private sector. An LVT consists of a panel of three; one with a background in property law (generally a solicitor); one with a background in property valuation (generally a qualified surveyor); and a layman.

## Leaseholder

A person who holds a lease. A leaseholder may also be called a lessee or a tenant.

## Legal Fees

Fees paid by the solicitors on the behalf of a buyer. Examples include Land Registry and search fees and Stamp Duty. Also known as 'Disbursements'.

## Listed Building

A building which has special architectural or historic interest which is officially listed so that it cannot be demolished or altered without prior local government approval.

## Lessee

A person who holds a lease. A lessee may also be called a leaseholder or a tenant.

## Lessor

The person who grants a lease. A lessor may also be called a landlord.

## Loan-to-Value

The LTV shows the mortgage loan as a percentage of the value of the property.

## Local Authority Search

A search made by the buyer's solicitor for any outstanding enforcement or future development that may affect the property or the immediate surrounding area.

## Long lease

A long lease is a lease that is over 21 years in length.

## LLP

Limited Liability Partnership. A corporate entity combining elements of both partnerships and limited companies. As with a limited company, LLP members cannot lose more than they invest in the partnership, barring exceptional circumstances such as fraud. However, LLP members are considered self-employed for tax purposes, in the same way as a regular partnership.

# M

---

## Maintenance charge

The cost of repairing and maintaining internal and external communal parts of a building, charged by apportionment to the leaseholder, tenant or lessee. The maintenance charge may also be called a service charge.

## Malicious Damage

Damage carried out deliberately, such as vandalism.

## Managing agents

An agent authorised to manage the business affairs in connection with the property of another such as a landlord, an RTM, an RMC or a developer.

## Management Company

With leasehold properties, a management company will usually be set up to administer the affairs of a block of leasehold properties. Typically, management companies in this context are RMCs or RTMs. The management company, or more usually their agent, deal with the day-to-day running of the property, repairs and renewals. They collect a service charge from the property owners (normally shareholders in the management company) to pay for the upkeep and maintenance of the building and for the administration of this service.

## Marriage Value

In the context of freehold purchase and lease extension, the marriage value is the difference between the existing value of the lease (less leaseholder improvements) and the value of the flat without any benefit conferred by the 1993 Act plus the value of the unimproved flat with a long lease less the loss of ground rent and reversionary value in the flat. This does not apply if your flat has more than 80 years unexpired at the valuation date and only applies to flats that are participating in the purchase of the freehold. There is no marriage value (or substitute called hope value) payable in respect of non-participating flats.

## Memorandum and Articles of Association

The Memorandum gives details of the Articles of Association, company's name, objects (purposes) and share capital. It also sets out the limits of the shareholders liability if the company was wound up. The articles set out the members' rights and the directors' powers.

## Mortgage Payment Protection

Insurance designed to pay your monthly mortgage for a limited period if you are unable to work due to illness, redundancy or disability. This is usually for a year.

## Mixed Use Property

Also called semi-commercial property, mixed use properties have both a residential and a commercial component e.g. a shop with a flat above, owned on the same freehold, or a guest house with separate owner accommodation.

# N

---

## **NAEA**

The National Association of Estate Agents. An association set up to maintain the operating standards of its members. Membership requires Estate and Letting Agents to have professional indemnity insurance and provide annual proof, via their accountants, of their banking and accounting procedures.

## **NHBC Scheme**

A building guarantee that is available on some new build homes. Under this guarantee, any defects that occur within a specified time after construction are remedied.

## **Negative Equity**

This occurs when the value of the property is worth less than the outstanding value of the mortgage.



---

## Offer

The sum of money a buyer offers to pay for a property.

## Offer of a Loan

A formal document approving the mortgage you have requested and detailing the Terms and Conditions that apply.

## Office Copy Entries

These are copies of the entries recorded at the Land Registry proving ownership of a property. If the property has a registered title, the vendor's solicitor will need to apply for office copy entries from land registry before a draft contract can be prepared.

## Officers

This refers to the Company Secretary and Directors of a company.

## Ombudsman

An independent professional body that investigates complaints made against professions such as estates agents, solicitors, insurance companies, etc.

## Open House Event

A day where a property for sale is open to a number of applicants to view at the same time.

## Open Market Value

The price a property is predicted to achieve where there is a willing buyer and seller.

# P

---

## **Portable Appliance Test (PAT)**

The name of a process where electrical appliances are routinely checked for safety.

## **Peppercorn Ground Rent**

A nominal rent where the landlord does not receive an annual payment in cash. When the owner of land or property grants a lease, he must make a charge to acknowledge the existence of the lease. Where the owner does not want to charge any rent but simply wishes to establish the lease exists, he can ask for a peppercorn each year as a token payment.

## **Power of Attorney**

This is a document granting to some person to act in the name of another.

## **Pre-contract Enquiries**

Sometimes called preliminary enquiries, these are enquiries made by the purchaser's solicitor requesting information on a property prior to exchange of contract. The seller is obliged to answer these fully.

## **Property Misdescriptions Act 1991**

An Act to prohibit the making of false or misleading statements about property matters in the course of estate agency business and property development business.

## **Public Liability Insurance**

A general term for any liability insurance cover for claims brought against the insured by a third party or member of the public, which include injury or death on or in the vicinity of a property.



# R

---

## **Re-Mortgage**

The refinancing of a property either by switching a mortgage from one lender to another or by taking out a second mortgage to take advantage of any equity gained by the rise in value of the property.

## **Rebuild value/cost**

This is the amount it would cost to rebuild your property to the same specification, in the event of total destruction/loss. It's usually quite different to the market value of the property and can be worked out using an online rebuild calculator, or in more complex cases, through a professional survey.

## **Redemption**

When a mortgage is fully repaid.

## **Repayment Mortgage**

A mortgage where the monthly payments are used to repay the interest and reduce the outstanding capital. This means that each month you're paying off a small part of your mortgage.

## **Repossession**

Occurs when a mortgage lender takes possession of a property due to non-payment of the mortgage.

## **Retention**

A lender has the ability to hold back part of a mortgage until certain conditions are met.

## **RGI**

Rent guarantee insurance. This covers income lost as a result of tenants defaulting on their rental payments.

# S

---

## **Service Charge**

These charges are paid by the owner to cover the cost of providing various services which include maintenance or repair of the building, communal areas, heating, lighting or security.

## **Share of Freehold**

Where a limited company owns the freehold on which a property stands and the shareholders of that limited company are the owners of the property.

## **Short-term Tenancy**

A rental property that can last for a few weeks or a couple of months.

## **Sitting Tenant**

This refers to a tenant who occupies a rental property when there is a change of landlord or the landlord decides to sell.

## **Sole Agent**

When the seller has agreed to sell their property through one estate agent only.

## **Stamp duty**

A tax that you pay when buying properties valued above a certain amount. There are a number of levels so please check with HM Revenue & Customs (HMRC) to see if your property is affected. If you own a property already, then you'll pay more Stamp Duty than someone who doesn't.

## **Standard Variable Rate**

Mortgage lenders standard rate of interest. This can go up or down in line with market rates such as the Bank of England base rate

## **Surveys**

Inspection of a property and reports that comments of the structural conditions and more depending on the survey you commission.

## **Studio Flat**

A flat which consists of one room that contains the cooking, living and sleeping areas with a separate bathroom.

# T

---

## **Tenancy Agreement**

A contract between a tenant and landlord. The tenancy agreement will outline the terms and conditions of the rental agreement.

## **Tenure**

Conditions on which a property is held, for example leasehold or freehold.

## **Terraced House**

A property that forms part of a connected row of houses.

## **Title deed**

This is the legal document that details who owns the property.

## **Title Insurance**

The insurance policy which a buyer can take out to allow a sale to complete where there is a potential problem with the documentation in proving legal ownership of some part of the land they are buying.

## **Title Search**

An investigation carried out by a conveyancer or solicitor into the history of ownership of a property. This search will check for liens, unpaid claims, restrictions and any other problems that may affect ownership.

## **Tracker Mortgage**

A mortgage where the interest charged by a lender is linked to a rate such as the Bank of England base rate. This means your payments can increase or decrease.

# U

---

## **Under offer**

The status of a property when a landlord has accepted an offer from a prospective tenant, prior to exchange and signing of contracts and tenancy agreements.

# V

---

## **Variable Base Rate**

The basic rate of interest charged on a mortgage.

## **Vendor**

The seller of a property.

## **Void Period**

When a property is unoccupied for an amount of time.

# W

---

## **Wear and Tear**

The gradual decline in the condition of something as a

# Y

---

## **Yield**

The income from a property that is calculated as a percentage of its value.



**HorizonLets.com**

hello@horizonlets.com

0333 577 2118



**PROUDLY  
SUPPORTING  
THOSE WHO  
SERVE.**

