



MAY 2022

# Gazumped Britain III

## Uncovering the Challenges Facing Homebuyers



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The UK's property market is extremely competitive. A longstanding undersupply of residential properties is exacerbated by a perpetually high demand among buyers and investors.

Prices have been driven up by a supply and demand imbalance. At the start of 2005, the average UK house price was just over £150,000 – by February 2022, it had reached almost £277,000, according to **official figures**. Indeed, house prices have increased by more than 10% in the past 12 months in the face of significant buyer interest.

To address **this undersupply of property**, it is estimated between 300,000 and 350,000 new homes must be added to the UK's housing stock every year for a decade. Successive governments have made this their target, but all have fallen short.

Today, it is thought that there are around **29** prospective buyers for every residential property that is sold in the UK. Such competition, while pushing prices higher, has also long played a role in encouraging questionable tactics. Gazumping is a prime example.

Gazumping occurs when a seller accepts a verbal offer on the property from one potential buyer, but then accepts a higher offer from someone else. It can also refer to the seller raising the asking price or asking for more money at the last minute, after previously verbally agreeing to a lower one.

Outlawed in Scotland, gazumping remains a common problem in England and Wales. But just how common is, and what are homebuyers' attitudes towards the issue?

Market Financial Solutions (MFS) commissioned independent research in **2016** and **2019** to delve into the matter. Now, in the third instalment of our 'Gazumped Britain' research, we have returned to provide further timely insight into the problem.

In April 2022, a nationally representative sample of 524 UK adults were surveyed, all of whom had bought a residential property in England or Wales within the past decade. In this report we outline how prevalent gazumping remains, the main causes and ramifications of being gazumped, and what can be done to tackle the issue.

**2005:**

Average UK house price was just over

**£150,000**



**2022:**

Average UK house price almost reached

**£277,000**



## Key findings at a glance:

MFS's research among more than 500 homebuyers in England and Wales found:

**31%** of people in England and Wales who have bought a property since 2012 say they have been gazumped at least once – that is the exact same figure as in 2019. In London, the figure rose to 51%, marking a 5% increase on three years ago.

**26%** admit to gazumping another buyer.

**37%** of property buyers have lost fees paid to intermediaries due to a property purchase that fell through (it was 39% in 2019).

**47%** said they would consider gazumping a rival bidder if it meant they got the property they want – up 4% from 2019.

**79%** believe gazumping tactics have become more common due to the highly competitive nature of the property market – much higher than three years ago, when just 66% said the same thing.

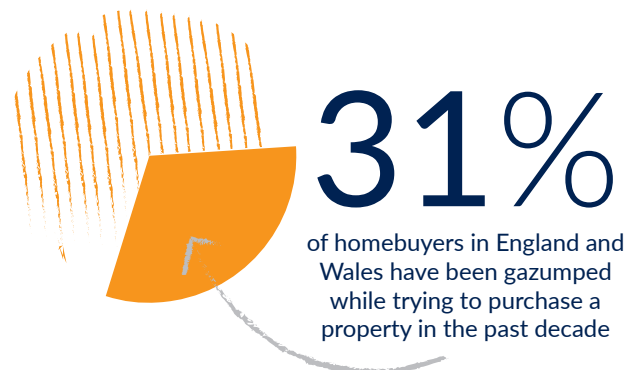
**79%** want the Government to act and outlaw gazumping, as they have done in Scotland.

## The same headaches remain

MFS's research reveals that almost one in three (31%) homebuyers in England and Wales have been gazumped while trying to purchase a property in the past decade. This was the exact same figure recorded when we asked the same question in 2019. Slightly fewer (26%) admitted to gazumping another buyer to get the property they wanted.

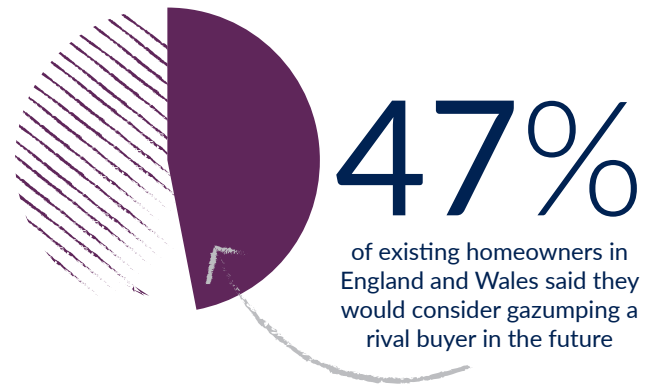
The practice is even more prevalent in London, where some 51% of buyers said they had experienced gazumping (5% more than in 2019).

Worryingly, 37% of homebuyers said they have lost out on fees paid to solicitors and surveyors due to a property purchase falling through in the past. Of those who have been gazumped, 23% lost money in the process.



This is significant when considering the associated costs; homebuyers lose an average of **£2,700** when a purchase falls through. In fact, for just over 10% of buyers whose deal collapses, they end up losing in excess of **£5,000**.

The survey also suggests that gazumping tactics are not going anywhere. Nearly half (47%) of existing homeowners in England and Wales said they would consider gazumping a rival buyer in the future – this figure has risen 4% in the past three years. Further, the vast majority (79%) believe gazumping tactics have become more common due to the highly competitive nature of the property market – that is much higher than three years ago, when just 66% said the same thing.



## The reasons and ramifications

Evidently, the financial implications of being gazumped are significant. Buyers can lose out on thousands of pounds. Add to this the stress and anxiety caused along the way, as well as the fundamental fact that a homebuyer or investor will miss out on a property that they had set their sights – and perhaps their hearts – on owning.

One in six (17%) homebuyers who were gazumped said that in the end they settled for buying property that they like less than the one they missed out on.

So, given the financial and emotional ramifications, it is important to understand which factors contribute towards someone being gazumped.

Speaking to the 31% of respondents who have been gazumped in the past decade, we found that a quarter (25%) experienced the issue because they were stuck in a long property chain.

As buyers and sellers become reliant on other transactions going ahead, the delays allow time for other rival bidders to enter the picture late in the process. This could provide a seller with a more attractive offer – be it more money or a chain free buyer. Indeed, 20% of buyers said they had been gazumped while awaiting the sale of their own property.

Delays in securing finance was another common issue. One in five (20%) buyers who were gazumped said that long waiting times for receiving a loan opened the door for another buyer to gazump them.

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of buyers said they had been gazumped while awaiting the sale of their own property.

# The role of specialist finance

Many mortgage applications can take weeks if not months to process, and even longer still for the loan to be released. Evidently, such long waiting times are contributing notably to the prevalence of gazumping in England and Wales.

As such, it is important for property buyers and investors to consider their options, with specialist finance providers having a role to play.

Bridging loans, for instance, can be issued in a matter of days – that is why many investors, including seasoned buy-to-let (BTL) landlords, use them to avoid property chains and ensure a purchase can be completed at pace. Longer-term finance solutions are then considered – either through the sale of another property or another financial product – once they have the keys and are not at risk of being gazumped.

Similarly, specialist BTL mortgages provide investors with a faster alternative to traditional mortgages. They can be issued in a fraction of the time it takes many traditional lenders to deliver a loan.

The speed and flexibility of specialist finance providers, like us, can prove a significant advantage in the UK's competitive property market. In helping to cut out property chains and remove undue delays, they reduce the risk of gazumping and give buyers greater confidence they can commit to a purchase without fears regarding rival bidders, hold-ups from third parties, or lost fees.



## Calling for action

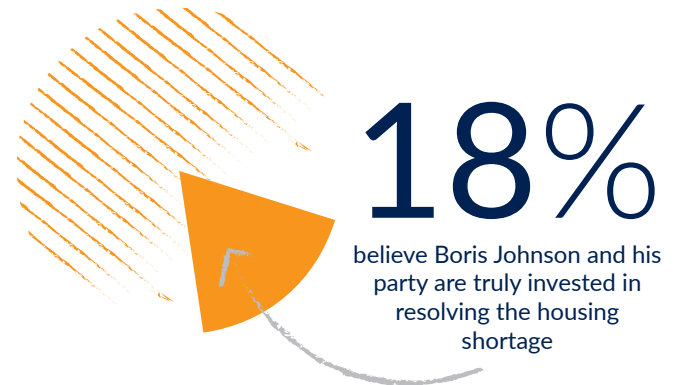
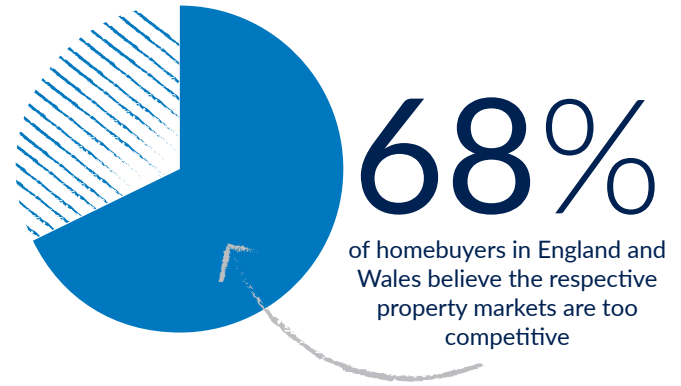
Overall, more than two thirds (68%) of homebuyers in England and Wales believe the respective property markets are too competitive. Action is required to address the aforementioned imbalance between supply and demand.

Yet, previous MFS research from late 2021 showed there is a distinct lack of confidence among the UK public that this issue will be resolved.

A survey of 2,000 UK adults found that just 16% are confident the Government can meet its target of delivering 300,000 new homes every year over the next five years. Moreover, less than a fifth (18%) believe Boris Johnson and his party are truly invested in resolving the housing shortage. Perhaps unsurprisingly, therefore, a mere 14% of respondents are confident the housing crisis will be resolved by 2030, with women (10%) less confident than men (17%) in this outcome.

If unable to deliver more residential property to lessen the fierce competition in the market, could the Government act to directly tackle the problem of gazumping?

Four in five (79%) homebuyers would like to see gazumping outlawed in England and Wales, as it already has been in Scotland. Indeed, this mirrors the 2019 survey, when 80% called for legal reform to clamp down on gazumping tactics.



### Outlawing gazumping:

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of homebuyers would like to see gazumping outlawed in England and Wales, as it already has been in Scotland.



## The view of our CEO

Gazumping remains a prevalent, unwanted part of the property markets in England and Wales. It is telling that MFS's research shows that it is just as common as it was three years ago, showing this issue isn't going anywhere.

For the most part, gazumping is a product of the high levels of competition among buyers, who are fighting it out over a limited supply of properties. But it is exacerbated by regular delays from mortgage providers.

Every week that a transaction drags on leaves the buyer at risk of being gazumped – indeed, our research underlines that many buyers would be open to undercutting a rival bidder in the future. So, buyers must do all they can to prevent delays and complete purchases.

Of course, that is easier said than done. If a buyer is waiting to sell their property, or has a mortgage application pending for several weeks, they will likely feel somewhat powerless to prevent another buyer swooping in and outbidding them on their desired property.

Yet there are options to consider. As noted in this report, specialist finance solutions – bridging loans and BTL mortgages, for instance – can be used to accelerate a purchase and, therefore, reduce the chances of being gazumped. Specialist finance is typically better suited to landlords and property investors, but can be used by all manner of buyer, particularly those who are likely to face longer delays in applying for traditional finance, such as those with complex financial circumstances.

Aside from buyers finding the best lender and product, there is a bigger question to put to those in Westminster regarding what can be done. Just as in 2016 and 2019, MFS's Gazumped Britain research has demonstrated a clear desire for government action – we have seen reforms in Scotland, and it is only logical that people will wonder whether the same can be done in England and Wales.

Paresh Raja,  
CEO of Market Financial Solutions



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