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Storm surrounding seasonal staff

Property buyers play it safe with no-nups

Savvy property owners who club together to buy a home are turning to no-nups to safeguard their investment.

Whether as a cohabiting couple, or two or more friends clubbing together, a cohabitation agreement, or “no-nup”, as they are now becoming known, can help to fix the outcome if things go wrong.

This is particularly important when those buying the property contribute unequal amounts. Nowadays, many young people are buying with the help of parents, and there is often a difference in the amount invested by each person, either at the time of purchase, or later in terms of bills, mortgage repayments, renovations etc. It is therefore very important to agree at the outset what share each owner has.

Many joint buyers who are not married or in a civil partnership do not realise they have little or no protection if things go wrong. It is important to be aware that joint buyers will not have the rights that would be given to a couple who divorce after a marriage or civil partnership.

Property can be held in specified shares, so that each gets back his/her relative contribution if there is a sale. This, however, does not protect the other financial contributions that may have been made: that is where the “no-nup”, or cohabitation agreement, comes in.

This sort of agreement can set out the way that property is owned and the contributions being made, including how finances will be managed in the relationship, down to who pays what and on what date. It can also cover responsibilities for day to day running and managing of the property, right through to what will happen in the event of a split. As well being a legally binding official agreement that takes away uncertainty, it can help relieve tension about financial matters from the outset, as drawing up the agreement means everything has to be agreed from the start.© November 2014 Simcocks

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Anyone buying property together should protect themselves by agreeing the basis on which the purchase is being undertaken. When a couple separate, the division of assets, including property, can be affected by other circumstances, for example if there are children involved. Nevertheless, a "no-nup", or cohabitation agreement, offers considerable protection.

It is best to do enter into the agreement before committing a lot of money to a purchase, but it can be drawn up at any time to record what was intended.

The agreement can go into as much or little detail as you want to, although a declaration of trust setting out who owns what share, and an agreement on responsibilities towards the mortgage and other property outgoings, should be a minimum. Any parent giving or lending money to help their children onto the property ladder should give this serious consideration.

Whether it's a romantic relationship or friends clubbing together, people often worry about undermining the romance or affecting their friendship if they try to deal with financial matters in this way, but it is likely to be too late if things break down. As high market prices continue, it is likely that more and more people will be clubbing together or receiving help from parents to get their foot on the housing ladder. Prospective purchasers, and their parents if contributing, should give serious consideration to a cohabitation agreement to ensure they are protected as much as possible and to reduce their chances of court proceedings at a later date.

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