



The practice of seeking deposits of 25% of the purchase price on the conclusion of contracts for the sale of residential property declined following the recommendation made by the Conveyancing Committee in September 1981 that a deposit of 10% was generally more appropriate.

In response to some recent queries the Committee would like to reiterate that their recommendation was not intended to be an absolute one. There are clearly cases particularly where the consideration for the sale is a modest one or where an especially high price has been agreed in which a 10% deposit may not provide the vendor with a sufficient “cushion” in the event of the purchaser’s default. Accordingly while the Committee stands over its earlier recommendation it repeats it was intended to have general but not universal application.

In the case of auctions the Committee is aware of a tendency, particularly where very valuable properties are concerned, for auctioneers to recommend the vendor to accept less than a 25% deposit. The Committee recommends if a solicitor acting for a prospective purchaser wished to arrange for the payment of less than 25% he should arrange this with the vendor’s solicitor in advance of the bidding. If a request is not made until after the property has been “knocked down” the vendor is clearly entitled to reject it. The Committee would not consider it reasonable to make such a request during the actual bidding.¹

UPDATE: Practitioners are advised that since 1984 the more usual percentage deposit on Contracts of Sale both for sales by private treaty and sales by auction is 10% of the purchase price. Practitioners should also check the General Conditions of the current Contract of Sale in use by the Society.

DEPOSITS ON SALE OF RESIDENTIAL PROPERTY

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1. See page 12.1 hereof