

LAW OF PROPERTY ACT RECEIVERSHIP

FLOW OF ACTIVITY DURING A RECEIVERSHIP

The following list of activities is not necessarily exhaustive since circumstances vary in each case.

1. Formal appointment of two named Receivers.
2. Formal acceptance of appointment within 24 hours.
3. If the borrower is a company, Companies House is notified of the Receiver's appointment. This can be done by the lender or the Receivers.
4. Receipt of documents required by Receivers, as far as the lender can provide them. Review of available documents by Receivers
5. Insurance cover arranged on Receivers' block policy, in the absence of agreement by lender's block policy continuing cover.
6. Letters, advising of appointment, sent to borrower, occupying tenant and any relevant third party (e.g. freeholder, other charge holders, trustee in bankruptcy or company liquidator). The letter to the occupier requires them to cease payment to the borrower and to make payments only to the Receivers. *It is important at this stage not to induce adverse reactions from the borrower or occupier.*
7. Receivers inspect the property, including an internal inspection if allowed by any occupants. Efforts made to obtain copies of any tenancy agreements to check on terms, rents collectable and frequency.
8. If property empty, utilities turned off and property secured (locks changed) and boarding installed if required by insurer.
9. Local property market assessed by Receiver's staff.
10. Strategy prepared by Receivers to recover debt (e.g. continued letting, early sale, wait for vacant possession and then sale). Assessment of proceeds of sale, resolution of any difficulties, costs and timing. Strategy discussed with lender.
11. When relevant rent collection set up, preferably by standing order. Late payments chased.
12. Property entered on receivers' database to assist with regular reporting to lender about the progress of the receivership.

13. Receivers set up bank account for the property. The Receivers seek funding from the lender (as a loan secured against the property) for necessary expenditure (insurance, repairs etc) or may borrow from the clearing bank, if necessary. Only sufficient monies are transferred into the account for expenditure which, in all but urgent cases, will be agreed with the lender.
14. Income received first pays off any overdraft or borrowing on the Receivers' account. Surpluses are transferred to the lender, to be set against the outstanding debt.
15. In accordance with the receivership strategy formulated for the property, the property is managed until a sale is arranged.
16. Net proceeds of sale are paid into the Receivers' bank account, costs are paid (or a retention made where final costs are uncertain). Receivers ask the lender or lenders (where there is one or more charge) for current redemption figure(s). Surpluses are paid in order of charge priority. Amounts are paid to the lender, sufficient to redeem the loan, or as much of it as is possible. Any amounts left over, after paying all valid legal charges, will be paid to the borrower.
17. The Receiver's bank account and Receipts and Payments records are audited by the Receivers' accountant. A final copy of the Receivers' Receipts and Payments is sent by the Receivers to the lender, borrower and other charge holders. In the case of a company, Receipts and Payments accounts are submitted to Companies House annually and at the end of the Receivership.
18. Bank account closed and any outstanding minor surplus is transferred to the relevant recipient.
19. The Receivers' records are kept for seven years and may be inspected by the lender at any reasonable time either during the Receivership, or afterwards.

REGULAR UPDATING DURING RECEIVERSHIP

In the case of single, or small numbers of appointments by a lender, regular updates on progress with implementing the strategy for each property will be given in writing.

In the case of several properties from a single lender, a live database can be made accessible to the lender so that they can monitor progress at will. The objective is to update the database approximately once a month, soon after the due date for the receipt of rents.

A monthly financial reconciliation of monies sent to the lender by the Receivers will be provided, identifying the properties, the amounts sent and the date of sending.