

# Legal information for vendors and buyers of cooperative housing

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## The estate agent's role in the transaction

The estate agent's task is to act as an impartial middleman looking after both the vendor's and the buyer's interests. This task is to be conducted carefully and in accordance with good estate agent practice, and always in accordance with the Estate Agent Act which is a consumer protection law. All estate agents are registered with the national regulator, Fastighetsmäklarinspektionen. The estate agent's role is to facilitate the transfer of the ownership of the dwelling between the cooperative housing association and the buyer. It is the housing association with whom the buyer has a binding agreement and who becomes the buyer's opposite party in the transaction. The construction company is usually the entity which initiates a project and which conducts its construction either on its own or via a sister company. In many cases, the construction company also constitutes the original housing association which will sell the ownership rights. It is not uncommon for the same natural persons to represent both the construction company and the housing association. However, it is important to be aware that the housing association and the construction company are two separate legal persons, with different rights and obligations. When marketing of the project begins, it is to be clear which estate agent is responsible for each dwelling. The estate agent must be able to provide information to the buyer about who is the responsible housing constructor including information about its contact person, and who is on the housing association's board and the association's contact person.

## The estate agent's remuneration

The client and the estate agent may agree on what should apply in the case of the agent's compensation. There are no fixed rates, charges etc. This remuneration is usually paid as commission, which is often determined as a certain percentage of the purchase price. An agent is not entitled to charge special payments for his services in addition to the agreed commission, unless a special agreement has been reached on this.

The right to commission usually arises when the property is sold to a buyer designated by the agent during the period of the service contract. Often, the agreement contains a provision for a time-limited exclusive right for the estate agent. This is a safeguard for the agent which gives him this right to commission if the property is sold under exclusive rights even if the agent has not designated the buyer or contributed to the transfer.

## Description of the property

According to the Estate Agent Act, the agent is to provide a prospective buyer with a written description of the property. According to the Act, this description is to contain certain mandatory information, based partly on data from public records and partly on the vendor's information. It is important that the vendor points out errors or defects as the property description will be part of the basis on which the buyer's decision to purchase the property is based. It is the vendor who is responsible to the buyer for the information contained in the property description, as later in the transaction, this is considered to be part of the transfer agreement. If however, the agent suspects that any information is incorrect, he must of course check it and then correct the information.

It is important that the description of the property and other marketing

material reflects the project and the newly produced dwelling accurately, for example, that any current reservations about the project are included. A description of the time schedule for takeover (occupancy) is also to be given in the description of the property and other marketing material. It is important to remember that the estate agent is the intermediary link between the buyer and the vendor. The responsibility for any shortcomings in a newly constructed dwelling being transferred is therefore usually with the vendor, i.e. the housing association, or with the buyer, and not with the estate agent. The estate agent has no investigatory obligation in its usual meaning. The agent does, however, have a responsibility to inform the buyer of anything the agent has observed or has other knowledge of, or which with regard to the circumstances, the agent has particular reason to suspect, about the condition of the dwelling which can be considered as of significance to a buyer.

## Vendor's disclosure obligation

The vendor has no general duty to disclose all he knows. When a co-operative apartment is sold "as viewed" the vendor must, however, disclose any significant conditions concerning the apartment. This means that the vendor must disclose any faults or defects of which he is aware and which must be assumed to affect the purchase. The vendor must disclose any faults or defects that the vendor should realise/understand to be of significance to a buyer, and about which the buyer can reasonably expect to be informed.

## Buyer's investigatory obligation

The meaning of the obligation to investigate, which is very far-reaching, is thoroughly and carefully to examine everything that is accessible in the building without intervention. For example, the buyer is required to move any obscuring furniture and lift carpets and curtains to inspect the surface of the floors and walls. Particular attention should be paid to any evidence of damp damage in the kitchen and bathroom. The buyer's obligation to investigate covers not only the apartment itself, but also conditions concerning the housing association. The buyer's investigation should therefore include contact with a representative of the association to discuss issues such as major renovations or any planned changes in charges

## Who is responsible for defects?

The basis of any transfer is that the apartment is purchased in the same condition as it was on signing the transfer agreement, commonly called "as viewed".

The actual defects that the vendor can normally be held responsible for are what are known as "significant" defects that the buyer could not have been expected to have discovered, or which the buyer should not have suspected or reasonably expected on the basis of the age, price and general condition of the apartment. If, for example, a defect should arise in any of the domestic appliances in the apart-



ment, this is something the buyer could reasonably have expected, taking into account the age and estimated service life of such appliances. In contrast, the vendor is always responsible for his warranties and assurances. The vendor is also responsible if the condition of the apartment deteriorates on account of an incident or accident between the signing of the transfer agreement and take-over. In contrast, the vendor cannot be held responsible for normal wear and tear and age-related defects.

Subsequent to the purchase, a discussion may sometimes arise between the buyer and the vendor about who will pay for a defect discovered in the apartment. If the parties cannot agree on the matter, the provisions of the Swedish Purchasing Act concerning faults and defects rules provide guidance.

First, it has to be determined whether the defect could have been discovered during a careful investigation prior to the purchase. As it can be difficult for the buyer to fulfil his investigatory obligation, a sensible approach is to hire an expert or professional assessor for the purpose. If it is considered that the buyer could not reasonably have detected the defect, nor that he could reasonably have expected the defect, then it is often considered a "defect" as defined in sales law. Second, it is also necessary that the defect be significant, i.e. that it can be assumed that the market value of the apartment would have been affected had the defect been known prior to the purchase. If these two conditions are met, the buyer is entitled to compensation from the vendor.

It is thus largely the buyer's investigatory obligation that determines whether something can be regarded as a defect for which the vendor is responsible. If the buyer detects signs of defects in the bathroom, for example, or if the bathroom is in such a condition that defects can be suspected, the buyer's investigatory obligation becomes even more significant. The information provided by the vendor also affects the extent of the buyer's obligation to investigate. For example, if the vendor informs the buyer that damp has been occasionally observed in the wall by the bathroom, this increases the buyer's obligation to investigate.

When co-operative apartments are sold "as viewed", it can also be considered improper procedure if the vendor has concealed any conditions of significance from the buyer prior to the purchase. It is thus in the interests of the vendor to inform the buyer of any faults or defects – or indications of same – of which the vendor is aware or suspects.

### **Association's finances**

It is important that a buyer of newly constructed housing examines the registered cost estimates (at the preliminary agreement) and the registered financial plan, in order to form an opinion on the future finances of the housing association. For example, if an association has large loans or if the maintenance of the property has been neglected, the buyer's monthly charge may be affected in future if, for example, the interest rate changes. It is therefore important that the buyer tries to assess how his monthly charge may increase and if he has sufficient income to cope with such a cost increase. It is important to be aware that cost estimates and the financial plan are based on assumptions and that minor deviations may occur when the dwelling is fully completed.

### **Bidding**

With new construction, there is often no bidding but the newly constructed residential properties are sold at a fixed price. Like a transfer within the usual market (i.e. previously occupied dwellings), it is the vendor, i.e. the housing association which determines to whom the dwellings will be sold. Although the property is sold at a fixed price, according to the Estate Agent Act the estate agent is required to keep a list of the bids which is to be submitted to the

seller and the buyer when his services are completed. Note that this bid list is only disclosed to the vendor and the buyer with respect to the personal data contained therein. More information about this is available in Fastighetsbyråns Bidding Policy.

### **Buyer's finances**

It is important for both parties that the buyer has the financial capability to complete the purchase. Usually a written loan commitment from a bank is sufficient, but note that this loan commitment is in principle always conditional on nothing changing for the buyer. For example, if the buyer loses his job, the bank can revoke the loan commitment. Generally, the bank states that the loan commitment is conditional on the buyer selling his current home. Tell the estate agent the conditions you, as the buyer, have for financing the purchase.

### **Types of agreement and situations**

#### GENERAL

In connection with the sales of newly constructed housing, there are different types of agreements. Preliminary agreements and tenancy agreements are governed by the Housing Act and are signed between the housing association and the person who will be the first owner of a dwelling. Ownership rights so granted may be sold on by the tenant owner by a transfer agreement.

#### RESERVATION AGREEMENT

Expressions of interest / Reservation agreements are signed between the construction company and the buyer and are not legally binding agreements to purchase the property. It is common for the buyer to pay a reservation fee when signing the reservation agreement. If the buyer chooses not to proceed with the purchase, the buyer is entitled to recover the fee paid with any deduction for an administration charge. If the construction company fails to complete the project, the entire fee will be refunded.

#### PRELIMINARY AGREEMENT

A preliminary agreement is signed between the housing association and the prospective buyer and is governed by the Housing Act. The preliminary agreement is legally binding on the parties, which means that the housing association is obliged to sell the dwelling to the buyer and the buyer is required to purchase the dwelling. It is the housing association, and not the construction company, which is the buyer's opposite party, since it is only the housing association that has the right to assign tenancy. When the preliminary agreement is signed, there must be a cost estimate certified by the Bolagsverket [Companies Registration Office]. If an advance payment is to be made, the housing association must also have permission from the Bolagsverket to receive the advance. If a reservation fee has been paid with a reservation agreement, this fee is included in the advance and is to be deducted.

#### SPECIAL CONDITIONS IN THE PRELIMINARY AGREEMENT

There are certain optional conditions in the prior agreement that may give the parties, or one of them, the right to withdraw from the purchase. One situation is that the buyer wants to be able to withdraw from the purchase if he is not granted a loan. Other conditions that may arise are that the housing association makes the purchase conditional on the acquisition of a specified sign-up ratio, i.e. that certain number of dwellings will be sold within a certain time, in order for the preliminary agreement to become binding. These so-called "hover" conditions are always time-limited, and the aim is that they usually expire after a relatively short period of time. The question of whether this type of condition is or is not to be included, is part of the negotiation between the vendor and the buyer.

## TENANCY AGREEMENT

The tenancy agreement is signed between the tenant association and the buyer and is governed by the Housing Act. In order for the housing association to be able to let the dwelling, the association is required to have a registered and certified financial plan. If the final construction cost is not reported in the financial plan, or at a general meeting, permission from Bolagsverket is required for the housing association to grant tenancy in the dwellings. At the time of transfer, the housing association is to be the actual owner of the association's property.

In conjunction with the signing of the tenancy agreement, the buyer becomes a member of the housing association. Membership entails a number of rights and obligations. The primary right is the right of use of the dwelling for an indefinite period. The main obligations are to pay for the share in the association and the tenancy fee (the price of the dwelling), the monthly charge to the housing association and to be responsible for the interior care and maintenance of the dwelling. The housing association is responsible for the maintenance of the common areas and the exterior of the buildings and all the main ducting, pipework and circuitry.

### Occupation

Occupation is when the buyer gets the keys to the newly constructed dwelling and will be scheduled for after the date of completion of the final inspection. It is not uncommon for final settlement to be paid some day prior to occupation, which differs from the handling of a normal home sales transfer.

### Housing costs

The estate agent should offer to provide you, as the buyer, with a written estimate of the running costs of owning the property. Notify the agent if you want a housing costs calculation.

### Claims against the estate agent

If the vendor or buyer considers that the estate agent has made a mistake which has caused a financial loss, the claim is to be made within a reasonable time after the vendor or buyer realised or should have realised the circumstances on which the complaint is based. Claims against estate agents are usually considered to be time-expired after ten years. Complaints and information concerning claims for damages may be submitted, orally or in writing, to the estate agent or to his office. If a buyer or vendor wishes to get a claim for damages investigated, this is initially conducted by the estate agent's liability insurance company after a claim has been made against the agent. If the buyer or vendor is not satisfied with the insurance company's decision, they may request that Fastighetsmarknadens reklamationsnämnd [the Property Market Complaints Board] (FRN) review the insurance company's decision, see frn.se. If the vendor wants a reduction of commission, this is investigated initially at FRN.

Furthermore, Fastighetsmäklarinspektionen [the Estate Agency Inspectorate] (FMI), which regulates estate agents in Sweden, may investigate whether the estate agent has failed to fulfil his obligations. FMI does not investigate damages or commission questions, see www.fmi.se. At FMI you can also find more information about the estate agent's role, estate agency services and related topics.

### Additional services

As a customer of Fastighetsbyrån, you are offered tailor made solutions with products and services from our partners. Listed below are the fees an estate agent may charge for the provision of these additional services Energideklaration Anticimex / OBM [Dwelling energy declaration] – Individual agents may charge up to SEK 320. Advertisement on Hemnet [A website for buying and selling dwellings] – Individual agents may charge up to SEK 1 160. Hemnet Supplementary Products – Individual brokers can receive up to 20% of the price of the supplementary product excluding VAT. All our partners and services are described on [www.fastighetsbyran.com](http://www.fastighetsbyran.com).

### Customer ombudsman

If you have any questions about buying or selling a dwelling, consult your estate agent. If you find that after that contact you still want more information and guidance, Fastighetsbyrån also has an office called the Customer Ombudsman. This office's function is to help Fastighetsbyrån's customers who have in-depth questions about buying or selling a dwelling or have complaints about the agency's services.

### Fastighetsbyrans process of personal data

Information about how Fastighetsbyran processes your personal data and what rights you have is available at [fastighetsbyran.com/en/spain/privacy-policy/](http://fastighetsbyran.com/en/spain/privacy-policy/)