



Heads of Terms

Document produced by the *Education and Skills Funding Agency*

In a property transaction, parties often first agree a set of key commercial terms and principles upon which the transaction would proceed. This document is referred to as the heads of terms (HOTs). Whilst it is usually a non-legally binding document, it records agreed principles and terms and used to instruct lawyers to prepare the necessary transactional documents.

It is generally considered helpful to have the HOTs agreed because it helps:

- to identify and set out the key requirements of both the seller and the purchaser of the property
- to agree any commercial terms for the transaction such as price, rights granted and reserved, exchange/completion timescale etc.
- the parties to understand the structure of the proposed transaction and its key terms
- to minimise the legal fees as effectively once lawyers are appointed they would only be required to record in legal documents what the parties have already agreed and deal with any legal issues

The HOTs usually include the following:

- Details of the seller/tenant
- Details of the purchaser/landlord
- Details of any agents acting for the parties
- Details of the lawyers acting for the parties
- Description of the property
- The type of acquisition e.g. peppercorn lease, commercial lease or freehold
- The payment information i.e. agreed purchase price or rent/premium
- Terms of the lease (if relevant)
- Any conditions that must be satisfied prior to exchange and/or completion e.g. planning, vacant possession etc.
- Transaction completion timescales

Whilst we consider receiving HoTs as a good indicator of progress towards exchanging on the site, there is no formal commitment until the exchange has taken place.