

# Step by step Guide to buying your Business ...

Buying a business isn't something most people do every day – so here's a brief guide to the buying process and what you can do to help make your purchase go through with the least amount of hassle.

© Mark Walton 2010

Other than permitted under the Copyright, designs and Patents Act 1988 no part of this  
Publication may be photocopied, recorded or otherwise reproduced, stored in a retrieval  
System, or transmitted in any form by an electronic or mechanical means without permission  
Of the copyright owner

Written by Mark Walton

# Introduction

Buying a business can seem quite a complex process. There are however, clear stages through which each purchase goes, whatever the business. With the right help and some minimal effort, there's no reason why you shouldn't sail through the process – and that's what this guide is designed to help you do.

We've tried to provide as much information as possible, on everything from finding and choosing your new business to what to do during the legal process.

We hope you'll find it useful.

## **Key steps in purchasing your new business.....**

- Deciding what to buy
- Obtain details on businesses you are interested in from Approved agents or from alternative sources such as the internet, local or trade newspapers and magazines
- Instruct a Solicitor
- Organise finance
- Identify appropriate referees
- View the business you are interested in
- Make an offer on the business you choose
- Await acceptance of your offer
- Undertake due diligence
- Exchange contracts
- Exchange full balance of money in exchange for title deeds(lease) and keys

Let's take a look at this process stage by stage.....

## **Stage 1 – Getting Started**

There are a couple of things that you should definitely be thinking about at this stage:

- Financially – its vital that you establish early on how much you will be able to afford, whether you'll need finance or not, how much you'll need to borrow and how much the move will actually cost you up front (in deposit, solicitors fees, surveys, stamp duty and finance fees). It's actually better to go and see an independent Financial advisor or your Bank to discuss these issues and start the finance application process before you begin the purchase process. We are able to introduce you to an independent financial advisor that can provide a range of financial services.
- Legally – when buying or selling a business it is advisable (although not compulsory) to use a solicitor to carry out the legal work.

## **When you make your choice, remember:**

- We have arranged a special deal with a solicitor who we believe offers the best service – it is totally transparent informative, fast and they work on a pre agreed fee basis.
- Of course you may choose not to use this service, in which case, if you don't already have a solicitor who will carry this service out for you, you can find one by contacting the Law Society at [www.lawsociety.org.uk](http://www.lawsociety.org.uk) who will provide a list of solicitors in your area.

Here's a short checklist to help you remember the things you should be looking for when you're looking at Bricks & Mortar businesses to buy.

### DETAILS

Address of Property:	
Type of Business:	How Long established:
Turnover:	Lease details:
Asking Price:	Seller's name:
Agent:	Energy Rating (EPC):
Date and time of first visit:	Date and time of second visit:

### IMPRESSIONS

State of Repair	Mark's out of ten/comments (1 <sup>st</sup> visit)	Mark's out of ten/comments (2 <sup>nd</sup> visit)
<b>External</b>		
Paintwork		
Walls		
Facia/canopy		
Windows		
<b>Internal</b>		
Reception		
Production/work Area		
Toilet/Kitchen facilities		
<b>Trade</b>		
Turnover verification/Trends		
Range of Services		
Potential for Growth		
Market Trends		
Competitors		
USP's		
SWOT		
PESTLE		
<b>Location</b>		
Parking		
Proximity to customers		
Competition		
<b>Running Costs</b>		
Rent		
Rates		
Staff		
Water		
Electricity		
Gas		
Out sourcing		
<b>Equipment</b>		
Office		
<b>Other comments/Notes</b>		

## Stage 2 – Agreeing your purchase

Once you have found a suitable business you can make an offer to purchase through the agent marketing the property. The agent will relay your offer on the business you'd like to purchase, to the seller.

But what else can you do?

- Make sure your offer is subject to contract – this means that you're not legally obliged to proceed until the due diligence has been carried out satisfactorily and the signed contracts have been exchanged
- Don't fall in love with the business - easier to say than do, but you have to retain some realism – your offer might not be accepted, the seller might take the business off the market, another buyer might put in a better offer.

If your offer is accepted, it's now time to get the whole legal and financial process moving.

If it's not, you're going to have to re-think and put in another offer or start looking for another business.

Either way, it's good to keep the following points in mind:

- Don't forget, this is probably one of the biggest purchases you'll ever make, so take your time to think about the issues involved and don't make your decisions without careful consideration
- Make sure again that your finances can cover costs of purchase and initial working capital
- Use any checklists you've made, to compare notes – they'll be better than your memory

Revisit your original objectives – make sure the business really is what you want and that

any compromises you are making aren't going to become major issues once you've taken over

- List all the negatives about the business – it'll help you decide if any are 'show-stoppers'
- Although it is wise to think things through, speed can be important when making your decision (if you don't have your offer accepted by the seller, someone else may well do), but don't make a decision on hasty impulse.

## Stage 3 – The Legal/Transfer side begins

The transfer process is all about checking the details on the business being purchased and; if leasehold, obtaining the landlords consent to an assignment of the lease.

The sellers agents main role now is to make certain that the transaction is progressing smoothly, to keep you informed as to progress and to chase up those involved in the transaction to keep the process moving.

Momentum is important – if the transaction starts to drift the following may happen:

- Transactions that drift typically cost more. If you do not have a fixed fee it may mean that the legal fees start to escalate
- If you are selling a business at the same time as purchasing this one, you could well find yourself in a chain that causes problems

From a legal perspective, a typical purchase of a business starts with a 'handshake' agreement, when basic terms and price are agreed, through the agent, between seller and buyer.

There are then three main stages before the transfer of ownership passes from the seller to the buyer, namely, (for leasehold) the obtaining of the licence to assign the lease from the landlord, the formal exchange of contracts (the point where the parties become legally committed to one another) and the completion (which is when the transfer of ownership occurs). It is not unusual for exchange and completion to occur on the same day when buying a business.

The transfer area of the law is steeped in jargon that is not readily understandable for the vast majority of the public. The process is, however, relatively straightforward and involves three main events. The first is obtaining the landlords licence to assign the lease, the second is "exchange" and the third is called "completion". All of the work involved gets you into a position to exchange a contract on your chosen business. This means you are contractually bound to purchase the business.

The first thing to remember here of course, is that the deal will only become legally binding when you exchange contracts with the seller. Up to that point you are still dependent on the good faith of both the seller and the agent and you can still withdraw at any time.

#### **Things to think about....**

- The speed of your transaction will depend on (a) how organised you've been in collecting together documents and papers required in the process (b) the quality of service from your Solicitor (c) the seller and their representatives and (d) the landlord and their representatives
- Some documents are not readily available. For instance, a local search can take up to six weeks to receive after it has been requested, although it is possible to carry out personal local searches which avoid these unnecessary delays.
- Landlords will require references to check your suitability and standing as a lessee. These usually include, Bank, Accountant, two trade and existing landlords. Additionally where you already have a business; copies of the last three years trading accounts and a brief summary of your business experience to date.
- In many cases landlords now ask for rental deposits equivalent to six months rent as security for the lease.
- The process of obtaining Landlords approval to assign the lease to you should take no more than six weeks; assuming all references and requested information is provided promptly.
- Instructing a solicitor from the outset will speed up the transaction and take away the stress of thinking about it all when a suitable business comes up
- Employment law – requires that staff are consulted prior to a transfer of business ownership and their terms of employment cannot be changed. If redundancy is necessary then you as a buyer are responsible for this. A seller cannot make a person redundant because he is selling the business.
- VAT if the business is vat registered you must also obtain your own vat registration
- Until contracts are exchanged, either party can back out.

# Buying a Business – The process



