

## **CONVEYANCING FACTSHEET 2 DEFECTIVE TITLE INDEMNITY INSURANCE**

Defective Title Indemnity Insurance is very common.

Defective Title Indemnity Insurance is used to overcome defects in the Title to a house or other property. Such defects are quite common, particularly bearing in mind the extremely onerous requirements of banks and other lenders in relation to properties on which they advance money. If defects are present in the Title, banks will often require insurance. Similarly, if you are buying a property with your own money, it is probably sensible to have the same insurance as a bank would require. After all, all the bank is doing is protecting its money and you should do the same.

Examples of common defects are:

1. A lack of a right of way to get to the property
2. A lack of proper rights to run drains or other pipes, wires or cables over a neighbouring property
3. A missing document of Title – for example a document which contains easements which the property needs but which cannot be found
4. Where a Management Company owns a block of flats and has ceased to exist.

There are many other situations where indemnity insurance can help. If insurance becomes appropriate in your case we will tell you. Please bear in mind, however, the following facts:

- a) Indemnity insurance does not solve a Title problem. All it does is provide insurance against the problem becoming a real problem for you.
- b) If, for instance, somebody tries to allege that you do not have a proper right of way to get to your house, the insurance company will step in. It may try to solve that problem by negotiation and/or Court Proceedings. If it cannot do so, then the policy should enable you to be paid a sum of money to compensate you.
- c) You will appreciate that insurance companies exist to make money and many may feel that they will take as long as possible to pay out as little as possible.
- d) It is a condition of all policies that you must not reveal their existence to anyone

In conclusion, while such policies are now very common, you must remember that they do not put the problem right. All they do is, hopefully, mean that you will get a sum of money by way of compensation if all goes wrong.