

Buying from administrators - pitfalls

“...buying a property from an administrator is a risky business. We can help you to control the legal risks.”

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With many businesses becoming insolvent, there are many opportunities for investors with cash to buy assets from the administrators of those insolvent companies. Those buyers should be careful, however, as the low prices sought for the assets reflect, at least in part, to the additional risk to the buyer.

Here are some of the main issues to be aware of when buying assets from an administrator:

- vacant possession of a property asset will not normally be guaranteed and the cost of clearance of items left in the building should be borne in mind;
- no or very limited guarantees or warranties regarding the assets will be given – undertaking proper due diligence to reduce risks is advised;
- there may be assets that appear to be a part of the property being sold which do not in fact belong to the insolvent business – watch out for retention of title clauses in supply contracts; and
- the Administrators act only as agent for the insolvent company and will accept no liability for errors or omissions.

Buying a property from an administrator is a risky business. We can help you to control the legal risks. We have advised on preparing for and buying out of pre-pack administration. For advice on the administration procedure, contact Peter Laskey, Partner and for advice on buying distressed assets, contact Dinesh Raja, Managing Partner. You can reach Peter or Dinesh on 020 8221 8000.