

LETTER TO COMPANY (1) –
DRAFT PSG CERTIFICATE OF TITLE
(based on CLLS 7TH EDITION 2012)



Version 4
April 2015

This is the **first** of two letters which may be sent by the solicitors giving the Certificate to the Company requesting relevant information and confirmations to enable the solicitors to prepare and issue the Certificate.

This letter may be sent with the first draft of the Certificate and gives the Company the opportunity to highlight points in the Certificate which it cannot confirm. Once the solicitors have received the Company's response to the first draft, the solicitors can work through any issues with the Company and make appropriate disclosures in the Certificate.

There may be further confirmations required of the Company as the form of the Certificate develops and this letter can be adapted accordingly for that situation.

The second letter, which can be found on the PSG website, may be sent by the solicitors with the final form of the Certificate to the Company.

These letters will need to be amended where a company in the same group of companies as the Company provides documents or information to the solicitors, or where there is a corporate acquisition and confirmations will need to be obtained from the seller of the shares in the Company as well as the Company.

There is no obligation to use these letters. Solicitors may wish to obtain the required information and confirmations from the Company using other documentation, such as questionnaires or other types of enquiries.

Please ensure this page is removed before sending this letter out.

The Directors

[Name and address of Company] ("**Company**")

[Date]

Dear Sirs

CERTIFICATE OF TITLE RELATING TO [] ("Property**")**

We enclose a draft certificate of title in respect of the Property. Please can you carefully read through the certificate and confirm, by countersigning the enclosed duplicate of this letter, that to the best of the knowledge, information and belief of the Company, the information contained in the certificate is complete and accurate in all respects.

In addition, other paragraphs of the certificate refer to the Company telling us something or specifically confirming certain points. We set these out below, using the same numbering as in the certificate.

If you cannot confirm any of these points or other information in the certificate, please let us know when you countersign the enclosed duplicate.

[You should note the position referred to in clause 4.3 of the certificate where the Company will be acquiring the Property from the Seller (as defined in the certificate).]

Except where the context otherwise requires, references in this letter to parts of the schedule are to parts of the schedule to the certificate.

References in this letter to "disclosures" means any disclosure made against a statement in the certificate or any schedule to the certificate.

We ask that you confirm the following:

2. **CERTIFICATE**

[2.1.3(a) The Company does not know of any reason why the Company should not be registered as proprietor of the Property without exclusion or limitation of warranty¹[or the Creditor should not be registered as creditor in the Standard Security without exclusion or limitation of warranty²], but this is subject to any disclosures.]

¹ This statement is relevant where the Company is not the registered proprietor of the Property at the date of the certificate.

² This statement is relevant where there is a creditor.

PART 1 OF THE SCHEDULE

2. ASSUMPTIONS

- 2.2 The Company has provided us with all documents of title relating to the Property of which it has knowledge together with any other information in its possession as is material for the purpose of giving the certificate and each copy document produced to us is a true copy of the original.
- 3.5 The Company is not aware of any circumstances which could render any transaction affecting the Company's title to the Property liable to be set aside under the provisions of the Bankruptcy (Scotland) Act 1985 or the Insolvency Act 1986.³

³ A transaction could be liable to be set aside under the 1986 Act if for example it was a gift or at an undervalue or with an intention to defraud creditors.

PART 3 OF THE SCHEDULE

TITLE

- 1.3 No further land transaction return or LBTT return or payment in relation to stamp duty land tax or land and buildings transaction tax is required in respect of any transaction involving the Property which has an effective date⁴ prior to the date of the certificate and there is nothing on the face of the documents to suggest otherwise.
- 3.1 The Benefits⁵ set out in Section 2 of Part 2 of the Schedule are the only Benefits necessary for the use and enjoyment of the Property for the Existing Use⁶ or if no Benefits are so set out, none are required.
- 3.3 None of the Benefits is in the process of being acquired through prescription⁷.
- 4.1 The Company has not received notice of any breach of and is not aware of any breach of any Burdens⁸ disclosed in Section 3 of Part 2 of the Schedule and those Burdens do not materially adversely affect the Existing Use.
- 4.3 [The Company is not aware of any proposals to register a community interest in respect of the Property in terms of Part 2 of the Land Reform (Scotland) Act 2003.]
- 4.4 The Company is not aware that any person is in the process of acquiring a Burden over the Property through prescription.
- 6 The Company is not aware of any encumbrances (e.g. securities, leases, title conditions, servitudes, rights of way, agreements with statutory bodies etc.) to which the Property is subject, other than as disclosed elsewhere in this letter.
- 8.1 [The Company is] [On completion of the Transaction⁹ the Company will be] in actual occupation on an exclusive basis of those parts of the Property as are not the subject of the Letting Documents¹⁰ and, except by virtue of the Letting Documents, no person, other than the Company, has any right (actual or contingent) to possession, occupation or use of, or interest in, the Property.
- 8.2 The Company has inspected the Property not more than 20 working days before the date of the certificate and, so far as it is aware, no one is in adverse possession of the Property or has acquired or is acquiring any rights adversely affecting the Property.¹¹

⁴ "Effective date" is the date of completion of a transfer or lease. It will be earlier if there is a preceding contract to sell or let which is "substantially performed" (for example, where the buyer or tenant goes into occupation between conclusion of missives and completion).

⁵ This means:

- (i) any servitude (including any acquired or being acquired through prescription (use over a specified period)); and
- (ii) any restriction, stipulation, real burden, mining or mineral right, franchise or other interest;

benefiting the Property, but not including any such matter under a Letting Document. "Letting Documents" are the leases and other rights of occupation and enjoyment to which the Property is subject, as referred to in Sections 1A and 1B of Part 5 of the Schedule.

⁶ The Existing Use is the actual use to which the Property is presently put as referred to in Section 4 of Part 2 of the Schedule to the certificate.

⁷ "Prescription" means acquiring a right by long use, for example, a right of way based on 20 years' use.

⁸ This means any real burden, servitude or other condition burdening the Property, but not including any such matter granted to a tenant under a Letting Document.

⁹ The Transaction is the transfer of the Property to the Company from the Seller and this square bracketed option only applies if the Company is not the registered proprietor of the Property at the date of the certificate.

¹⁰ "Letting Documents" are the leases and other rights of occupation and enjoyment to which the Property is subject as referred to in Sections 1A & 1B of Part 5 of the Schedule.

¹¹ Please provide the date of inspection by the Company if more than 20 working days before the date of the certificate.

- 8.3 No part of the Property has been acquired by a party based initially on possession only without title.
- 8.4 No notice has been received from any party claiming right to any part of the Property based on possession only.
- 8.5 The Company is currently in possession of the Property and has been so without challenge for a continuous period of at least one year.
9. There are no insurance policies relating to any question of title or title conditions affecting the Property.
- 10.1 The Company has not had occasion to make any claim or complaint in relation to any neighbouring property or its use or occupation.
- 10.2 There are no disputes, claims, actions, demands or complaints in respect of the Property which are outstanding or which are expected by the Company.
- 11.1 No notices materially affecting the Property or any of the Benefits¹² detailed in Section 2 of Part 2 of the Schedule have been given or received by the Company.
- 11.2 No common repairs have been agreed by the owners of any building or estate of which the Property forms part or are otherwise in prospect and there are no common repairs in respect of which a notice of potential liability for costs has been or is to be registered whether by reference to section 10(2A) of the Title Conditions (Scotland) Act 2003 or section 12(3) of the Tenements (Scotland) Act 2004 or otherwise.
- 11.3 No notices affecting the Property have been served under the Buildings (Recovery of Expenses) (Scotland) Act 2014.

PLANNING

- 13.1 The Property is presently used for the Existing Use.¹³
- 14.1 The Company is not aware that:
- 14.1.1 any development which has been carried out in relation to the Property is unlawful or has been carried out without any necessary consents and permissions being obtained;
 - 14.1.2 any enforcement proceedings under the Town and Country Planning Legislation have been commenced or notices served; or
 - 14.1.3 any such proceedings or notices have been proposed.
- 14.2 The Company is not aware of any acts, omissions or other circumstances by reason of which a planning enforcement order may be applied for or made in relation to the Property.¹⁴
15. No planning permission affecting the Property is the subject of an existing challenge as to its validity.
- 16.1 The planning permissions affecting the Property are subject only to conditions which have either been satisfied so that nothing further remains to be done under them or, in the case

¹² See Note 5.

¹³ See Note 6.

¹⁴ [There is the possibility in Scotland of enforcement action being taken by a local planning authority (LPA) in relation to deliberate concealment of a planning breach, even though the relevant time limit within which enforcement must ordinarily be taken has expired. The LPA may apply for a "planning enforcement order" where it appears to them that there may have been such deliberate concealment.]

of continuing conditions, are being complied with and the Company knows of no reason why those conditions should not continue to be so complied with.

17. There is no application for planning permission in respect of the Property awaiting determination and no planning decision or deemed refusal which is subject to appeal.¹⁵
- 18.1 The Company is not required to enter into any agreement or planning obligation or planning contribution (together a "Planning Agreement") affecting the Property under:
- Public Health (Scotland) Acts
- sections 3A, 8, 16A or 37 of the Sewerage (Scotland) Act 1968¹⁶
- section 50 of the Town & Country Planning (Scotland) Act 1972¹⁷
- sections 16 or 48 of the Roads (Scotland) Act 1984¹⁸
- section 75 of the Town and Country Planning (Scotland) Act 1997¹⁹
- section 3 of the Local Government (Development and Finance) (Scotland) Act 1964²⁰
- sections 69, 70 or 73 of the Local Government (Scotland) Act 1973 (as amended by the Local Government etc. (Scotland) Act 1994)²¹
- or any provision in legislation of a similar nature
- 18.2 Where there is any Planning Agreement referred to in 18.1 above, so far as the Company is aware, all of the obligations which have fallen due as at the date of the certificate have been observed or performed and no notice of breach has been received and there are no material obligations which remain to be observed or performed.
21. The Company is not aware of any resolution, proposal, order or act made or contemplated for the compulsory acquisition of the Property or any private access to it.

STATUTORY MATTERS

22. The Company is not aware of any outstanding order, notice or other requirement of any local or other authority that affects the Existing Use or involves expenditure in compliance with it nor of any other circumstances which may result in any such order or notice being made or served.
23. The Company has not received notice of any breach of and is not aware of any material breach of the requirements of any statute capable of enforcement at the date of the certificate which affects the Property.

¹⁵ "Deemed refusal" will arise where the local planning authority has not made a decision on a planning application within the statutory period (usually 8 weeks) or such longer period as has been agreed by the authority and the applicant.

¹⁶ Arrangements or agreements re: construction of private sewers, provision of sewers for new premises, vesting of private sewers or an agreement re: trade effluent

¹⁷ Now repealed provision relating to planning obligation agreement

¹⁸ Application for a private road to become a public road and agreement to make a contribution towards the construction or improvement of a road

¹⁹ Planning obligation agreement

²⁰ Local authority land management arrangements

²¹ Acquisition or appropriation of land by local authority

ENVIRONMENT

- 24.1 The Company does not hold any permits, licences, consents, authorisations, registrations or any other approvals (together an "environmental permit") under any legislation relating to pollution or protection of health and the environment (together "environmental laws" which expression is also used in 24.1.2 and 24.1.3 below) in respect of the Property²².
- 24.1.2 The Company is not aware of the need for any environmental permit referred to in 24.1 above under any environmental laws in respect of the Existing Use of the Property.
- 24.1.3 The Company has not received any written notices, notifications or orders under any environmental laws in respect of the Property or the Existing Use of the Property.

GENERAL

- 25.1 No buildings or other structures on the Property have been erected or been subject to extension or major alteration within the six years prior to the date of the certificate.
- 25.2 There are no agreements, certificates, guarantees, warranties or insurance policies relating to the construction, repair, replacement, treatment or improvement of any building or structure on the Property.
26. The Property is not subject to the payment of any outgoings other than the uniform business rate or water rates (and where the Property is leasehold sums due under the Lease²³) and all such payments have been made to date.
27. All fixtures and fixed plant at the Property, other than (where the Property is leasehold) landlord's fixtures or (where the Property is subject to a Letting Document²⁴) tenant's fixtures, are, or will on completion of the Transaction²⁵ be, the Company's property free from encumbrances.²⁶

Any statements specified above in relation to Part 3 of the Schedule are subject to any disclosures.

²² This could include (but without limitation) a SEPA licence in relation to dealing with, treating or disposing of waste; consent for storing hazardous substances; or for discharging into waters; or for discharging trade effluent.

²³ The lease, by virtue of which the Company holds or will hold the Property, and referred to in Part 4 of the Schedule.

²⁴ "Letting Documents" are the leases and other rights of occupation and enjoyment to which the Property is subject as referred to in Sections 1A & 1B of Part 5 of the Schedule.

²⁵ The transaction, in respect of which the certificate is to be relied upon.

²⁶ Any matter of an onerous nature, such as a security or hire purchase arrangement.

PART 4 OF THE SCHEDULE

THE LEASE²⁷

Section 1A

The name and address of the present landlord under the Lease is set out in Section 1A of Part 4 of the Schedule.

Section 2

- 3.2 The last instalment of rent (and service charge if any) was paid to and was accepted by the landlord or its agents without qualification.
- 4.3 Where there are any provisions for rent review:
- 4.3.1 no rent reviews are currently outstanding or under negotiation or the subject of a reference to an expert or arbitrator or the courts.
- 4.3.3 so far as the Company is aware, no buildings have been erected on the Premises, nor alterations or improvements have been carried out, by the tenant or any predecessor in title pursuant to an obligation to the landlord.
14. So far as the Company is aware, no side letters, undertakings or concessions have been made by any party to the Lease.
- 17.1 The Company is not aware of any subsisting material breach of the obligations or conditions contained in the Lease, whether on the part of the landlord or the tenant, or any other event of a material nature which could give rise to irritancy of the Lease.
- 17.2 No notice alleging any breach of the obligations or conditions contained in the Lease, whether on the part of the landlord or the tenant, remains outstanding.
- 17.3 So far as the Company is aware, no breach of obligations has been waived or acquiesced in.
- 18.2 A valid option to tax has been exercised over the whole Property and such option has not been, or been deemed to be, disapplied or revoked so that value added tax is due in respect of any supply of the Property by the landlord.²⁸
- 18.4 The Company is not aware of any reason why the landlord should be prevented from charging value added tax in relation to supplies made to the tenant (in particular as a result of the operation of any of the disapplication provisions in Schedule 10 to the Value Added Tax Act 1994).²⁹
- 19.1 Neither the grant of the Lease nor any agreement for the grant of the Lease was exempt from charge to stamp duty land tax by virtue of any of the provisions specified in paragraph 11(2) of Schedule 17A ('cases where assignment of lease treated as grant of lease'³⁰) to the

²⁷ The lease, by virtue of which the Company holds or will hold the Property, and referred to in Part 4 of the Schedule.

²⁸ "Exercising a valid option to tax" means carrying out the necessary statutory processes and satisfying the necessary statutory criteria to charge VAT. "Option to tax" includes an option to tax which has been deemed, or treated as having been exercised.

²⁹ For example, because the tenant is using the Premises for a relevant charitable purpose, or there was an intention or expectation that the land would become exempt for VAT purposes.

³⁰ For example, where the grant of the Lease was exempt from stamp duty land tax, because of group relief or a sale and leaseback arrangement or charities relief.

Finance Act 2003 ("FA 2003") or exempt from charge under land and buildings transaction tax by virtue of the provisions specified in paragraph 27(2) of Schedule 19 to the Land and Buildings Transaction Tax (Scotland) Act 2013 ("LBTT(S)A 2013").

- 19.2 Nothing is, or may be, required or authorised to be done by the tenant or any successor in title in respect of the grant of the Lease or any agreement for the grant of the Lease under or by virtue of any of the provisions mentioned in paragraph 12 ("Assignment of lease: responsibility of assignee for returns etc") of Schedule 17A to the FA 2003 or under paragraph 28 of Schedule 19 to the LBTT(S)A 2013 other than the requirements under paragraph 28(2)(c) or paragraph 28(2)(d) to prepare future three yearly returns or to prepare a return on the future assignation or termination of the lease.³¹
- 19.3 So far as the Company is aware, no increase in rent payable under the Lease is likely to be regarded for the purposes of paragraph 14 ("increase of rent treated as grant of new lease: abnormal increase after fifth year") of Schedule 17A to the FA 2003 as abnormal.³²
- 19.4 As far as the Company is aware, no further sums should become payable as a result of any further returns to be submitted on the three yearly review date or on submitting a return on the assignation or termination of the lease as required under paragraphs 10 and 11 respectively of Schedule 19 to the LBTT(S)A 2013.³³

Any statements specified above in relation to in Part 4 of the Schedule are subject to any disclosures.

³¹ Relevant, for instance, where the transaction involved consideration (for example, money to be paid) that was contingent, unascertained or uncertain. There may be stamp duty land tax implications when the consideration is no longer contingent or is ascertained or becomes certain. Paragraph 12 of Schedule 17A also relates to a return or further return in consequence of a later linked transaction, or where a lease for an indefinite period continues (such as leases that continue after a fixed term). Similar provisions remain in place under LBTT. As there will always continue to be an obligation to prepare a three yearly return and a further return on assignation or termination of the lease these obligations have been carved out of the statement in the Certificate.

³² The increase is abnormal if it exceeds 20% of the rent previously taxed for the period from usually the beginning of the term of the Lease until the date the new rent first becomes payable.

³³ Further amounts of tax may be payable if the rental payments for the full period of the lease are not known and a reasonable estimate of the rent following a rent review or on a turnover lease etc. must be made. Further LBTT returns are required every three years from the effective date, and on the assignation or termination of the lease. It may be that on submitting a further return, additional amounts of tax may be come payable.

PART 5 OF THE SCHEDULE

THE LETTING DOCUMENTS³⁴ (the confirmations are required in respect of each Letting Document)

Section 2

2. The Premises the subject of the Letting Document are occupied by the tenant or the person authorised pursuant to the Letting Document to be in occupation.
- 3.2 All rent, service charges or other payments have been paid to date and no rent or other payment has been commuted, waived or paid in advance of the due date for payment.
- 4.2 Where there are any provisions for rent review:
 - 4.2.1 all steps in current rent reviews have been duly taken and no rent reviews are currently under negotiation or the subject of a reference to an expert or arbitrator or the courts.
 - 4.2.3 no building, alteration or improvement has been carried out pursuant to an obligation to the landlord.
- 10.2 Where the premises comprised in the Letting Document form part of the Property there are provisions for payment of a service or other similar charge which entitle the landlord to recover from the tenant the appropriate part of the cost of providing a range of services which are reasonable and appropriate for the type of buildings in the Property;
- 10.3 there are no material irrecoverable items, caps or other limitations on recovery of the costs referred to in paragraph 10.2 of Section 2 of Part 5 of the Schedule;
- 10.4 there are no lettable areas of the Property that are currently unlet.
14. So far as the Company is aware, no side letters, undertakings or concessions have been made by any party to any Letting Document.
- 17.1 The Company is not aware of any subsisting material breach of the obligations or conditions contained in the Letting Document, whether on the part of the landlord or the tenant, or any other event of a material nature which could give rise to irritancy of the Letting Document.
- 17.2 No notice alleging any breach of any obligation or condition contained in the Letting Document whether on the part of the landlord or the tenant, remains outstanding.
- 17.3 So far as the Company is aware, no breach of obligation has been waived or acquiesced in.
- 19.2 A valid option to tax has been exercised over the whole Property and such option has not been, or been deemed to be, disappplied or revoked so that value added tax is due in respect of any supply of the Property by the Company.³⁵
- 19.4 The Company is not aware of any reason why it should be prevented from charging value added tax in relation to supplies made by it under any Letting Document (nor, therefore, why its recovery of input value added tax attributable to those supplies should be

³⁴ "Letting Documents" are the leases and other rights of occupation and enjoyment to which the Property is subject as referred to in Sections 1A & 1B of Part 5 of the Schedule.

³⁵ "Exercising a valid option to tax" means carrying out the necessary statutory processes and satisfying the necessary statutory criteria to charge VAT. "Option to tax" includes an option to tax which has been deemed, or treated as having been exercised.

restricted), in particular as a result of the operation of any of the disapplication provisions in Schedule 10 to the Value Added Tax Act 1994.³⁶

- 22. The Company is not aware of any sub-letting, parting with possession or sharing of occupation by any tenant.
- 26. The Property is not subject to any tenancies which are being continued after the contracted expiry date whether by tacit relocation or otherwise.

Any statements specified above in relation to Part 5 of the Schedule are subject to any disclosures.

Yours faithfully

[LAW FIRM SIGNATURE]

On duplicate

We acknowledge receipt of the original of the above letter together with the draft certificate of title referred to. We confirm that to the best of our knowledge, information and belief, the information contained in the certificate is complete and accurate in all respects and we further confirm the specific points set out in this letter, with the exception of the following:

[PLEASE LIST THE CLAUSE NUMBER OR SCHEDULE/PART/PARAGRAPH NUMBER OF ANY INFORMATION OR POINTS IN THE CERTIFICATE WHICH THE COMPANY CANNOT SO CONFIRM]

.....
Director for [NAME OF COMPANY]

Dated this [] day of [] 20[]

³⁶ For example, because the tenant is using the Premises for a relevant charitable purpose, or there was an intention or expectation that the land would become exempt for VAT purposes.