

Currency issues with French property purchases

For someone outside the Eurozone, purchasing a property in France can involve additional issues which should be prepared for from a legal and financial perspective.

Guillaume Barlet, French lawyer at Cubism Law solicitors, and Stephen Eakins, elite trader at Foreign Currency Direct, advise what needs to be considered before embarking upon such project based on their extensive experience with clients in this position.





1. Do I have to buy a French property in Euros?

Guillaume Barlet: “In some instances, the question of which currency to use may arise. For example, if both the vendor and buyer are residents in the UK, they may prefer that the payment be made in Pounds.

According to French law, the purchase price is payable in the currency of whichever country’s jurisdiction is applicable to the contract. In application of this legal principle, the purchase agreement of a French property would be subject to the French jurisdiction and the French currency (Euro) should be used. However, an exception is made for international contracts (i.e. including an international element such as the parties). It is therefore possible for payment to be carried out in another currency as long as this point is included in the agreement. Nevertheless, in order to comply with French legal requirements, the completion deed must include a mention of the price in Euros”.



2. When do I have to make payments when purchasing a French property?

Guillaume Barlet: “Once the preliminary agreement (such as a *compromis de vente*) has been signed by both parties, a deposit is paid into an authorised escrow account. The remaining balance and fees are then due on completion which is normally between 2 and 3 months after the deposit has been paid.

The deposit is not a legal requirement but vendors will usually not commit to sell if a buyer does not agree to pay an advance on the purchase price. Similarly, there is no compulsory requirement as regards to the amount of the deposit which is usually 10% of the purchase price.



3. What additional costs and other obligations will I need to consider as a buyer?

Guillaume Barlet: “On top of the requirement to pay the purchase price the buyer should be aware of other costs involved. These include registration of formalities, *notaire’s* fees, taxes (altogether about 7% of the purchase price) and estate agency fees, which are usually paid by the buyer and can range between 4-8% of the purchase price.

BE AWARE – Between 1st March 2014 and 29th February 2016, the tax payable on a purchase similar to “stamp duty” in the UK, could be increased by an additional 0.7% depending on the location of the property raising the *notaire’s* fees to nearly 8%”.

4. Do I simply contact the bank to arrange the currency transfer?

Stephen Eakins: “You can, however this is normally a very expensive method to buy foreign currency. Using a currency broker is normally far more efficient and saves you money. Simply put, if this was not the case our profession would not exist!

A currency broker adds value by undercutting the exchange rate on offer by the banking industry and by helping you make an educated decision on when to complete your trade. This is hugely important and can make a significant difference to the costs. For example, GBP/EUR rates have moved by over 2.5% within the last month making a £4,000.00 difference on a €200,000.00 purchase.

A currency broker provides a very useful service, do however make sure that you approach one that is fully regulated, with a long trading history and one that is focused on customer service as well as the exchange rate on offer”.



5. When do I start thinking about the exchange rate?

Stephen Eakins: “Once you have decided to buy abroad you will need to move money internationally. You will want to buy the required currency at the best price, which means from the best provider and at the best time.

Many clients wait until the legal aspects are started as this is when your financial obligation is set but that is not always the best route as the best exchange rate may have already passed by. I would suggest consulting a currency expert/broker as early as possible to keep you up to date with any currency opportunities”.

6. What financial options do I have when I need to move money internationally?

Stephen Eakins: “You would not buy a property in the UK without knowing how expensive it is. This however is the scenario you are in once you have agreed to buy a property across borders. As a result, many clients like the reassurance of locking in their exchange rate before they are requested to make a payment, hence avoiding the risk of rates moving against them. This can be secured using a contract called a *Forward Contract* and is available using just a small deposit”.



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