



# BUYING A BOAT

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## 1 Introduction

Buying a boat is like buying a car - and just as easy. No written contract is needed and an offer to buy a boat for an agreed price, subject to any conditions, can be accepted by the vendor and the deal clinched.

However, before concluding the deal it is strongly recommended that you should have a condition survey carried out on the boat and that you should confirm that the vendor is the legal owner and has the right to sell the craft.

It is also necessary to find out whether a boat is being offered for sale by a business or as a private sale by the owner (often through a broker who acts as an agent for the owner). Boats sold in the course of business are covered by the Sale of Goods Act and the buyer has certain legal rights against the vendor in the event of the boat being faulty or not fit for its intended purpose. Private sales are not subject to the same safeguards, apart from misrepresentation.

## 2 New Boats

New boats are offered for sale by boat builders, via an agent acting for the builder, or by an importer.

If you decide to have a brand new boat built by a professional yard it is necessary to enter into a formal contract with the builder. This includes a detailed specification of the boat and its inventory, and a schedule of stage payments during construction. If a large sum of money is at stake, it is advisable to use a solicitor to ensure that both parties understand and comply with the contract.

Deposits and stage payments should be treated with caution: there have been cases of an unscrupulous builder requesting such payments and the purchaser later discovering that the boat never existed and the money has been lost to an insolvent company.

A buyer should receive the following documentation from a boat builder:

- A Bill of Sale
- A Builder's Certificate
- A Certificate of Conformity confirming compliance with the Recreational Craft Directive and
- A VAT receipt. Without proof of payment of VAT, an owner may be faced with paying the tax again in another EU country if the boat is taken abroad.

### **3 Recreational Craft Directive**

Since June 1998, it has been a requirement that all new boats offered for sale within the EU comply with the Recreational Craft Directive (RCD). This indicates that the craft fulfils certain essential criteria concerning safety and other associated matters. The boat must display a CE mark together with a plate detailing the maximum payload and operational limits. Local Authority Trading Standards officers have the responsibility to ensure that CE-marked craft comply with the RCD.

New boats that are built by private individuals or fitted out as DIY projects are not required to comply with the RCD, unless they are placed on the market within 4 years of construction.

NB: craft complying with the RCD do not necessarily comply with all the requirements of the Boat Safety Scheme (BSS), which is applied by many inland navigation authorities. However, a brand new boat does not require a BSS inspection until 4 years after purchase.

### **4 Used Boats**

There are thousands of boats advertised for sale in boating magazines and on boating websites. Secondhand boats may also be viewed at marinas, boatyards or at the vendor's mooring. Tempting though it may be, do not make an offer on the first boat you see - take time to look at other craft and carefully consider the merits of a boat before undertaking to buy it.

Do not offer the asking price unless you are satisfied that the boat is worth that amount. Vendors will expect to be offered a lower price and have the choice to accept or reject the offer.

Although not strictly necessary, it is usual for the buyer to place a deposit on the boat. There is no minimum or recommended sum for a deposit and the amount depends on the value of the boat or the wealth of the purchaser! Do not put down a deposit until the terms of the sale have been agreed, preferably in writing.

The terms of the sale include a satisfactory condition survey, compliance with the Boat Safety Scheme, and a trial cruise with the engine operating. Do not rely on the fact that the boat already has a valid Boat Safety Certificate - this is only valid on the day it was issued!

Make sure you agree who will pay for lifting the boat out of the water for a survey and the cost of the survey itself - this is usually the responsibility of the buyer. The vendor should carry insurance on the craft until the sale is completed.

If the survey reveals serious faults, the purchase offer can be withdrawn or the price can be re-negotiated. Alternatively, the vendor may agree to pay for any rectification work that is necessary.

It is important to get evidence that the vendor has the legal right to sell the craft. This can include seeing previous bills of sale or other documents that show that the person has owned the boat. If the boat is subject to a hire-purchase agreement, it belongs to the finance company and the company must give permission for the owner to sell it.

Confirm in writing the inventory of equipment that will be included in the purchase, either from the sales particulars or by compiling your own list of items.

Have a trial run in the boat before you finally decide to buy it. You may discover that the engine performs badly or has excessive vibration or noise. Finally, make sure you obtain a receipt or Bill of Sale for the boat.

## **5 Surveys**

Buying a boat may be one of the largest items of expenditure you ever make and it therefore makes good sense to have a professional survey carried out before you part with your money.

Be careful to stipulate what kind of survey you require - you get what you pay for: A valuation survey only confirms the worth of the vessel, whereas a full condition survey includes detailed testing of the hull and careful inspection of normally inaccessible parts of the boat.

However, it is important to understand that a condition survey does not usually include a detailed examination of the engine and gearbox, other than a superficial check. If you want complete peace of mind, it pays to commission a full survey and an engine survey. The latter may need to be done by a separate qualified engineer.

A condition survey should be done by a reputable boat surveyor who is a member of a recognized professional body (such as the YDSA, RINA, I Mar E or SCMS, etc.). Membership ensures minimum standards of proficiency and diligence, together with Professional Indemnity Insurance that protects you in the event that the surveyor makes a mistake or fails to identify a defect in the craft.

## **6 Boat Safety Certificates**

Boats that comply with the Recreational Craft Directive do not have to comply with the Boat Safety Scheme (BSS) standards. The owner must produce the manufacturer's certificate of compliance with the RCD and (subject to the boat having been maintained so as to continue to comply with the RCD) a Boat Safety Certificate (BSC) will be issued for a 4-year period, after which it must be renewed.

All craft must be examined by an authorised BSS examiner at 4-yearly intervals and obtain a 'Pass' certificate before the boat can be licensed for use on most inland waterways.

NB: It is essential to understand that a BSC is in no way comparable to a full condition survey. It does not for example indicate the condition of the vessel or the hull, and it is only valid on the day it was issued. Prospective buyers should make it a condition of purchase that the boat complies with the BSS before they buy it.

If you buy the boat and then to discover that it fails its BSS examination, you may be faced with expensive work in order to comply with the scheme. The only way to ensure compliance with current BSS Standards is to commission a BSS examination, or at the very least a written confirmation from a qualified surveyor or examiner that the boat will pass an examination.

## **7 Registration**

Details of the boat, the new owner and, where relevant, the usual mooring should be sent to the navigation authority that covers the area where the boat will be cruised. For most, this will be either British Waterways or the Environment Agency.

A few pleasure craft may be registered as 'British Ships' on the official register held by part of the Maritime and Coastguard Agency. If the boat is a registered vessel and you want to transfer the ownership, this should be a condition of the proposed purchase. A reputable broker can carry out the formalities required to register a ship on behalf of the new owner or it can be done by completing forms obtainable from the Registrar of Shipping at [www.dft.gov.uk/mca/mcga07-home/shipsandcargoes/mcga-ukshipregister.htm](http://www.dft.gov.uk/mca/mcga07-home/shipsandcargoes/mcga-ukshipregister.htm).

If the registration has lapsed, it can be renewed provided documents relating to previous owners and a Bill of Sale are produced and the appropriate fees are paid, but this can be a difficult and expensive procedure. Finance companies may insist that a Marine Mortgage is registered and this can only be done if the vessel is officially registered.

Smaller boats may be registered on the Small Ships Register (SSR) if they are to be used abroad and they should display a number preceded by the letters 'SSR'. This does not provide evidence of title and the new owner must obtain a new certificate. This can be a complicated and expensive process and further details concerning the registration of boats are given in the NABO 'Guidance Paper on Ship Registration'.

## **8 Value Added Tax**

VAT is only payable if a boat is sold by a trader. Private sales do not attract VAT.

New boats are usually subject to VAT and it is important to retain the VAT receipt as evidence that the tax has been paid. This is essential if the boat is to be taken to another EU member state, and failure to show that VAT has been paid could result in another tax bill from the foreign authority.

If a secondhand boat is taken into another EU country it is also necessary to have evidence that VAT has been paid on the boat unless it was built before 31 December 1984. Customs and Excise will give advice in such cases.

New houseboats are zero-rated. For the purposes of VAT, a houseboat is defined as being 'a floating decked structure, which is designed or adapted for use solely as a place of permanent habitation; and which does not have the means of, and which is not capable of being readily adapted for, self-propulsion'.

If you intend to export a new boat or base it in another country, you should seek advice (e.g. from the NABO Technical Representative) regarding how VAT will be treated.

## **9 Insurance**

Insurance can be either Comprehensive or Third Party Only. The type of cover depends on whether you are proposing to use your boat just for pleasure or as a liveaboard.

It is a condition of a British Waterways licence that you must have in force an insurance policy for a boat, provided by a company that is authorised and regulated by the UK Financial Services Authority, and which covers third-party liabilities of at least one million pounds. The insurance must be valid for the full duration of the licence. Other navigation authorities insist that as a minimum, third party cover is in force in order to meet the costs of any damage or salvage resulting from an accident.

In any case, only a foolish boat owner would commit a large sum of money and not take out insurance to safeguard the asset.

The cost of boat insurance is very low in relation to the benefits - usually about ½ % of the value of the boat.

When buying a boat make sure that the vendor has it insured until the sale has been completed and your own insurance is then in force.

## **10 Finance**

Specialised finance houses advertise in the boating press and can offer hire-purchase terms to buyers. Alternatively, a broker or boatyard may be able to assist with finance as agents for a lender.

As in other large purchases, an alternative to hire purchase is a loan from a bank or building society. Loans may be secured by a charge over the borrower's house or other property, or by a marine mortgage or a simpler form of unregistered mortgage on the boat. Do not enter into a financial commitment that you cannot honour.

## **11 Further information**

For further information or in case of difficulty, NABO members may contact a member of NABO Council at FREEPOST (BM8367), Birmingham, B31 2BR, or by e-mail via the NABO website at <http://nabo.org.uk/contact-us-cf/>

The Royal Yachting Association produces useful booklets on buying a new or secondhand yacht. The publications are available to download after registering as a member at [www.rya.org.uk/infoadvice/buyingaboat/Pages/default.aspx](http://www.rya.org.uk/infoadvice/buyingaboat/Pages/default.aspx). The RYA contact address is RYA House, Ensign Way, Hamble, Hants, SO31 4YA. Tel: 023 8060 4100, Fax: 023 8060 4299, e-mail via the website at [www.rya.org.uk/contactus/](http://www.rya.org.uk/contactus/)