



AUCTION TIPS FOR BUYERS

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1. Ten (10) most important tips buyers must know when buying on auction

The tips contained herein are meant to introduce buyers to the auction method with a view to make their auction experience an interesting, hassle-free and rewarding one.

1.1. Auctions are for everybody

Auctions are for everybody, and they offer value for money deals for all asset categories; including vehicles, residential and commercial properties, vacant land, game, livestock, artwork, office and household furniture and many more. Anyone can participate in auctions. Don't be intimidated by the auction chant and miss out on great deals.

1.2. Do your homework

Auctions are conducted on a **“voetstoots, as is, where is”** basis, with no cooling off period, warranty or duty to repair by the seller. Therefore, it is advisable for anyone interested in participating in an auction to conduct due diligence and inspect the assets on auction, research market prices and familiarize themselves with the rules of auction. Buyers are advised to engage third parties such as building inspectors, appraisers, real estate agents, attorneys mechanics and any other experts to assist them with their buying decision, if need be.

1.3. Auctions are conclusive transactions with no suspensive conditions

Auctions are conclusive transactions and have no suspension conditions. Do not buy on auction unless you are good for the money. Although the settlement of immovable property is effected upon transfer, the fact that immovable property is also auctioned on a non-suspensive basis implies that buyers will not be allowed to bid on a conditional basis. However, the perception that auctions are cash only transactions is not true because bank finance is available for all asset categories. But your finance must have already been approved before you participate in an auction.

1.4. Registration and refundable deposit

Only registered buyers allocated bidders cards are allowed to participate at auctions. Make provision for enough time to register before the auction starts. It is mandatory for buyers to comply with FICA requirements (proof of address and proof of positive identification) for them to register and participate in auctions. Buyers are often required to pay a **“refundable”** registration fee in order for them to participate in an auction. The amount of the registration fee differs, based on the value of the assets on auction. The registration fee is refunded to buyers who do not buy anything during the auction. Successful buyers have the option to claim their registration fee or use the money in part-settlement of their purchases.

1.5. Protect your bidding card at all times and don't lend it to other buyers

Your bidding card is money, protect it at all times and never lend it to other buyers at an auction. Auctioneers do not divide or split invoices at the end of auctions, so if you allow someone else to use your card, you will be liable for the settlement of the full invoice. And should you default, you will forfeit your refundable registration fee.

1.6. Auctions are emotive and can result in impulsive decisions

Auctions are emotive and can often result in impulsive decisions. Determine your budget upfront and exercise the discipline to stay within your budget. Do not get carried away in the heat of the moment.

1.7. You can't bid for many assets with a view to select only one or a few

Most first time auction buyers make the mistake of bidding for more than one items during the auction, with a view to select only one or a few items at the end of the auction. You cannot buy more than one assets with the purpose of choosing one asset at the end of the auction. You have to pay for all the assets you buy, failing which you will forfeit your refundable registration fee over and above other additional claims.

1.8. Factor additional costs into your purchase price (hammer price)

The hammer price, or the price at which the auctioneer knocks the asset to you does not represent the total amount payable. Factor additional costs such as buyer's premium, VAT, transfer duty, administration fees, and any other miscellaneous costs into your bidding price. However, do not add up the amounts on your own, but ask for a pro-forma invoice from the auctioneer before settlement.

1.9. Settle and collect your assets immediately after the end of the auction

Although auctioneers and sellers usually provide security at auction yards, it is advisable to settle your purchases timeously and collect your assets as soon after the end of the auction as possible. All risks transfer to the buyer upon the fall of the hammer, and neither the auctioneer nor the seller will be liable for any damage or losses thereafter.

1.10. Auctions are lawful and transparent transactions with no tricks

Most people miss out on great value for money auction deals because they fear myths such as the belief that auctioneers are crooks who knock bids to unsuspecting buyers merely scratching their noses or waving at someone during the auction. Although bidders should be aware that auctioneers and bid spotters scan the auction floor during live auctions and gestures such as scratching of noses and waving can distract auctioneers, it is a fallacy that auctioneers are tricksters who knock assets to unsuspecting bidders. Although the auction industry is not regulated, the Consumer Protection Act (CPA), No. 68 of 2008 and other laws of the Republic of South Africa protects buyers who participate in auctions. For instance, Section 45 (3) of the states as follows: ***“A sale by auction is complete when the auctioneer announces its completion by the fall of the hammer, or in any customary manner; and until that announcement is made, a bid may be retracted”***.