



# PURCHASING A BOAT

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## 1 Introduction

- 1.1 Buying a boat is rather like buying a motor car - and just as easy. No written contract is required and an offer to purchase for an agreed price, subject to any conditions, can be accepted by the vendor and the deal clinched.
- 1.2 In practice, it is strongly recommended that a purchaser should carry out various procedures before concluding the deal. These will include having a condition survey carried out on the boat as well as confirming that the vendor is the legal owner and has the legal right to sell the craft.
- 1.3 It is necessary to ascertain whether a boat is being offered for sale in the course of business or merely as a private sale by the owner (frequently through a broker who acts as agent for the owner). Craft sold in the course of business will be covered by the Sale of Goods Act and the purchaser will be able to enforce certain legal rights against the vendor in the event of the goods being faulty or not fit for their intended purpose. Private sales are not subject to the same safeguards, apart from misrepresentation.

## 2 New Boats

- 2.1 New boats may be offered for sale direct by the manufacturer or importer or via an agent acting for the manufacturer.
- 2.2 If the decision is made to have a brand new boat built by a professional yard the customer will enter into a formal contract with the builder and agree a detailed specification and inventory and a schedule of stage payments during construction. If a large sum of money is at stake, it is advisable to employ the services of a solicitor or lawyer to ensure that both parties understand and comply with the contract.
- 2.3 Deposits and stage payments must be treated with caution. It has been known for such payments to be made at the request of an unscrupulous builder, for the purchaser to later discover that his boat never existed and his money has been lost to an insolvent company.
- 2.4 A Bill of Sale should be issued by the builder, together with a Builder's Certificate, a Certificate of Conformity confirming compliance with the Recreational Craft Directive and finally, a Value Added Tax 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

- 3.1 Since June 1998 it has been a requirement that all new craft 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 associated matters. Such craft will 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 craft so marked do in fact comply with the RCD.

- 3.2 New boats constructed by private persons 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.
- 3.3 It must be noted that craft complying with the RCD do not necessarily comply with all the requirements of the Boat Safety Scheme which is applied by many inland navigation authorities. However, a brand new boat does not require a detailed BSS inspection until 4 years after purchase.

## **4 Used Boats**

- 4.1 A second-hand boat may be viewed at a marina or boatyard or on the private premises of the vendor. Tempting though it may be, do not make an impulsive offer for the boat. There are thousands of craft advertised in the boating media, so take time to look around for other suitable craft and carefully consider the merits of the boat before undertaking to buy it for an agreed price. 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 may accept or reject the offer.
- 4.2 Although not strictly necessary, it is usual for the buyer to place a deposit on the boat pending completion of the purchase. There is no minimum or recommended sum for such a deposit and the amount will depend on the value of the boat or the wealth of the purchaser! Do not place a deposit until the terms of the contract have been agreed, preferably in writing.
- 4.3 A purchase will usually be subject to terms and conditions including a satisfactory survey, compliance with the Boat Safety Scheme, a trial run with the engine and any other salient matters. Do not rely on the fact that the boat already has a "valid" Boat Safety Certificate. If you read the back of the certificate it was only valid on the day it was issued!
- 4.4 Make sure you know who will pay for any necessary lifting out for 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.
- 4.5 If the survey reveals serious faults the offer to purchase can be withdrawn or the purchase price re-negotiated. Alternatively, the vendor may agree to have the necessary rectification work carried out at his own expense.
- 4.6 It is important to ascertain that the vendor has the legal right to sell the craft. This can be evidenced by seeing previous bills of sale or other documents indicating that the person has owned the boat for a number of years. If the boat is subject to a hire purchase agreement, it belongs to the finance company and they must give permission for the beneficial owner to sell it.
- 4.7 Confirm the inventory (either from the sales particulars or by compiling your own list) of items of equipment and gear that will form part of the purchase
- 4.8 Have a demonstration and trial run in the boat before you finally decide to buy. You may discover that the engine performs badly or is too noisy or subject to excessive vibration.
- 4.9 Finally, make sure you obtain a receipt or Bill of Sale for the boat.

## **5 Surveys**

- 5.1 The purchase of a boat may be the largest or second-largest item of expenditure you ever make in your lifetime. It therefore makes good sense to have a professional survey carried out before you part with your money.

- 5.2 The survey should be undertaken by a reputable practitioner who is a member of a recognised 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 which will protect you in the event that the surveyor makes a mistake or fails to identify a defect in the craft.
- 5.3 It is important to understand that a condition survey will not usually include a detailed examination of the engine and gearbox, other than a superficial check. If you want complete peace of mind it will pay you to commission a full survey and engine survey. The latter may require the services of a separate qualified engineer.
- 5.4 Be careful to stipulate what kind of survey you require. You get what you pay for - a valuation survey will only confirm the true worth of the vessel, whereas a full condition survey will include detailed testing of the hull and careful inspection of normally inaccessible parts of the boat.

## **6 Boat Safety Certificates**

- 6.1 Boats which comply with the Recreational Craft Directive do not have to comply with the multitude of items contained within the Boat Safety Scheme (BSS) boat standards booklet. The owner must produce the manufacturers certificate of compliance with the RCD and subject to the boat having been maintained so as to continue to comply with the RCD it is expected that a Boat Safety Certificate will be issued for a 4-year period after which it must be renewed.
- 6.2 All other craft must be examined by an authorised examiner or surveyor at 4 yearly intervals and a PASS certificate obtained before the boat can be licensed for use on most inland waterways.
- 6.3 It is essential to understand that a Boat Safety Certificate (BSC) does not indicate the condition of the vessel or the hull. A BSS examination is in no way comparable to a full condition survey and the BSC is only valid on the day it was issued although it remains current for 4 years.
- 6.4 Prospective purchasers should ensure that the craft still complies with the BSS before they buy it and make this a condition of purchase. It is too late to buy the boat and then to discover that it fails its BSS examination and you are faced with expensive work in order to comply with the scheme.
- The only way to ensure compliance with current Boat Safety Standards is to commission a BSS Examination or, at the very least, written confirmation from a qualified surveyor or examiner that the boat will pass an examination.
- 6.5 Vendors are recommended to stress that any current BSC for the craft may or may not be valid and that it is the purchaser's responsibility to satisfy himself that the boat complies with the BSS before he buys it.

## **7 Registration**

- 7.1 Some small pleasure craft may be registered as British ships on the official register. They will have an Official Number carved into a beam or on a plate and any transfer of ownership should be recorded by completing special forms obtainable from the Registrar of Shipping at Cardiff. It is not unusual for the paperwork not to have been completed over the years and in such cases the registration will probably have lapsed. Registration can be renewed subject

to proper documents relating to previous owners and sales being produced and registered with the appropriate fees being paid, but this can be a difficult and expensive procedure.

- 7.2 A reputable broker or company should carry out the required formalities for a registered ship on behalf of the new owner. If the boat is a registered vessel and you want to transfer the ownership, this should be a condition of the proposed purchase.
- 7.3 A Bill of Sale on an official form will need to be completed and witnessed and submitted to the Registrar with the stipulated fee. Finance companies will often insist that a Marine Mortgage is registered and this can only be done if the vessel is officially registered.
- 7.4 If the registration has been maintained up-to-date the Registrar will be able to confirm the legal ownership of the craft. Failure to properly transfer registered "title" can lead to legal difficulties, particularly if a marine mortgage exists on the register.
- 7.5 Smaller boats are frequently registered on the Small Ships Register (SSR) if they are to be used abroad and will display a number preceded by the letters "SSR". This does not provide evidence of title and a new certificate must be obtained by the new owner.
- 7.6 Refer to the NABO Guidance Paper on Ship Registration for further details concerning the registration of boats. It can be a complicated and expensive process.

## **8 Value Added Tax**

- 8.1 VAT is only payable if a boat is sold by a trader. Private sales do not attract VAT.
- 8.2 New boats will usually be subject to VAT and it is important to retain the VAT Receipt as evidence that the tax has been paid. This is vital if the boat is to be taken into another member state of the EU, and failure to show that VAT has been paid could result in another tax bill from the foreign authority.
- 8.3 If a second-hand boat is to be taken into another EU country it will be 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.
- 8.4 If you intend to export a new boat or base it in another country you should seek advice regarding how the VAT will be treated. (NABO Technical Rep has this information).
- 8.5 It should be noted that new houseboats are Zero-rated.

## **9 Insurance**

- 9.1 It is not a legal requirement for a boat to be insured but only a foolish owner will commit a large sum of his money and not take out insurance to safeguard his asset.
- 9.2 The cost of boat insurance is ridiculously cheap - usually only about 1/2 % of the agreed value of the boat.
- 9.3 Insurance can be either Comprehensive or Third Party Only. Many navigation authorities insist that Third Party cover is in force as a minimum, in order to meet the costs of any damage or salvage resulting from an accident.
- 9.4 When buying a boat make sure that the vendor has it insured until the sale has been completed and your own insurance is in force.

## **10 Finance**

- 0.1 Specialised finance houses advertise in the boating press and can offer hire-purchase terms to purchasers. Alternatively, a broker or boatyard may be able to assist with finance as agents for a lender.
- 10.2 An alternative to hire purchase is a loan from a bank or building society.
- 10.3 Do not enter into a financial commitment which you cannot honour.
- 10.4 Larger loans may be secured by a charge over the borrower's house or other property or by means of a marine mortgage or a simpler form of unregistered mortgage on the boat.

## **11 Further information**

- 11.1 In case of difficulty, members of NABO may contact a member of Council or the NABO River Users' Co-ordinator / Technical Representative.
- 11.2 The Royal Yachting Association produce two very useful booklets on the subject of "Buying a Second-hand Yacht" and "Buying a New Yacht". The contact address is :

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