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Subject to Finance and Building and Pest – When to Use Standard and Special Conditions

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If you are buying property in Queensland, you will almost certainly encounter two contract conditions before you sign: **subject to finance** and **subject to building and pest**. These conditions are among the most important protections available to buyers. Used well, they give you time to confirm your loan and check the property before you are locked in. Used poorly — or not at all — they can leave you exposed at exactly the wrong moment.

This article explains what these conditions do, when the standard contract wording is usually enough, when a more tailored special condition should be considered, and what practical steps you can take to protect your position. It is general information only and is not a substitute for legal advice about your specific transaction.

What Are These Conditions and Why Do They Matter?

In Queensland, most residential property sales use standard contract forms prepared by the Real Estate Institute of Queensland and Queensland Law Society. Those standard contracts include built-in conditions that allow a buyer to make the purchase conditional on obtaining finance or obtaining satisfactory building and pest inspection reports.

These are not formalities. They are genuine exit rights. If finance falls through or the inspection uncovers serious problems, the conditions — if properly used — allow you to terminate the contract and recover your deposit. Without them, you may be committed to completing a purchase you cannot fund or that has significant defects.

The key point that many buyers miss is this: the standard conditions are not the same as unlimited protection. They have defined timeframes, specific notice requirements, and built-in obligations on the buyer. Understanding what they do — and do not — cover is essential.

Subject to Finance: The Basics

A finance condition protects a buyer who needs a loan to complete the purchase. In practical terms, it gives you an agreed period to obtain formal loan approval from your lender. If approval is not obtained by the nominated date, you can notify the seller and terminate the contract, recovering your deposit.

The condition is not a general get-out clause. You cannot simply change your mind or decide you prefer another property and rely on the finance condition to exit. You must genuinely be seeking finance, take reasonable steps to obtain it, and give proper notice by the required date if approval is not forthcoming.

When Is the Standard Finance Condition Enough?

For most straightforward residential purchases, the standard finance condition works well. It is generally appropriate where:

- you are obtaining a conventional home loan from a bank, credit union, or recognised lender;
- the property is a standard residential house or unit with no unusual features affecting lending;
- your deposit is clear and your borrowing structure is straightforward;
- the finance date in the contract allows enough time for your lender to assess and approve the application; and
- you only need the standard rights to approve, waive, or terminate by the due date.

For example, *a buyer purchasing a three-bedroom home with a mainstream lender and a clear 21-day finance period will generally be well-protected by the standard condition.* There is no need to complicate the contract where the transaction is routine.

When Should You Consider a Special Finance Condition?

The standard condition may not be sufficient in more complex situations. A tailored special condition should be considered where:

- your finance depends on selling another property first;
- you require guarantor approval as part of the lending;
- you are purchasing through a company, trust, or self-managed superannuation fund;
- there is a real risk that a lender's valuation of the property might come in below the purchase price;
- your funds are coming from an offshore account, a family gift, or a private lender;
- you need bridging finance or are refinancing an existing property; or
- you want the right to extend the finance date if your lender requests more time.

A well-drafted special finance condition will clearly state what approval is needed, who must provide it, by when, whether it must be unconditional, and exactly how notice is to be given. It should also address how it interacts with the standard finance condition in the contract — if both exist, the contract should state which one prevails if they conflict.

For a seller, the standard condition may not be sufficient if they want the buyer to be able to provide proof that they were unable to obtain finance such as a letter from the financier.

Subject to Building and Pest: The Basics

A building and pest condition gives you the right to arrange inspections of the property by qualified inspectors and to decide whether the results are satisfactory. If the reports reveal significant structural defects or pest activity, you can give notice to terminate the contract and recover your deposit.

The condition generally requires you to arrange the inspections within the agreed period, take reasonable steps to obtain the reports, and give formal notice before the due date if you wish to terminate.

When Is the Standard Building and Pest Condition Enough?

For a typical residential purchase, the standard condition provides solid protection where:

- the property is a conventional house or unit with no obvious structural or pest concerns;
- you want a standard building inspection and pest inspection carried out by qualified inspectors;

- you are comfortable making a decision — proceed, negotiate, or terminate — based on those two reports; and
- the timeframe is realistic for obtaining the reports and providing notice.

The Limits of the Standard Condition

The standard building and pest condition covers building and pest inspections. It is not a general due diligence clause and does not automatically cover:

- unapproved building works (extensions, decks, carports, and sheds built without council approval);
- pool safety compliance;
- asbestos or hazardous materials in older properties;
- flooding risk, overland flow, or stormwater drainage problems;
- electrical, plumbing, or gas defects;
- retaining walls or boundary structures;
- body corporate defects or defects in common property for units; or
- your ability to insure the property.

If any of these issues are a concern, the standard condition alone will not protect you.

When Should You Consider a Special Building and Pest Condition?

A special condition should be considered where you need rights beyond those provided by the standard condition. Common examples include:

- you want a structural engineer, electrician, plumber, or asbestos consultant to inspect the property;
- you need access for follow-up inspections, quotes, or invasive testing after receiving the initial reports;
- you are concerned about unapproved structures and want the seller to obtain council approval before settlement;
- you want the seller to repair identified defects before settlement — with specific standards, timelines, and reinspection rights (although the right to terminate may have a similar effect if not agreed later);
- you want a purchase price reduction mechanism if defects of a certain value are found (again the right to terminate may have a similar effect if not agreed later);
- you are purchasing a unit and want to inspect body corporate records or common property condition; or
- pool safety compliance or flood risk is a material concern.

For example, *if you are purchasing a 1970s Queenslander with an unapproved rear extension, the standard building and pest condition will not give you a right to require the seller to legalise that structure or adjust the price.* You would need a specific special condition to achieve that outcome.

If you want the seller to carry out works before settlement, a vague reference to "satisfactory building and pest" is not enough. The special condition needs to specify what work must be done, who must do it, what standard it must meet, and what happens if it is not completed on time.

Quick Reference: Standard or Special Condition?

The table below summarises common scenarios and whether the standard condition is likely to be sufficient, or whether a special condition should be considered.

Scenario	Standard Condition Sufficient?	Special Condition Recommended?
Conventional bank finance for standard residential purchase	Yes	Usually no
Buyer has pre-approval only (not unconditional)	Possibly	Consider it
Finance depends on sale of another property	No	Yes
Finance depends on guarantor approval	Possibly not	Yes
SMSF, trust, company, or complex borrower structure	Possibly not	Yes
Concern about lender's property valuation	Possibly	Yes, if material
Routine building and pest inspection	Yes	Usually no
Structural engineer or specialist inspection required	No	Yes
Concern about unapproved building works	No	Yes
Seller required to repair defects before settlement	No	Yes
Unit purchase with common property defect concerns	Possibly not	Yes
Pool safety or insurance availability concerns	No	Yes

Critical Dates and Notice Requirements

Both the finance condition and the building and pest condition operate on strict timelines. Missing a deadline — even by a day — can have serious consequences.

The key rules for buyers are:

- Diary the finance date and the building and pest date the moment you receive the signed contract.
- Give your notice before the contractual cut-off time, which is commonly 5.00 pm on the relevant date.
- If you need more time, ask for an extension before the condition date expires — not after.
- Notices must be given strictly in accordance with the contract. A late, ambiguous, or defective notice may not be effective.
- If you are terminating, clearly identify which condition you are relying on.
- Keep proof of how and when the notice was served.

Requesting an extension should always be done in writing and should clearly identify the condition being extended and the new date proposed. If the seller does not agree, you will need to decide whether to terminate, waive the condition, or proceed.

Practical Tips for Buyers

Based on common issues that arise in Queensland conveyancing, the following tips are worth keeping in mind when entering a contract:

- Talk to your solicitor before you sign, not after. Once the contract is signed, any change requires the seller's agreement.
- Confirm your finance arrangements with your broker or lender before signing, and make sure the finance period is realistic — short timeframes may be commercially attractive but can be risky if your lender needs more time.
- Do not assume pre-approval is the same as unconditional approval. Pre-approval is not approval of a specific property and does not remove the need for a finance condition.
- Check whether the finance details in the contract are complete — the financier, the loan amount, and the finance date should all be properly recorded.
- Do not assume the building and pest condition covers all your due diligence needs. If you have specific concerns about the property, raise them with your solicitor before signing.
- If the inspection report reveals issues, document any agreed repair or price reduction formally. A verbal understanding with the agent is not binding.
- Avoid informal agent-led amendments to contract conditions. Changes to legal terms should be reviewed for consistency with the rest of the contract.

Conclusion

In the vast majority of Queensland residential purchases, the standard finance and building and pest conditions are well understood, commercially accepted, and fit for purpose. For a straightforward transaction with a mainstream lender and a conventional property, they provide effective and predictable protection.

However, they are not universal protections, and they do not cover every risk. When your finance is complex, the property has unusual features, you need specialist inspections, or you want to hold the seller to obligations before settlement, a targeted special condition is worth the additional effort.

The best time to address these questions is before you sign. Conditional contract terms, once agreed, become binding on both parties — and amendments always require the other side's consent. A brief conversation with your solicitor at the outset can save considerable difficulty later.

General Information Only — Not Legal Advice

This article is intended as general information for buyers and other readers interested in Queensland conveyancing practice. It is not legal advice and does not take into account your individual circumstances. Contract conditions must be assessed in the context of your specific transaction. You should obtain advice from a qualified Queensland solicitor before signing any contract or making any decision about your purchase.

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