FROM THE IUSTORIA BLOG

Purchase Price Escrow with a Lawyer: How Does It Work and When Do I Get the Money?

> *How attorney escrow protects buyer and seller, when the money is released, what happens if there is a mortgage on the flat and why the lawyer asks where the money comes from.*

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The buyer doesn't want to pay until they are registered in the Land Registry (*katastr nemovitostí*). The seller doesn't want to part with the flat before seeing the money. Yet at least several weeks pass between signing the purchase agreement and registration. Escrow bridges that gap: a third party holds the purchase price and releases it only once exactly what the parties agreed on has happened.

I handle purchase price escrows regularly. The seller usually gets the money only after the buyer has been registered in the Land Registry and the title register has been checked. The Land Registry office will not allow the registration until at least 20 days after sending notice to the owner, and in practice it usually takes several weeks from filing the application. If the seller has a mortgage on the property, they receive the rest of the price only once the charge has been deleted. Below I describe how escrow works and where the payout is most often held up.

Who holds the money and under what rules

Here the escrow agent is a lawyer. A lawyer accepts money only under a written escrow agreement and only by bank transfer to a special bank account labelled "advokátní úschova", meaning attorney escrow (Section 52g(1) to (3) of the Czech Legal Profession Act, Act No. 85/1996 Coll.). Each such account may hold only one escrow, and nothing else may be paid into it: neither the lawyer's own money nor other clients' money. The bank will not accept cash into the account or pay cash out of it (Section 52j(3)). The lawyer may deal with the money only as the agreement provides (Section 52i).

During the escrow you also receive information from sources other than the lawyer:

- from the bank, confirmation that it holds the escrow account, before you send the money, and then confirmation of every transfer showing the amount and the account the money went to (Section 52j),
- from the Czech Bar Association (*Česká advokátní komora*), confirmations from the electronic Escrow Register (*Kniha úschov*) that the record has been created, that it has been changed and that the escrow has ended (Section 52k(5)).

Since 1 January 2026, a lawyer must report an escrow to the Escrow Register before accepting the money, including the identification details of the depositor and the beneficiary (Article 2b of Board Resolution No. 7/2004, published in the Bar Association Bulletin). The Bar Association's advice to clients is therefore simple: **until you have both the bank's confirmation and the confirmation from the Escrow Register, do not send the money**, and contact the lawyer or, if need be, the Bar Association directly.

How the money in escrow is protected

The money is in the lawyer's account, but it does not belong to the lawyer. Different safeguards protect it against a bank failure and against embezzlement.

If the bank failed, the money would be covered by deposit insurance up to EUR 100,000 per person per bank. Your other deposits with the same bank, however, count towards that limit (Section 41e(1) and (2) of the Czech Banking Act). Compensation goes to the actual owner of the money, which is why the lawyer must tell the bank

who that is (Section 41f(5)).

The lawyer's professional indemnity insurance does not cover money in escrow. The lawyer must tell you this in writing before accepting the money (Article 4(2) of the same resolution).

To cover embezzlement by a lawyer, the Czech Bar Association has had a Guarantee Fund since 1 January 2026 (Section 29a of the Legal Profession Act). Compensation is up to CZK 2,500,000 per escrow, and up to CZK 5,000,000 where the money is the purchase price of a property that the Land Registry records as residential, but never more than the part of the loss the lawyer has not made good. The Fund covers only money received into escrow after 31 December 2025, and only escrows for which the lawyer reported your details to the Escrow Register. As a rule, you must produce a final court decision awarding damages for loss caused by the lawyer's criminal conduct, together with a statement of what has been recovered from the lawyer. The Board of the Bar Association decides on compensation by the end of January of the following year. If the Fund does not hold enough money, payments are reduced proportionately (Assembly Resolution No. 5/2025, published in the Bar Association Bulletin). The confirmation from the Escrow Register shows that the lawyer reported both the escrow and your details to the Bar Association. Keep it.

Lawyer, notary or bank

Notaries also offer purchase price escrow. A notary accepts the money into a special account labelled “notářská úschova” (notarial escrow) and draws up a record of the escrow (Sections 86 and 87 of the Czech Notarial Code); notaries also keep an escrow register (Section 89c). Banks have their own escrow products, governed by the contract with the bank and its terms and conditions.

In practice, the main difference is who has the whole transfer in hand. A lawyer usually also drafts the purchase agreement, files the application for registration and keeps an eye on the Land Registry, so they know first-hand when the conditions for release have been met.

How escrow works step by step

1. Identification of both parties and checks under the anti-money laundering rules.
2. Signing of the purchase agreement and the escrow agreement, which sets out precisely the conditions for releasing the money.
3. The buyer pays the purchase price into the escrow account from their own funds, from a mortgage, or from a combination of both.
4. The lawyer files the application for registration (*návrh na vklad*) with the Land Registry. Registration takes legal effect as of the moment the application reached the Land Registry office (Section 10 of the Czech Cadastral Act). However, the office will not allow the registration until at least 20 days after it has sent the owner notice of the pending proceedings (Section 18(1)).

5. After registration, the lawyer checks the title register (*list vlastnictví*, the register sheet listing the owners of the property and everything registered against it) and releases the money.

The usual condition for release is that the buyer is registered as owner and the title register shows nothing that should not be there: a new charge, enforcement, a note of a dispute, or pending proceedings that cannot be explained. The seller thus gets the money at the moment the buyer has received exactly what they paid for.

The seller has a mortgage on the property

This is where the payout is most often split into parts. Part of the purchase price goes straight to the seller's bank to pay off the loan, according to the redemption statement the bank issues for the payment date. The bank then issues the document needed to delete the charge (*zástavní právo*). The seller receives the rest of the price only once the charge has been deleted, because the buyer is meant to acquire the property free of it.

This is also where most delays arise in practice. The application to delete the charge is filed while the proceedings to register the buyer's ownership are already under way, and it has to take that into account. That is why I want to see it before it is sent, even if the bank or the seller files it, because a mistake in it delays the payout of the rest of the price.

The buyer is paying with a mortgage

The buyer's bank sends the money to the escrow account in line with the drawdown conditions in the loan agreement. It usually wants to see the signed purchase agreement, the escrow agreement and the charge agreement, and often also the filed application to register the charge. This needs to be built into the timetable so that the buyer does not end up in default simply because they are waiting for their bank.

If the buyer signs before the loan has been approved, I include a condition subsequent in the purchase agreement. If the bank does not approve the loan by a certain date, the contract lapses and the buyer gets back from escrow whatever they paid in from their own funds. The seller is not left with the flat tied up indefinitely, and the buyer does not lose their deposit.

When the transfer falls through

The escrow agreement should contain a deadline. If the conditions for release are not met by a set date, the lawyer returns the money to whoever paid it in: the buyer's own money to the buyer and the loan money to the buyer's bank. It is also common to agree that, if the parties fall into dispute, the lawyer will release the money only on a joint written instruction from both parties with officially certified signatures, or under a final court decision. That way the lawyer does not decide alone who the money belongs to.

Interest on the escrow account goes to whoever the agreement specifies. Before accepting the money, the lawyer tells the bank which account the interest is to be transferred to (Section 52h(2)(b) of the Legal Profession Act).

Why I want to know where the money comes from

A lawyer who accepts money into escrow is an obliged entity under the anti-money laundering legislation (Section 2(1)(g) of Act No. 253/2008 Coll., the Czech Anti-Money Laundering Act). They must identify the parties and carry out customer due diligence: establish the purpose of the transaction and the beneficial owner, check whether a politically exposed person or a person subject to international sanctions is involved, and examine the source of the funds (Section 9(2)). If the client does not provide the necessary information, the lawyer must refuse the escrow (Section 15(1)). With a politically exposed person, the lawyer will not carry out the transaction until they know where the money comes from (Section 15(2)).

So I ask everyone, not just people who for some reason strike me as suspicious. Please have ready:

- a valid identity document,
- evidence of where the money comes from, such as a bank statement, the purchase agreement for a flat you have sold, a loan agreement, a deed of gift or the court decision on an inheritance,
- for a company, information on its ownership structure and on who acts on its behalf.

The sooner I have the documents, the lower the risk that the signing will have to be postponed.

You are selling a co-ownership share

If only a share is being transferred, I check the other co-owners' right of pre-emption. Today, the statutory right of pre-emption applies only where the co-ownership arose in a way the co-owners could not influence, typically through inheritance, and only for six months from the day it arose, which for an inheritance means from the death of the deceased. It does not apply to a transfer to another co-owner, a spouse, a sibling or a relative in the direct line (Section 1124 of the Czech Civil Code). It also applies to gifts; the co-owners may then buy the share out at the market value.

If the right of pre-emption still applies, the seller must offer the share to the others in writing on all the terms of the contract with the buyer (Section 2147), and for real estate they have three months to pay (Section 2148). A buyer who knew or should have known about the right of pre-emption has a contract subject to the condition subsequent that the right is exercised (Section 2145). It is quicker if the other co-owners declare in writing before the signing that they will not exercise their right of pre-emption. I then make release from escrow conditional on this declaration as well.

What to ask before signing an escrow agreement

- Who will be the escrow agent? You can look the lawyer up in the Czech Bar Association's register of lawyers.
- Which account should I send the money to, and is it labelled as attorney escrow? Check the account number through a channel other than email; what counts is the bank's confirmation.
- Have I received both the bank's confirmation and the confirmation from the Escrow Register?

- Under exactly what conditions, on the basis of which documents and within how many days will the money be released?
- How much will go to the seller's bank and how much to the seller if there is a charge on the property?
- By when should the transfer go through, and what happens if it doesn't?
- Who gets the interest?
- What do I need to provide to show where the money comes from?

Selling or buying a property and want the purchase price kept safe? I handle purchase price escrow, including the purchase agreement and the application for registration, and make sure the money is released only after registration in the Land Registry. Call me on +420 732 464 372 or email bartonkova@iustoria.cz.

This article describes the law as at 3 November 2026. It is for information only and does not replace legal advice on a specific matter.

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