

**Subject: Up-date briefing on Home Information Packs**

**Note of key matters:**

Attendees:

| <b>Presenters</b>  | <b>APPG</b>  | <b>Others</b>   |
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| Hugh Dunsmore-Hardy,<br>National Association of<br>Licensed Home Inspectors<br>Alan Dring, eConveyancer<br>Ray Boulger, John Charcol<br>Limited<br>James Scott Lee,<br>Chancellors Estate Agents<br>and member of the Royal<br>Institute of Chartered<br>Surveyors residential faculty | Baroness Turner (Chair)<br>Lynne Jones MP<br>Baroness Gibson<br>Lord Davies<br>Sir John Butterfill MP<br>Lord Hunt | David Worsfold (Incisive<br>Media)<br>Andrew Hindle (PwC) |

**Background:**

The meeting was held to provide an up-date on the introduction of the HIP in the context of the government's recent announcement that whilst the legal part of the Pack and the Energy Performance Certificate (EPC) will become compulsory from 1 June 2007, the Home Condition Report (HCR) will be voluntary.

During the meeting, it was noted that:

- Government research suggests that £ millions are wasted by consumers as a result of aborted housing transactions (requiring sellers to have a HIP prepared when marketing a property for sale is designed to address this)
- The introduction of the HIP is designed to protect both buyers and sellers from financial loss and provide a more transparent and streamlined process
- There may be some initial scepticism amongst buyers about the independence of a report compiled on behalf of, and paid for by, the seller
- The HCR will not remove the need for lenders to carry out valuations to assess lending risk.

**1. Hugh Dunsmore-Hardy**

By way of background, Hugh was the former Chief Executive of the National Association of Estate Agents and has been involved with the development of the HCR and the standards for Home Inspectors.

He noted that the industry was keen to support the certification of inspection reports and the provision of information, and expressed concerns about the government's recent announcement and the apparent retreat on its manifesto commitment of improving the house buying process.

Hugh indicated that the government's announcement that the HCR will be voluntary is a missed opportunity to protect both buyers and sellers and provide a more transparent and streamlined process.

There has been considerable investment in the HIP in terms of time and resource (including the cost of training Home Inspectors and compliance measures).

Specifically, Hugh believes the introduction of the HIP will:

- Provide for a faster, more efficient home buying process
- Reduce unforeseen problems with a property that may cause terms to be renegotiated, delay exchange of contracts or result in transactions failing.

On the HCR, Hugh believes the government should:

- Make the HCR which sets out information on the condition of the property mandatory.

## **2. Alan Dring**

Alan expressed concern at the misrepresentation of the HIP in the financial press and other media and indicated that consumer confidence and awareness will be critical. Alan indicated that the introduction of the HIP could help address some of the perceived inefficiencies in the housing buying process.

Alan felt the industry needs a more formal framework providing for increased transparency giving buyers a clearer understanding of the property they are buying, increasing certainty and reducing the number of failed transactions.

He added that there was a need to focus on consumer education; a lack of consumer awareness could frustrate the introduction of the HIP (for example, the perceived increase in transaction costs).

## **3. Ray Boulger**

Ray indicated that he believes the government's decision on the HCR was the correct one and pointed out that there may be some scepticism amongst buyers about the independence of a report compiled on behalf of, and paid for by, the seller. He noted that the HCR will not remove the need for lenders to carry out valuations to assess lending risk.

The requirement to provide information on searches upfront as part of the Pack should make the process more efficient, clearer and easier for consumers. However, in a slow market the buyer's conveyancer may have to renew searches adding to costs (and sellers will incur expenditure on a property that potentially may not sell).

Ray noted that whilst there will be a requirement to have a HIP prepared within 14 days when marketing a property for sale where information is not readily available (for example, details of the lease for leasehold properties), marketing can commence using whatever information is available 'driving a coach and horses' through the legislation.

On this point, Ray believes the question of whether the legislation should provide for the provision of all relevant information within a defined timeframe needs to be considered. In addition, he noted the continued ambiguity concerning the inclusion of the flood risk search and contaminated land search, both of which would bring tangible consumer benefit.

**4. James Scott Lee**

James, whilst an advocate for the HIP, envisaged a number of practical difficulties (including the provision of information requirements, in particular for leasehold properties details of the lease, Searches and the Energy Efficiency assessment/issuance of an Energy Performance Certificate (EPC) and training).

James noted that surveyors appeared to have little appetite for the EPC unless linked to another service (for example, a property valuation/survey) and is not persuaded at this stage that the perceived consumer benefits will be achieved. There will be no means of verifying whether potential remedial work identified as part of the Energy Efficiency assessment has been carried out.

James agreed, subject to the problems listed above being overcome, that the introduction of the HIP would speed up the house buying process, recognising the need to improve the conveyancing process and for the e-conveyancing initiative by the Land Registry to produce some tangible benefits. In short, the industry and its suppliers of information are not yet fully geared up to deliver on the HIP.

James considered the voluntary HCR may or may not catch on. He suspects not as only niche agents will promote.

**5. Note**

During debate, concerns about the potential impact of Automated Valuation Models (AVMs) by some lenders was raised by Ray Boulger and others.

A Hindle

01 November 2006