

Reforming the home buying and selling process

INDUSTRY AND PROFESSIONALS'
VIEWS ON THE FUTURE DIRECTION OF
HOME BUYING REFORM IN ENGLAND

Edited by Amir Ghani, Building Societies Association



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FOREWORD



Buying a new home is both an exciting and stressful time for many buyers and sellers. Though the current system allows property to be bought and sold, it is often criticised for not being as effective, efficient or consumer orientated as it could be.

It cannot be argued that home buying reform has been overlooked by governments and industry, or that there is no appetite to change how we do things. Each profession and industry is looking at how it can make improvements in the part of the process they are involved in. Potential commercial opportunities are also driving us all to consider how we improve the process. But some significant challenges remain.

First, we all have different interests in the process and aligning these so that common outcomes are achieved in a cost effective yet high quality manner agreeable to all participants will continue to be difficult.

Second, there are many competitive pressures that prevent some action from being taken. Some parts of the home buying process are well established and have traditional professions carrying out the activities relating to them. Ensuring there is capacity to provide high quality services at reasonable costs will be important.

Finally, there is a low level of consumer awareness and the ability for self help is limited. Ensuring consumers set the right expectations, understand the process and what is involved at each stage is as important as getting the infrastructure itself right.

Home ownership has been a long and valued tradition in the UK. However, in recent times we have seen home ownership decline as affordability, a competitive private rented sector with properties of a high standard, and social/economic mobility have all meant attitudes to owning your own home have changed.

Nevertheless many people still aspire to own their own home and a well functioning housing market is key to the overall economic health of the country. This means people must be able to buy and sell homes freely and in an efficient way.

The BSA is keen that future reform is not wasted effort, which is why we seek to work with a wide range of professions and sectors involved in the home buying process to understand fully where reform should be targeted.

In April 2010, the BSA chaired a thought leadership discussion with representatives from the legal and conveyancing sectors, estate agents, surveyors and consumer bodies.

Clearly the result of the May 2010 general election and the forming of a Conservative/Liberal Democrats coalition Government has added a further dimension to this already complex area. Whilst producing this document, the new Government has announced the suspension of home information packs (HIPs) and changes to the requirements for Energy Performance Certificates. Although there are mixed views on the worthiness of HIPs, there are many aspects of the home buying and selling process where consumers remain dissatisfied.

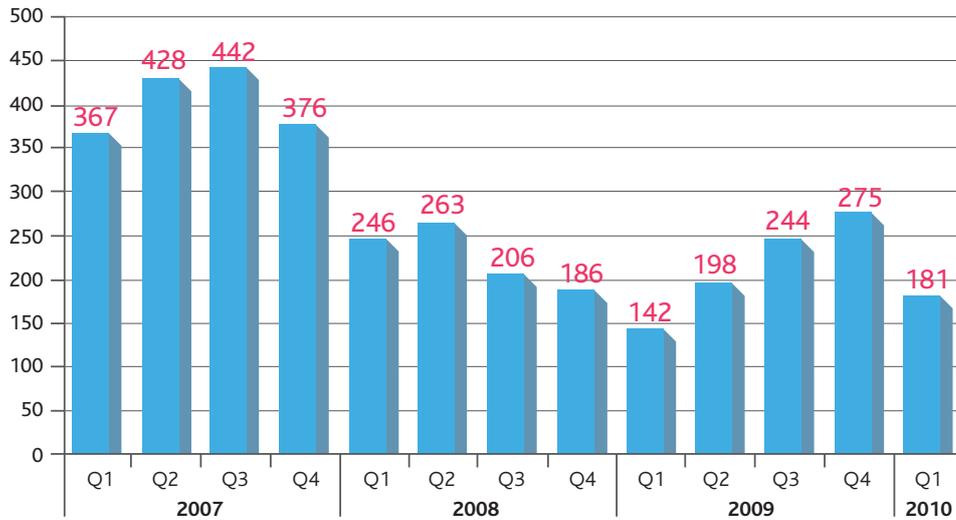
This document sets out the key themes discussed and provides a summary of the views expressed by the participants, culminating with recommendations for the industries involved and government.

A handwritten signature in black ink that reads "Adrian Coles". The signature is written in a cursive, slightly slanted style.

Adrian Coles
Director General, BSA

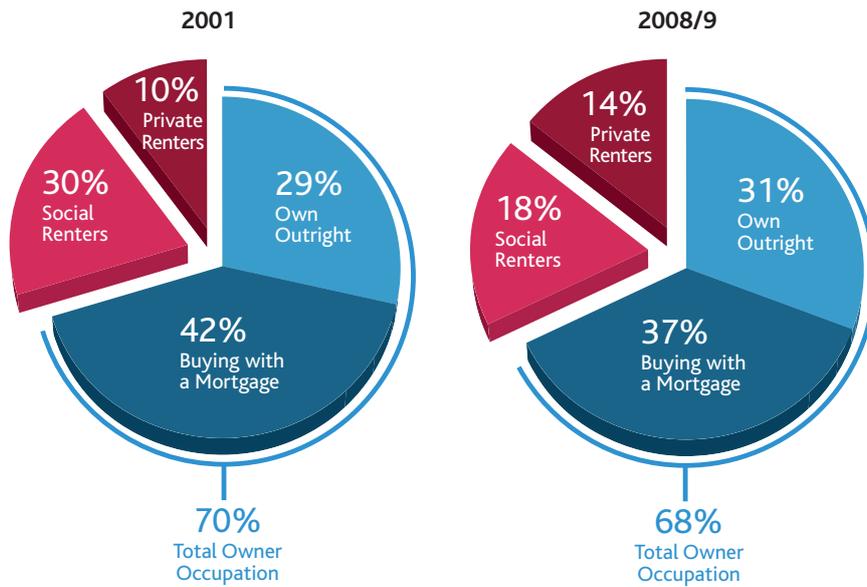
MARKET STATISTICS

Volume of UK Property Transactions from 2007 (000s)



Source: HMCR

Housing Tenures Compared: 2001 with 2008/9



Source: CLG

LIST OF ATTENDEES AT THE BREAKFAST

<p>Adrian Coles <i>Director General</i></p> <p>The Building Societies Association</p>	<p>Paul Broadhead <i>Head of Mortgage Policy</i></p> <p>The Building Societies Association</p>	<p>Paul Marsh <i>Immediate Past President</i></p> <p>The Law Society</p>	<p>David Dalby <i>Director Professional Groups</i></p> <p>RICS</p>	<p>Christopher Hamer <i>Ombudsman</i></p> <p>The Property Ombudsman</p>
<p>Linda Lee <i>Vice President</i></p> <p>The Law Society</p>	<p>Ray Boulger <i>Senior Technical Manager</i></p> <p>John Charcol</p>	<p>Mike Ockenden <i>Director General</i></p> <p>AHIPP</p>	<p>Graham Ellis <i>Associate Director</i></p> <p>RICS</p>	<p>Bethany de Montjoie Rudolf</p> <p>Society for Licensed Conveyancers</p>
<p>David Newnes <i>Managing Director</i></p> <p>Your Move</p>	<p>Victor Olowe <i>Chief Executive</i></p> <p>Council for Licensed Conveyancers</p>	<p>David Hewett <i>Chief Executive</i></p> <p>ARMA</p>	<p>Mark McLaren <i>Public Affairs</i></p> <p>Which?</p>	<p>Sharon Chapman <i>Chair</i></p> <p>CON29DW</p>
<p>Ian Lithman</p> <p>Solicitors Sole Practitioners' Group</p>	<p>Fiona Cornes <i>Head of External Affairs</i></p> <p>The Building Societies Association</p>	<p>Amir Ghani <i>Policy Adviser Mortgages</i></p> <p>The Building Societies Association</p>		

Here we go again!

The current landscape of reform



Paul Broadhead, *Head of Mortgage Policy at the BSA*, sets out the historical context of the home buying reform agenda, and explains where previous attempts have focussed.



The overarching framework for the way in which we buy and sell homes in the UK has been in place since 1925. There have been many attempts over time, driven by political and commercial reasons, to address perceived failures and make the system more efficient - particularly for the consumer.

In recent years many areas of the property industry and home buying process have been examined to see how they might be improved. These have typically focused on either procedural improvement and/or improving the relationship between the parties - all with the intended aim of benefiting the consumers involved.

Conveyancing protocols have existed for some time. The benefit of Protocols is to create a preferred and standard procedure providing certainty to all involved and prevent delays. Though a series of standard templates and forms for each relevant stage of the process is generally welcome, compliance has often proved to be an issue. Information may be incomplete or fragmented leading to delay as missing data is collated. There is also cause for some information to be provided twice adding unnecessary cost and delay. The Law Society has been looking at this together with a range of other issues in its recent work on improving residential conveyancing.

E-conveyancing has much support among both the professional communities as well as consumers. However, after several years of exploring how to develop an e-conveyancing platform the industry is still trying to collectively work out how best to deliver this. The Land Registry is currently consulting on the legislative changes that would be necessary and many of the practical issues relating to delivery have yet to be fully resolved.

HIPs were introduced with the aim of helping buyers make informed decisions about the property that they wished to purchase thus reducing the risk of offers being withdrawn and the chain subsequently collapsing. HIPs came in following the peak in market conditions and were blighted with several obstacles and changes between their design and implementation. The new Government has paved the way to abolish HIPs but a key component in reforming the process remains providing the **RIGHT INFORMATION** to the **RIGHT PERSON** at the **RIGHT TIME**.

Raising professional standards and transparency in relations including exactly what the consumer gets for their money has also been a priority area.

How to avoid wasted future reform



Paul Marsh, *the immediate past president of the Law Society*, expresses disappointment about failed attempts in recent years to improve the process and highlights changes that are needed to benefit consumers.



The Law Society

There has been much discussion about home buying reform over the last 10 years but virtually nothing has been achieved. The last significant improvements were in the 1990s with the launch of the Law Society's TransAction Scheme and the introduction of a single codified lending handbook.

Arguably, it is now more difficult and certainly more expensive and bureaucratic to buy and sell a home than ever before. Previous attempts at reform, such as HIPs, have had the effect of adding costs and bureaucracy whilst failing to provide overall benefit as originally intended.

A key problem with the current system is that costs involved for consumers are not balanced, and often do not represent value for money. The emphasis is on paying for process rather than quality of advice.

Second, the process is not the quickest. Reducing the time between offer and acceptance and a binding contract being entered into will largely depend on improvements to the legal conveyancing process. The Law Society recognises the importance of accelerating the process and speeding up the time to when both the buyer and seller are committed to the transaction.

A major barrier to effective reform is that the market which conducts the home buying process is made up of several very diverse professions and industries. The fragmented nature of the market and competing interests make it difficult for the market (at least on its own) to reform itself.

The Law Society believes government intervention is required, and that this should focus on providing effective and proportionate regulations of estate agents, managing agents, search providers, surveyors and valuers.

Helping consumers



Christopher Hamer, the Property Ombudsman, considers how best to improve the system so that it meets consumer needs.

There is often talk about detriment to consumers in the home buying and selling process. This is usually attributed to the actions or failure of the estate agent to act appropriately in the transaction.



From my experience as Ombudsman it is clear to me that consumers are, on occasion, being disadvantaged by a lack of understanding and miscommunication, and the responsibility for that situation arising is due perhaps to lack of clarity in agent's terms of business, lack of clear explanation of the commitment that parties are entering into but also from lack of preparedness of consumers by not equipping themselves with appropriate information about the process.

Many commentators see regulation of the estate agency sector as overcoming these 'operational' issues and as the answer to reducing broader consumer detriment. The sector itself is not necessarily opposed to the introduction of a regulatory regime and as Ombudsman I would clearly see some form of regulation as setting a level playing field for both the sector itself and for consumers. However, we need to be realistic about the likely timescale and even government's appetite for introducing regulation.

A formal financial services type regulatory regime is not necessarily appropriate. It would be costly, with costs ultimately being passed on to the consumer and it is a clear that the government would rather the industry itself set about putting its own house on an appropriate footing.

There are several pieces of legislation which control the actions of agents, notably the Estate Agents Act 1979 and Property Misdescriptions Act 1991, but the market has moved on over the last 30 years and a review of these laws to reflect the up to date market situation would seem to be overdue.

What can be done though in a short timescale is for the sector itself to work together, pulling together current initiatives on licensing agents and bringing about 100% adherence to the Code of Practice which the majority of agents who have already accepted TPO membership are following.

So we could be said to be almost there – it perhaps needs a 'push' from government but most particularly it needs all stakeholders in the sector to work together with a positive view.

Issues affecting the property professions



David Dalby, *Director of Residential Professional Group at RICS*, explains the main pressures for the professions in the process and how these affect the customer's experience.



An overarching problem affecting all stakeholders in the home-buying and selling process is the general lack of understanding among consumers of the roles and responsibilities of the professionals involved.

As a result, there are huge misunderstandings around the process, particularly in areas such as the scope and purpose of the Home Information Pack, which has recently been abolished, who the estate agent is acting for in dealing with an offer on a property, and the scope and purpose of a mortgage valuation commissioned by a lender.

There is a need for independent, consumer facing, information on the services provided, their scope and limitations, and the standards that customers should expect from those professionals. An independent, cross industry organisation, such as the Property Standards Board, could provide such a resource.

The main issue for estate agents is the lack of a level playing field in dealing with clients and prospective purchasers, some are subject to some form of professional regulation, such as RICS and NAEA members, and some are not. Those who are outside of a regulatory environment may not, therefore, apply the same standards and ethics as their regulated competitors.

Without some form of regulation of the sector, coupled with enforceable minimum competency levels for entry, the industry will continue to be judged by the disreputable few, who make the headlines and tarnish the compliant majority.

One of the issues highlighted in the recent RICS Transparency Report¹ was the lack of clarity and transparency around charges made by lenders for processing a mortgage application. This, coupled with the disclosure of the report, leads most consumers to believe that they are receiving comprehensive condition advice.

RICS and its members need to provide better information to consumers and other stakeholders on the survey products available, their scope and limitations, so that informed advice can be given and objective decisions made.

In an ideal world, home-buying and selling would be carried out in a market where well-informed and knowledgeable people made objective decisions.

The reality is that objectivity is often lacking, people often lack even basic knowledge about the process, and objective information, if available at all, often appears late in the process, with resultant delays and disappointments.

What consumers want is not necessarily speed but certainty, with as much objective information available as early in the transaction as possible, to enable informed decisions to be made and early certainty achieved.

¹ <http://www.rics.org/transparency>

Putting Consumers First



Mark McLaren, at Which? explains how the home buying and selling experience fails to deliver what is important to customers, and calls for a more consumer friendly process.

Buying a home is the largest transaction that most consumers make yet the process is characterised by problems and in many areas offers low levels of consumer protection.



Most consumers just want certainty at the earliest opportunity that their house sale or purchase will go ahead. To ensure this happens, getting the right information to the right person at the right time is the right mantra to adopt. That is why we at Which? still agree with the principle of HIPs – to give more information upfront to buyers so they can make an informed choice (and because the vast majority of sellers are also buyers this is in the interests of both parties).

Which? research² demonstrates that there are significant problems in the home buying process in England and Wales that are causing stress, delay and excessive cost, as well as concerns over the standards of those involved in advising consumers.

We concluded the only way to get meaningful reform was for the Government to commission a wide-ranging and independent review – independent of both government and the industry - to make recommendations as to how this situation can be improved.

Since Which? made that recommendation, the OFT in 2009-10 conducted a market study into home buying. It made various recommendations that the Government should take forward. An independent review to develop a consensus could still help achieve this. Such a review could:

- Explore alternative models for the whole home buying process including contractual arrangements;
- Ensure the markets for property services are sufficiently competitive;
- Assess the impact of the work being done to drive up professional standards and consider improvements; and
- Assess the effectiveness of the Single Survey in Scotland.

While Which? sees the process of buying a house and the standards of those involved as separate issues, they are clearly related. Getting change in one should not be dependent on the other, though it is true that higher professional standards can only help improve consumers' experience of buying and selling a home. Which? acknowledges that raising standards can be delivered by self regulation, though we would not favour self regulation which was in fact protectionist or did not meet the high standards we think self regulation must reach.

In short, the mantra that both industry and government should adopt in any proposed reform of either the process of buying a home or the professional standards of those involved in advising consumers is to ensure they are putting consumers first.

² Move It: Home Buying Reform (December 2007)

The role of home information



Mike Ockenden, *Director General of the Association of Home Information Pack Providers (AHIPP)*, explains the financial benefits of good quality home condition information and the dangers of ignoring its importance.

It is fair to say that most consumers know more about the contents of a packet of cheese and onion crisps than the condition of the properties that are likely to be the largest single purchase they will make in their lives.



The one in five buyers that obtain any form of survey on their prospective new home save an average £2,000 on the asking price of the property according to Which? in a report issued in May 2008 - suggesting a survey is a very wise investment. The same report said that one in four of the buyers that did not get any form of condition report had to pay over £2,000 in addressing problems that would have been identified in a survey and for one in ten it was more than £10,000.

The reason that most people do not get a survey is that they think the valuation report sent to them by their mortgage provider tells them about the condition of the property - which it does not.

Lenders and lawyers have an important role in ensuring that their customers fully understand the purpose of the mortgage valuation and the possible benefits of a condition report.

HIPs were originally designed to be part of the solution by providing information to consumers about the houses they view. However, HIPs failed to have the impact of truly informing potential buyers, largely because the Home Condition Report was a voluntary rather than mandatory feature.

Nevertheless, HIPs were not entirely irrelevant or without value. The legal content of the pack had been used to help speed up the time from acceptance of offer to exchange of contracts and this in turn helped to reduce transaction failure rates.

The HIP industry has used this as the platform to enhance the legal contents to provide 'exchange ready' packs which have been shown to further improve the speed to exchange and reduce failure rates. The learning from this should be used to inform the next stage of reform of the home buying process. AHIPP has therefore proposed that 'exchange ready' legal packs be rolled out across the market to replace HIPs using much simpler legislation that also allows estate agents to list properties provided the pack has been ordered.

Improving the quality of information and advice to all buyers and sellers



David Hewett, *Chief Executive of the Association of Residential Managing Agents (ARMA)*, discusses the dangers of not providing tailored advice that best meets the circumstances of the customer. In particular, the different needs and legal requirements when purchasing or selling leasehold properties.



While leasehold flats represent only some 10% of the housing stock in England and Wales they can represent over 20% of residential property transactions in a year.

The conveyance of leasehold property, for example flats, is more complex than for freehold transactions as additional information is required, such as details of landlord and managing agent, management structure, service charge accounts and impending major works. Plus there are the procedures for assigning the lease and dealing with any restrictions on such assignments.

ARMA have worked closely with the Land Registry to ensure that the assignment and registration process is speeded up. However this is somewhat behind the scenes.

To enable consumers to understand the conveyancing process for leasehold properties, ARMA has produced a Lessee Advisory Note 'Conveyancing'³. This Advisory Note is written in layman's terms and enables lessees to come to grips with the whole process. ARMA has also provided other online guidance, produced jointly with the Leasehold Advisory service (LEASE), titled 'Living in Leasehold Flats, A guide to how it works, your rights and responsibilities'.⁴ This publication is designed for anyone contemplating buying a leasehold flat - it fully explains, again in layman's terms, how the leasehold form of home ownership works.

Many perceive the greatest hold-up to the conveyancing of leasehold flats to be the process of pre-contract enquiries. Conveyancers often blame the managing agents for the delays in responding to such enquiries and managing agents blame the conveyancers because of piece-meal and last minute enquiries.

To overcome these delays ARMA has been working with a range of local and national stakeholders including the Law Society to produce a standard, nationally recognised set of pre-contract enquiries that will be easy to process electronically.

³ http://www.arma.org.uk/doc/public/LAN09_Conveyancing.pdf

⁴ <http://www.arma.org.uk/doc/public/living.pdf>

Adding value and treating customers fairly



Graham Ellis, *Associate Director, Residential Professional at RICS*, and a practicing surveyor and valuer, gives his thoughts on the importance of strong personal customer relations, treating customers fairly and engaging customers in the process.



In the systems-driven, service-standard, information technology world we live in it seems to me that in striving to automate the home buying and selling process the human factor has been cast aside. Come what may we are still in a people business.

In my view, members of RICS, acting as surveyors or estate agents (or both), have a key role in addressing this situation together with other fellow professionals.

Through personal contact in our marketplaces we can give helpful and relevant information and advice at the right time and place. This needs to include advice not only about the process but also our roles within it. We can also deliver quality value-for-money services to benefit clients and their advisers as part of the process.

This is now needed more than ever to overcome the many misconceptions about the way the process works, confusing messages, information overload, and changes which are happening, and to give some understanding as to the roles of those of us involved in it.

Estate agents are in a unique position to offer face-to-face general information and advice about the process to the various parties over and above the core service they are contracted to provide. Often a party to the process will require information and advice from different perspectives. For instance, a client selling a home is more than likely to also be buying a property at the same time, so will have needs as seller and as a buyer. Who better to point them in the right direction than their estate agent(s)?

Surveyors can add value to the process by personally promoting their role in a positive light reporting on condition and other issues for buyers and sellers, as distinct to just undertaking mortgage valuations on behalf of lenders. For example, the new RICS HomeBuyer Report and RICS Condition Report under development are tailor made for surveyors to offer a personal service to clients and to play a much more prominent and appreciated role.

I believe that we can improve the quality of information and advice to buyers and sellers by engaging with consumers, and each other at a much more personal level.

“Buyers need to recognise that the estate agent acts for the seller and not for them. 53 per cent of buyers in England and Wales thought that the estate agent was acting equally for them and for the seller, and a further six per cent thought that the estate agent was acting mainly for them.”

OFT's Market Study on Home Buying and Selling, February 2010

Consumer focussed, collaborative conveyancing



Bethany de Montjoie Rudolf, *from the Society of Licensed Conveyancers*, explains how targeted action can address key barriers and help deliver a more effective, efficient and customer centric conveyancing process.

It is well understood that the conveyancing process needs to be quicker and more responsive to the needs of those who are part of it – not least delivering a quality experience for the end users.

Some 'basic' changes would help:

- Key to ensuring that those involved in the home buying process are genuinely committed to the transaction being completed as quickly as possible. This can usually only be achieved if there is some financial commitment on the part of both the buyer and seller. Moving towards a 'reservation contract' supported by a 'pre-contract deposit' may be the answer. Since the advent of HIPs, the buyer makes little financial commitment until exchange of contracts. A non-refundable deposit to cover the seller's out of pocket expenses would prevent capricious buyers.
- Access to search data is still heavily restricted and the delays have increased since April 2009 but have been masked by HIPs. The requirement of some local authorities for multiple visits to different departments in the same building, the refusal to hand out data, requiring it to be copied down and the limitation of the number of searches undertaken on one day creates a negative effect on the economy and the environment which could be avoided by electronic interfaces or emailed data.
- We need stronger and clearer agreed responsibilities between advisers and their respective regulators. Each adviser, be it legal, structural or financial is under obligation to show that they have advised on all matters relating to the consumer whether or not it is relevant to their expertise. Conveyancers in particular end up advising on areas outside their expertise. Agreeing procedures and handovers between advisers through a communications platform would ensure that the consumer knew who to rely on and ensure that they received timely and appropriate advice from the relevant expert.
- A side effect of the Land Registry Dematerialisation is that all ancillary deeds and documents relating to the property are scattered to the winds at the completion of each transaction. An electronic register of ancillary documents for each property would save wasted time and money. The saving in duplicated indemnity insurance policies for Buildings Regulations and Chancel Repair alone would fund it.
- If estate agents had a licensing and redress system then the other regulated professionals involved in the process could justifiably rely on them to co-ordinate the process and host communications platforms.
- Agreed protocols and procedures would provide certainty and simplify the process. Comprehensive and standardised Property Details Questionnaires and Landlords Questionnaires replacing the hotch potch of 'additional' and leasehold enquiries would ensure consistency, and enable Landlords and Managing Agents to create efficient and economic system for the provision of the required information.

- We now know that the Government has suspended HIPs as a pre-cursor to scrapping them completely. However, they should be replaced with a complete and comprehensive pre-sale pack to be provided to the buyer's conveyancer; as one would receive from a builder for a plot purchase.

E-conveyancing

E-conveyancing has been explored in the UK since 2001. The vision is that:

- Users of the e-conveyancing network are able to transact with each other securely;
- Users are able to share information electronically;
- Errors and discrepancies are identified and rectified at the earliest possible stage;
- Electronic deeds and documents are signed with electronic signatures;
- Registration would happen much more quickly than in the paper world, so protecting the interests of landowners at an earlier stage.

The Land Registry has been developing an electronic platform for several years now. Some services are already available such as electronic discharges and notifications. E-charges are being piloted and the e-transfers pilot is planned for Spring 2011.

The next phase of development will include the e-signing process and it is Land Registry's intention to build a facility for e-transfers to be signed either by the parties themselves or by their legal representatives.

The intention is also to develop an attachment facility for conveyancers to lodge the Stamp Duty Land Tax certificate.

Ensuring products and services provide value



Sharon Chapman, *Chair of CON29DW/The Water Industry Property Information Network*, argues that service and product providers must demonstrate the value of their goods to consumers.



Conveyancing products and services have a value. The consumer is not buying 'costs', but that is how they sometimes feel. They are buying a house, and in order to do so they need some valuable products and services to help them in their purchase, to provide information they need, advice on important issues, ensure legal protection, and to make the process run smoothly.

Products and services should be marketed to reflect these points. The consumer should see and understand the value of what they are being offered and being asked to purchase.

One of the problems Home Information Packs faced was that they confused consumers with a lot of information, much of which consumers failed to see the relevance or importance of.

In a post-HIPs world, advice to consumers should still be available and consistent. The information they are provided with should still be information they want and need to know to inform and protect them. As information providers, we shouldn't assume consumers know the process or the pitfalls as well as we do!

Certain documents, such as the Drainage and Water Enquiry were originally legal documents created for conveyancers. Under the HIP regulations, the Enquiry evolved into a document for the HIP, and yet is still a legal document required for conveyancing. There would be some logic into dividing the results of this enquiry into two - a consumer focussed document telling the home buyer the information they need to know, and a legal document designed for use by the conveyancer. Perhaps there are also other areas, where similar separation could be beneficial?

Empowering consumers

There was collective agreement among all the participants in the discussion that the consumer has a role in improving their own customer journey. This would be achieved by ensuring that they were provided with clear, objective information on the home buying and selling process and the roles of the various professionals involved. That way, they would be less dependent on the professionals acting for them, and having sufficient knowledge and awareness to help raise quality standards themselves.

Buyers and sellers are often too dependent on the various professions they instruct. Whereas it is not wrong of them to trust the people and professions they are required to use, consumers' lack of basic understanding of roles, responsibilities and the overall process means that they are not able to best utilise the services they get or to judge their quality.

Clearly the various professions need to get their own house in order too and this must include helping customers understand the process. We are already seeing strong signs of many consumers losing trust and confidence in essential service providers. The Office of Fair Trading's recent Market Study on the home buying and selling process⁵ emphasised the low levels of trust many consumers have for estate agents, largely because of their unregulated status and misperceptions that they are acting in the interests of buyers.

Many customers are inexperienced on account of making very few house purchases in their lifetime. First time buyers are particularly vulnerable as this will be their first exposure to many aspects of conveyancing. First time sellers are also vulnerable as they may assume they know what to do but do not fully appreciate the differences between buyer and seller responsibilities.

All consumers need to be better informed. Fundamental to this is a basic grasp of who is acting for whom.

Awareness of the range of products and services, and providers is also paramount. Often consumers are unsure what it is that they are buying, what purpose it serves and the options available to them as to where they may purchase the service from.

More generally greater transparency is needed with consumers getting clear and upfront advice on what they are buying and disclosure of any relationships between the providers. Costs need to be clearly and fully explained, including commissions. This not only helps the customer understand what exactly they have bought but also helps ensure they can trust the providers and quality of service received.

⁵ http://www.offt.gov.uk/advice_and_resources-old/resource_base/market-studies/completed/buyingandselling

Conclusion/recommendations

The participants of the discussion agreed that there are no simple, quick or easy fixes. There is also a real recognition that this is not a new debate but one that has been discussed several times before. However, there is clear consensus among the various participating organisations and professions that effective and sustainable reform is both necessary - and achievable.

As a starting point we need to ensure that we are all working to achieve shared goals. Any proposed reform must seek to deliver the following outcomes:

- Ensure better value for money is delivered for end users, providers and others in the supply chain
- Well informed consumers
- Increased transparency
- Simpler process providing certainty and reducing delays.

One of the primary causes for previous attempts to reform the home buying and selling process not being entirely effective has been confusion as to what the change was actually seeking to do. Clear and relevant consumer focused objectives must be at the heart of reform reflecting a real and significant market failure or area of consumer detriment.

It is important therefore that reform should focus on the types of advice required by the consumers. These broadly fall into one of three categories:

- **Financial** - e.g. lenders, mortgage brokers etc
- **Property** - e.g. estate agents, valuers, surveyors etc
- **Legal** - e.g. solicitors, conveyancers etc

All relevant professions in each of these areas have a responsibility to ensure:

- Their customers are well informed to make appropriate considered decisions and are able to exercise discretion when they have it.
- Their products and services are clearly explained to customers and demonstrate value for money for the consumer.
- There is clarity as to roles and responsibilities, and where relationships exist.
- There is consistent and effective monitoring of the quality and service standards of the profession/sector.

Since the discussion of the group took place, the Government has announced the immediate suspension of HIPs, pending changes to legislation which will result in their permanent abolition. Though there is general consensus that HIPs did not deliver the value or benefits they originally sought to (for many different reasons), there is also a strong view that the provision of information is desired and valued by consumers. Therefore the challenge is how to deliver this to customers in an effective, timely and cost efficient way?

Industry must take the lead in providing the solution and meeting consumer demand.

This includes developing innovative products, and allowing competition to raise standards and deliver value for money. However, the role of regulation should not be overlooked. Though a voluntary agreement may work, it is important that minimum standards for each industry are in place and enforced.

All too often in the past, the cross-industry debate has focussed on areas where the various industries and professionals disagree. It is apparent from our discussion that there are in fact many areas of agreement and it is here that our energy must be focussed collectively.

Future reform should also look to embrace technology as a route to delivering a speedier and simplified transaction process. Given how many buyers already start their journey by searching for properties online, it seems strange that they would not at least want an option to continue their purchase 'electronically'. It is important that any electronic platform also delivers benefits to the professionals involved in the process. There are opportunities for it to contribute to better sharing of information and helping, what is otherwise currently a fragmented process, to be a little more joined up.

It is positive to see that the new Government is taking a strong interest in home buying reform early on. However, abolition of HIPs and plans for further work on the role of EPCs in driving energy efficiency are just the starting point, not the finish line.



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