

Topic: Where Next for Home Information Packs?
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Where Next for Home Information Packs?

They say thirteen is an unlucky number, and it would appear that this may well be the case for HIPs. Thirteen years after the initial concept was devised and the Conservative party is making very clear and vocal plans regarding its plans to eradicate HIPs if they are successful at the polls. Whether this is to improve the home-buying process or just win votes, the HIPs industry, it is fair to say, is in turmoil.

What happened?

New Labour government first introduced the concept of Home Information Packs back in 1997 where it was agreed as a new way of improving the home buying and selling process across England and Wales. It was, after-all, due an overhaul as prior to this new reform, no major updates had been made to the process of buying homes since 1925, and current reports showed that consumers were losing £1million per day, as a result of failed property transactions.

After ten years of formulating the new initiative; working with the industry, making revisions, setting up accreditation schemes, training Domestic Energy Assessors, running pilots and making yet further revisions, HIPs finally came in to force in August 2007.

Unfortunately, this coincided with the start of the market decline and as such, HIPs are seen by many consumers as one of the contributing factors towards why we are where we are today with the current property sector and house prices.

Of course, we know that there are many more serious reasons for the crash in the property market, however it is certainly true that HIPs have been dogged by a raft of negative press since the legislation was passed.

Only three years into the scheme coming into force and change is already on the horizon. With a general election imminent, the Conservatives are pledging that should they come to power, HIPs will be one of the first things they will look to scrap.

Grant Shapps, shadow housing minister for the Conservatives was only recently quoted in The Times newspaper saying that HIPs would be scrapped “in a matter of weeks” by using emergency powers, although the Energy Performance Certificates would not realise the same fate.

In fact, Shapps has some major plans in place to use EPCs as a launch-pad to make consumers “green-up” their homes. In a climate change speech that was given in November, he was quoted in saying that EPCs would “be a catalyst for an environmental revolution” through the Conservative’s planned ‘Green Deal’ initiative, which would see each household in the country benefit from a £6,500 allowance towards energy improvements.

So, what’s next?

Although there are no guarantees that the Conservative party will be successful at the elections, it is seen by many as the most likely outcome at the moment, with a hung parliament a possible second option. With no one giving Labour much credence, it makes clear sense to take stock of what options are available for government and industry

A panel of experts at the Land Data Great Housing Market Debate in 2009, which included the Director General of the Council of Mortgage Lenders, Chief Economist at Morgan Stanley, the Chief Economics Correspondent at the BBC and the Group Chief Executive of Countrywide all however unanimously agreed that “while packs had been poorly implemented they should not be scrapped but instead adapted and improved”.

The Association of Home Information Pack Providers (AHIPP) is also calling for the successful Party to build on the progress made to date by modifying and improving the reforms that currently exist, by working hand-in-hand with the industry in order to move to the next stage of the home buying reform. They point out that the last major reform of the home-buying process was in 1925, and that the market needs legislation to push through reforms that are in the interest of the buyer and the seller.

AHIPP recently commissioned an Ipsos MORI poll to identify current consumer opinion of HIPs and it highlighted that people believe that the home buying process is too slow and more upfront information is desired – potentially even more than is currently provided by HIPs. A majority agreed that home buyers should be provided with more upfront information about the condition of the property that they are buying and over 8 out of 10 respondents agree that the process of buying and selling properties takes too long.

In light of this, there is support for a detailed review of how the legislation could be adapted to ensure relevant information is presented to potential buyers up-front, to make the due-diligence process quick and easy and to support both buyers and sellers through the process.

There are a number of potential options available to government, from producing a 'light' version of the HIP, which strips out much of the legal data and provides more consumer-facing document to support the purchasing process, to a full on HIP that includes every possible piece of information relevant to a particular property's location

Many observers are taking a close look at Scotland. The Home Report initiative in Scotland is a prime example of what could be achieved here, as since this was introduced in December 2008, published industry figures and feedback is confirming that, although originally greeted with cynicism, the reports are providing consumers with more transparency by offering critical information on the property in advance.

The Home Report actually only contains three documents compared with seven in freehold HIPs (or more if it's a pack for a leasehold property). These are a property questionnaire that contains information on relevant local data, such as Council Tax banding, parking information, local services and any relevant planning notices; a Single Survey report that gives detailed information about the condition and value of a home; and an Energy Performance Certificate to provide a review of the property's energy efficiency.

In terms of who is responsible for the report's completion, a chartered surveyor produces the single survey and also the energy efficiency report in Scotland, whilst the seller completes the property survey. The estate agent then collates this information on behalf of all parties.

In contrast, HIPs have no survey or valuation data and the exclusion of these documents that were initially seen as many in the industry as the 'core value' of the packs are what many believe has led to their imminent downfall. However, some people may be sceptical that home buyers will actually rely on such reports that have been produced by a seller, and will not instead seek to have their own independent reports produced.

However, supporters of the Scottish model suggest that it demonstrates that by presenting consumer-facing data that really matters to prospective buyers upfront – the condition, locality information and energy rating of the home, the report is digested by potential purchasers and used as an active tool in helping them make their decision on progressing with the purchase of the home. However, the home-buying process in Scotland is fundamentally different, and therefore it is not clear that the same product would work effectively across the UK.

Exchange Ready Packs

Another potential way forward for HIPs is to take look at the advantages of what is being called 'Exchange Ready Packs'. These add further information to the basic HIP in order to ensure a buyer is able to proceed immediately to exchange of contracts once an offer has been accepted as all documentation required by a conveyancer is made available through the pack.

There are pack providers and estate agents already using this method who are finding that it reduces the time between acceptance of offer and the actual exchange of contracts. One supplier claims that as a result of Exchange Ready Packs, the time taken to get to exchange has halved.

The Exchange-Ready Pack contains five additional items to a standard HIP. A 'contract for sale', which is prepared by a lawyer; Seller Property Information Forms that include details about the fixtures and fittings of the property; copies of any planning permissions, building regulations consents and guarantees – all of which are supplied by the seller; additional documents that have been referred to in the Register; and a lawyer's certificate confirming that the pack is exchange-ready.

AHIPP is calling for Exchange Ready Packs to be made mandatory and that they must be ordered before marketing commences and that the EPC would need to be included before the property is actually marketed. All other documents would then need to be included within 28 days of the first day of marketing, and they report that the cost for such reports is comparable to HIPs.

In spring 2009, the shadow housing minister revealed he is not averse to the concept of Exchange Ready Packs and was quoted as saying that "If an exchange-ready pack can be produced because estate agents know it's best practice and they've got evidence that it speeds up the process, it's obviously a great idea. Why don't estate agents get together and propose exchange-ready packs?" however, this also indicates that there is no desire to legislate for ERPs, but to simply support the market in delivering it if the market demands it.

Simplifying the Process

If we continue to explore other potential routes that government could take to 'reform the reform', the question is whether the process could be simplified yet further still, whilst continue to provide consumers with useful data at the beginning of the buying cycle to deliver transparency and still help speed up transactions?

Currently, a domestic energy assessor visits a property in advance of it being marketed to conduct the energy survey in order to generate an Energy Performance Certificate. A chartered surveyor then visits the same property to undertake the valuation and, if instructed by the buyer, a detailed Homebuyers Report.

Some market commentators believe this process could be streamlined so both items are done with one visit to the home, prior to the property being marketed. Following the lead of the Scottish system, the professional could also undertake a Single Survey report to capture the condition of the property.

It is, however, difficult to see a time when a surveyor isn't the arbiter of valuation, although technology and data gathering by DEAs could change the shape of the market. And, although it could save time upfront, it would require a change in legislation as currently the Energy Performance Certificate is paid for by the seller and the valuation is instructed and paid for by the buyer, through its lender. In order

for this approach to be considered, it would make sense for this to be one transaction that is handled by the seller of the property.

There are certainly many avenues to explore that must take into consideration the speed of the process, transparency provided to consumers, associated costs and importantly how easy the data is for consumers to digest upfront. Government must work with the industry to determine an approach that works for everyone and delivers the best possible outcome.

Whatever happens over the coming months, I am certain that Home Information Packs will certainly be back in the headlines and creating more attention, conversation and debate. Their existence has stimulated a range of new products that may succeed even when legislation is removed, not least because they now provide a valuable income stream for estate agents.

Whichever political party succeeds at the general election, the home-buying market needs further reform to really deliver the promise of HIPs. Whether that is by taking a step back to move forwards we will have to see. Creating something that meets the interests of the home-buying public but is workable across all stages of the buying and selling process – with lenders, surveyors, estate agents and conveyancers is tough, and the only thing that is agreed is that HIPs in their current form are not the full answer.

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