

Home Information Pack



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Introduction:

The government's Home Information Pack (the rebranded 'Sellers Pack') is to become compulsory in 2007, with a limited trial during 2006.

Against a backdrop of delay and disagreement between government and housing market professionals, plus a lack of public awareness for the proposed initiative, some question whether it will ever be put into practice.

The aims of the initiative are universally recognised and welcomed. No right minded person could object to house buyers making a better informed choice, provided by a quicker more user friendly system.

However opponents continue to maintain that rather than streamlining the house buying and selling process, the Home Information Pack will merely add to the stress, cost and complication of an already tortuous system.

Those in favour see it as the urgently needed solution to a longstanding, and much resented problem.

The story so far:

In response to universal and well publicised concern about delays and unfair practices in the residential property market, the government responded by researching the methods used elsewhere, to try and improve the house buying and selling process in England and Wales.

Their mission was to *'make the home buying and selling process more transparent, more certain, consumer friendly and faster.'*

Their solution was to oblige sellers to produce a pack of information and documents, prior to marketing a property – a solution used successfully in the USA, Australia and some parts of Europe.

The first limited trial in Bristol in 1999, received a mixed response, and prompted a polarisation of opinion on whether this approach would fix the problem or add to it. That debate has rumbled on for a number of years.

The amended legislation was finally made law in The Housing Act of 2004, with the Home Information Pack scheduled to be introduced in 2007.

Given repeated delays, residual opposition, practical problems with its universal introduction, some people still question whether it will ever happen. The Conservatives have even pledged to abolish it altogether.

The Problems with the present system:

The original Sellers Pack idea was the government's response to the widely recognised problems associated with buying and selling residential property in England & Wales. These included:

- Excessive delay in the process. The process of property acquisition typically takes around 11 weeks, and is dependent on the correct and timely input of a number of agencies - searches, surveys, mortgage provision, conveyancing - into the process in order for things to run smoothly.
- Unexpected breakdown of sale transactions at a late stage, often as the result of a failure in a buying 'chain', or an unsatisfactory valuation or survey report.
- Prolonged uncertainty. Buyers and sellers can withdraw or seek to renegotiate terms at any time during this long and vulnerable period when the property is effectively sold, but the contract is not binding because legal formalities are not yet complete.
- The expense of abortive fees when the transaction breaks down, plus the stress, inconvenience and disruption on family, personal or working life when this occurs.

How would a HIP work?:

By getting the vendor to provide a lot more information about the property, plus most of the required legal paperwork at an early stage in the process, it should in theory cut delay, help purchasers reach a firm decision and generally streamline the buying and selling procedure.

The pack has to include:

- draft sale contract
- evidence of title
- a questionnaire about the condition and works history of the property
- copies of any planning, listed building and building regulations consents and approvals;
- any guarantees or warranties
- replies to local searches
- a new type of survey called a home condition report

The Cost:

The government office responsible for overseeing this new legislation – the Office of the Deputy Prime Minister (ODPM) – estimates the cost at £635, but claim that this work would need to be done anyway, so this approach is not adding cost, merely shifting it to an earlier stage of the process.

Opponents say the cost will be nearer £1,000, and that there is a hidden cost in keeping the information up to date, particularly if a house does not sell quickly and items like searches and surveys need to be repeated.

Vendors can charge a 'reasonable' sum for a copy of their pack, to cover costs and the certification of copy documents, but the market has yet to establish what that might be.

The up front cost has been cited as a deterrent by members of the public, and there has been general affordability concerns for poorer areas, where house values are low.

Interestingly the legislation allows the seller the right to refuse to hand over a pack if they have reasonable grounds to suspect that the 'purchaser' has neither the intention nor means to proceed with the deal..!

Will HIPs solve the problem?

Before forming a view, you need to re-examine where the problems arise in the present system, and assess whether the new system will deal with them effectively. This does not necessarily mean a perfect solution, but at least an improvement to a level that the public and the market would find worthwhile.

Reviewing the problems with the present system described earlier, we see a mixed picture. Some issues are squarely addressed, other problems are endemic in the system and will remain unaffected by this legislation, and in some areas the new methods may introduce different problems of their own:

Delay:

The slowness of solicitors relying on paper documents passing backward and forward through the post is usually blamed for the delay in conveyancing.

Failure in timely provision of any one of the necessary components of this paper chase - searches, mortgage offers, surveys, valuations, sellers property questionnaires can bring it grinding to a halt. By getting much of this documentation prepared in advance HIP makes a good case for speeding up the process.

However just as it can be argued that costs are just being brought forward, rather than added, is the same true of delays?

Estate agents are concerned that they can not lawfully begin to market a property until the pack is in place, which could take three or four weeks. This means once a decision to sell is made, the vendor faces a frustrating delay before the property can be put up for sale.

Transaction breakdown

Having more information available at the outset can only be a good thing. It would enable prospective purchasers to make an informed decision before making an offer, but it is unlikely to avoid all of the 'nasty surprises' which can crop up later in the process.

Long buying chains will always be vulnerable to collapse, in the absence of any binding legal commitment. Peoples' lives are subject to unforeseen changes at home, at work and in their personal and financial circumstances.

The longer the process takes, the more likely such an 'event' is likely to occur, and it only needs one person in the chain to change their mind for it to collapse.

Prolonged Uncertainty:

Under Scottish law the written offer to buy, resolution of queries and conditions, and acceptance of the offer from the sellers solicitor usually makes the deal binding on both parties within about a fortnight. That degree of certainty does not exist under English Law.

During the initial trials the Sellers Pack managed to cut the time between offer and exchange of contracts by about two weeks, to an average of around 8-9 weeks, which is a significant improvement but, still longer than the 6-7 weeks average in most other countries. This period of uncertainty would still allow an unscrupulous buyer or seller to withdraw or renegotiate terms in order to squeeze the maximum out of the deal.

Cost:

There is no doubt that the present system wastes time and money in failed transactions and abortive fees, but cost is often a question of perception rather than figures.

Surveys show consumer resistance to stumping money up front in order to sell their house. If it smoothes out the process and makes it more reliable it will be perceived as cost effective, and should in any event deter frivolous test marketing.

Much depends on whether buyers trust the Home Condition Report paid for by the seller (estimated cost around £300) or feel obliged to commission their own survey

Surveys and Valuations:

Adverse surveys and valuations often account for breakdown of a deal, so including a Home Condition Report in the pack will be beneficial in providing information early on, but poses other problems:

- Since the scope of the Home Condition Report falls short of a full structural survey, how far will the purchaser trust it?

- If the HCR is not intended to provide a valuation either, it is likely that some purchasers will continue to pay to have their own survey/valuation done, thus diminishing the cost and time saving arguments?

- It remains to be seen whether the various training and accreditation bodies will succeed in providing enough qualified HCR inspectors by 2007.

Difficulties remain too in getting Professional Indemnity Insurance for the inspectors, particularly since there may be a liability to both buyer and seller for the accuracy of the information.

- The government is commissioning a computerised on-line database for all the Home Condition Reports. The process has hardly begun and their track record of implementing reliable, large scale IT systems to time is not encouraging.

Conclusion

You can not legislate for human nature As it stands the HIP will reduce but not eliminate the length of time when gazumping and renegotiation can take place.

It will probably reduce the time between offer and exchange for the majority of transactions.

Purchasers will no doubt welcome the additional information available, and feel more empowered to make a right decision.

Whether the cost and effort involved is perceived as worthwhile by the seller, remains to be seen. Much depends on how the market responds and the ease speed and cost at which packs can be assembled by the various providers who will emerge as the system gets going.

After a difficult journey on to the statute books, the government is cautiously planning for a 'dry run' in late 2006 to test the system and iron out any remaining problems.

Supporters regard this as a sensible, gradual introduction of measures which will have a major impact on what is recognised as an individual's most expensive and crucial purchase – their home.

For opponents it underlines the controversy and uncertainty, which has accompanied this initiative from the outset.

What is beyond doubt is that everyone is genuinely hoping for a buying and selling procedure that is as the legislation intends ' more transparent, more certain, consumer friendly and faster.'

It seems we will have to wait another couple of years to know for certain whether The Housing Act 2004 will deliver its promise.

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About the Author:

Mark Pearson is a director of Housedata Ltd which provides an Interactive LogBook and Maintenance Manager from their website myhousedata.co.uk

MyHouseData's interactive services and e-tools let owners create a complete service history of their property to simplify maintenance and to maximise asset and resale values.

The required property information can be provided as a 'plug in' to the proposed Home Information Pack.