

DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Home Information Packs implementation.

The Minister for Housing and Planning (Yvette Cooper): I am today setting out further details of the Government's implementation strategy and dry run for Home Information Packs (HIPs).

The aims of the HIPs programme

The aims of the government's reforms to the home buying and selling process are three fold:

(i) to provide home owners with important energy efficiency information about their homes to help them cut fuel bills and carbon emissions. This is vital as homes account for 27% of Britain's carbon emissions. Energy Performance Certificates will provide clear information about the energy efficiency of homes and how that can be improved. The Energy Saving Trust estimate that following the advice in Energy Performance Certificates could save the average home owner up to £300 a year on their fuel bills. The government believes it is important to implement these as early as possible given the importance of reducing carbon emissions.

(ii) to benefit consumers by cutting waste and duplication, speeding up home sales and reducing the number of failed transactions, which at present cost consumers around £350m a year in wasted costs.

(iii) to encourage and support long term transformation of the home buying and selling industry by introducing greater transparency and competition to drive down costs and incentivise better service and clearer redress for consumers.

Testing

There are three main components to Home Information Packs: searches and other legal documents; Energy Performance Certificates; and the home condition surveys that make up the other component of a full Home Condition Report. It is essential that all aspects of Home Information Packs are properly tested before full implementation. We need to be sure that consumers understand, value and can utilise the information that HIPs provide; that the assumed benefits will be realised; and that the different operating systems underpinning HIPs will work effectively.

As part of our ongoing programme of implementation, we have already successfully tested over 14,000 HIPs with searches, but largely without Home Condition Reports, in the dry run so far. Over the course of the summer we propose to undertake further consumer research on Home Condition Reports; to study in greater detail the 250 HIPs that have been produced to date with some kind of survey; and to look to see what more we can learn from experience in other countries where HIPs have been introduced successfully or are currently being proposed. From the autumn the emphasis of our implementation programme will switch to the testing of Energy Performance

Certificates and Home Condition Reports. Working with the industry and with consumers, we are proposing to support a series of area based trials and we will test proposals such as allowing sellers to start marketing their homes if they have already commissioned their HIP rather than having to wait up to 14 days. There will be independent assessment and monitoring of all aspects of the dry run.

Roll out

It is also important that reforms are introduced on a timetable and as part of a programme that maximises the benefits for consumers and the environment.

As part of the development of the dry run we have engaged in detailed consultation with a wide range of stakeholders and have gathered substantial information on the progress of implementation so far. As a result, we have concluded that there would be significant risks and potential disadvantages to consumers from a mandatory “big bang” introduction of full Home Condition Reports on 1 June 2007. In particular:

- Further testing is needed to ensure that Home Condition Reports deliver the assumed benefits for consumers and that the operating systems that support them work smoothly. Design work on the dry run has made it clear that this cannot be completed in time for the results to be taken into account in by 1 June.
- A recent report from the Council of Mortgage Lenders identified the real possibility that some lenders might not be fully geared up to use HCRs until 2008-09. In particular the industry’s plans for bringing in Automated Valuation Models means that many lenders will not have them in place by June 2007 and so will continue to seek separate mortgage valuation surveys where they could have relied on a Home Condition Report.
- There are concerns about the number of inspectors that will be in place in time for June next year.

Moreover, because of our commitment to addressing climate change we do not want to jeopardise the successful introduction of Energy Performance Certificates at the earliest possible opportunity by pursuing the ‘big bang’ mandatory introduction of full Home Condition Reports at the same time.

We believe that progressive market-led take-up of full HCRs could strongly benefit consumers. Bearing in mind our commitment to the early introduction of Energy Performance Certificates, combining an Energy Performance Certificate and a full Home Condition Report at the same time is likely to offer significant additional benefits to buyers and sellers. In particular, sellers offering full Home Condition Reports should be more likely to benefit from swifter sales and suffer fewer transaction failures, as accepted offers are much less likely to be re-opened as a result of new information coming to light. In addition, once Automated Valuation Models are in place, Home Condition Reports should mean buyers get cheaper and swifter valuations and mortgage offers. We therefore believe that there will be a significant incentive for consumers to top up their HIPs voluntarily to include full Home Condition Reports and that this is a product that the market can and should deliver.

Therefore we have concluded that:

- HIPs will be introduced with searches and other key documents from 1 June 2007.
- Energy Performance Certificates will be included in HIPs on a mandatory basis from 1 June 2007.
- We will work with the industry to facilitate market-led take-up of full HCRs. As part of this approach, we will explore with the sector a wide range of options to enable a successful and innovative market for HCRs, including options for supporting the provision of necessary systems, effective demonstration projects for HCRs, and will consider the case for pump-priming funding. This market-led approach has the added benefit of giving industry more flexibility to innovate and adapt to consumer preferences.
- This means that the remaining aspects of Home Condition Reports will not be made mandatory from June next year, but HCRs will be authorised documents that sellers will be able to include in their packs
- Mandatory HCRs will remain on the table if the industry fails to make a success of the roll out of HCRs

As part of the next phase of reform of we will also be setting out our plans for an ombudsman scheme for estate agents to strengthen consumer protection as well as further proposals to review competition and transparency in the industry to the benefit of consumers

We believe that these arrangements will ensure that Home Information Packs are implemented in a way that maximises benefits for consumers and the environment and successfully enables the long term transformation of the home buying and selling market.