

ANNUAL REPORT 2012



**CONSUMER
CODE** FOR
HOME BUILDERS

INTRODUCTION TO THE CODE

The purpose of the Consumer Code for Home Builders is to provide protection and rights to purchasers of new homes, ensuring that all new home buyers are treated fairly and are fully informed about their purchase before and after they sign the contract.

The aim of the Code is to ensure that all new home buyers:

- **are treated fairly at all times;**
- **are given reliable information about their purchase;**
- **know what service levels to expect;**
- **know how to access an independent dispute resolution scheme.**

Since its launch in April 2010, the Consumer Code has gone from strength to strength. Customer research shows that the principles of the Code have been firmly adopted and embedded into the processes of many home builders. Raising the standard of service and support provided to home buyers.

CONSUMER CODE REVIEW

Now in its third year; the Consumer Code has been thoroughly reviewed to ensure it continues to evolve with the industry and changing consumer needs.

The review extended to the scope, governance and activities of the Code. Feedback was provided by key stakeholders, industry and consumer bodies including the Home Builders Federation, Law Society and Which?. It also takes into account the extensive market research and mystery shopping undertaken as part of the Code's monitoring programme.

The Consumer Code Management Board received a great number of comments and suggestions during the review. These were all considered and a third edition of the Code has been produced which has been approved by the Plain Language Commission.

The Board were delighted that there was a great deal of support for the Code and received valuable ideas for improving its clarity. Much of this has been taken forward and changes have also been made to the governance arrangements to include the voice of consumers within the Advisory Forum.

The third edition of the Code will come into force for all reservations taken by home builders from 1st April 2013.

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CHAIRMAN'S REPORT

Buying a new home is a life changing moment for most and since it is not an everyday occurrence, the consumer invariably has little experience of the process or the risks. However it is a matter of record that there has been a step change improvement in consumer satisfaction with new homes over the last decade. The Consumer Code for Home Builders, when introduced in April 2010 to improve the consumer experience, was the latest in a series of customer focussed initiatives which have contributed to what has been a remarkable improvement in customer ratings.

This should not be seen as a statement of complacency as I believe we need to do more to raise awareness of the Code both within the industry and with consumers. However as I approach the end of my second year as Chairman, I can report that the Code is becoming increasingly well embedded and visible within the industry and significantly in site sales offices. This is particularly true for medium and high volume builders but it remains a priority for the Code's Management Board to improve compliance amongst smaller builders and with estate agents. A toolkit was developed last year to support these sectors and is available through our re-designed website.

We continue to work closely with a wide range of stakeholders including the Office of Fair Trading, Citizens Advice and the Trading Standards Service to ensure that 'front line' consumer advisors are well briefed about the Code. Advisors working in these agencies may be the first to deal with a consumer problem regarding a reservation or sale and it is essential they are able to direct complainants towards the Code's complaints procedures.

Latterly we have embarked on our first review of the Code to ensure it remains relevant, appropriately focussed and in tune with the changing needs of the industry and consumers. I would like to thank the many organisations from across the industry, consumer bodies, the Law Societies and government who responded to the review and provided many helpful and constructive comments.

The review has revealed broad support for the objectives of the Code and its governance arrangements and we have received many proposals which will lead to clarified guidance to support the practical use of the Code. We are also likely to make proposals to improve the governance of the Code. We will publish a revised Code in the autumn and changes will be notified to the industry for implementation in April 2013.

May I finally express my thanks to the members of the Management Board, The Advisory Forum and the Secretariat who have contributed so much to the introduction and development of the Code.

Noel Hunter OBE
Chairman of the Consumer Code for Home Builders



GOVERNANCE

MANAGEMENT BOARD

The Consumer Code is a voluntary Code which was developed and led by the industry to provide additional consumer protection. A Management Board continues to be responsible for the day to day operation of the Code, headed up by independent Chairman Noel Hunter OBE.



Noel Hunter: Chairman of the Consumer Code for Home Builders since July 2010, Noel Hunter OBE, is currently a member of the Council of The Property Ombudsman, Vice President and member of the Board of Trading Standards Institute and chairman of the Steering Board of the National Measurement Office.



Mike Freshney: Chairman of the Code's Advisory Forum, Mike Freshney is also a member of NHBC's Consumer and Standards Committees, Non-Executive Director of CALA Group Ltd, Deputy Chairman of Westerman Homes Ltd, Chairman of Robust Details Ltd, and Board Member of the Zero Carbon Hub Ltd. Mr Freshney is also a Non-Executive Director of the Home Builders Federation, and represents UK Home Building interests in the European Housing Confederation (UEPC).



Gary Devaney: Member of the Code's Management Board, Gary Devaney is also Chairman and Managing Director of MD Insurance Services Ltd, which encompasses the Premier Guarantee and LABC Warranty brands. With a comprehensive background in insurance services, Gary has spent the last 14 years establishing Premier Guarantee in both the UK and overseas markets. Gary is an Associate Member of the Chartered Insurance Institute and a Chartered Insurance Practitioner.

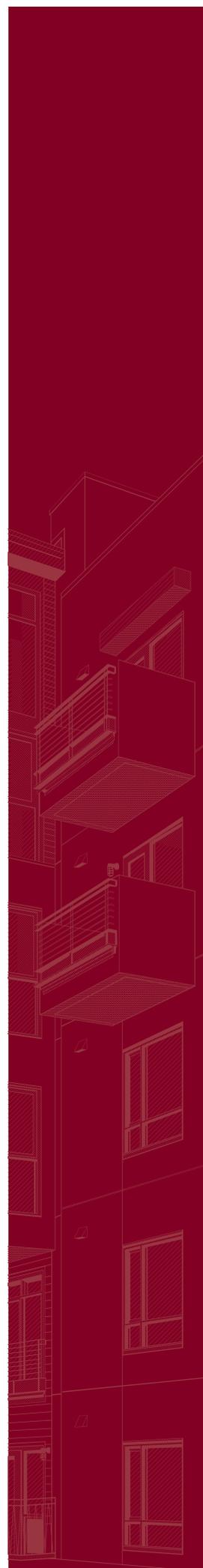


Ian Davis: Member of the Code's Management Board, Ian Davis is Operations Director of NHBC. He is a Chartered Civil Engineer, a member of the Institution of Civil Engineers and holds a Master's Degree in Business Administration. His early career was with engineering contractors and consulting engineers. He was previously NHBC's Director of Standards and Research, and Deputy Chief Executive (Operations). He rejoined NHBC in 2006 after nine years as the Director General of the Federation of Master Builders.

ADVISORY FORUM

The Management Board is supported by an Advisory Forum, chaired by Mike Freshney. It is an industry-wide body that represents, consults and advises on the Code's content, its practical application and operation. The Advisory Forum consists of representatives from:

- Construction Employers Federation (NI)
- Federation of Master Builders
- House Builders' Association
- NHBC
- LABC Warranty
- Council of Mortgage Lenders
- Home Builders Federation
- Homes for Scotland
- Premier Guarantee
- Retirement Housing Group



DISPUTE RESOLUTION SCHEME

If a home buyer believes they have a dispute because a home builder has failed to meet the requirements of the Code, which falls outside the scope of their new home warranty, they may refer their dispute to an independent dispute resolution scheme. This scheme is run by IDRS Ltd, part of CEDR Disputes Group and is independent of the new home warranty bodies.

As of the 31st March 2012, 14 cases have been formally adjudicated. The main areas of dispute fall predominantly in to the category of the provision of pre-purchase information.

A summary of which includes:

- Failure to provide adequate pre-purchase information or misleading purchase prices.
- Misrepresentation of property description.
- Pressure from home builders for home buyers to agree to contractual changes.
- Breach of reservation agreement.
- Non-repayment of reservation fees.

A summary of case adjudications can be found on the Consumer Code website www.consumercodeforhomebuilders.com.

Sanctions for home builders not adhering to the Code could include financial penalties and suspension from the new home warranty providers' register.

PROMOTING THE CODE

The Consumer Code Management Board and Secretariat has maintained regular contact with government departments and stakeholders to discuss the progress of the Code and areas for future development. This included the identification of new bodies which may have a potential interest in the benefits the Code can provide to consumers.

The Consumer Code has also continued its successful dialogue with consumer bodies such as Which?, Citizens Advice and the Office of Fair Trading. Bodies associated with sale of properties such as solicitors and estate agents were also targeted to ensure awareness and promotion of the Code and its requirements to potential home buyers.

This activity was backed up by greater promotion to embed the principles of the Code within the industry. The supporting new home warranty bodies actively promoted the Code to all registered home builders and provided support materials such as on-line training modules for sales staff and home builder toolkits. These are available via their respective websites.

To support the Code, the website www.consumercodeforhomebuilders.com has been re-designed and re-launched, providing additional information and guidance to specific audiences such as home buyers, solicitors and estate agents.

MONITORING THE CODE

The Consumer Code has an on-going commitment to undertake market research to benchmark and monitor the extent to which home builders are complying with the Code since its launch on 1st April 2010.

This research incorporates mystery shopping (of sites and estate agencies selling new homes), telephone interviews and audits of home builders' contracts of sale. These methods provide an insight in to how the various requirements of the Code are being met including:

- Awareness of the Code
- How information is sourced
- Attitudes towards the Code
- Information needs of home buyers

Research Activity to Date:

- Baseline data established prior to the Code's introduction (March 2010)
- Wave 1 - October 2010
- Wave 2 - June 2011
- Wave 3 - June 2012

MYSTERY SHOPPING RESULTS

The last wave of research was conducted in June 2012 with estate agents being split by local, independent and national chains. The sample of house builders used reflected the percentage of houses they built.

It was evident from the research that times continue to be difficult in the house building industry due to the depression in the overall economy. However, positively, the general awareness of the Code remains high and it is evident that the principles of the Code are being incorporated into the everyday sales activity (figures 1 and 2). This remains a priority for the administration of the Code.

There has also been a big increase in the number of sites providing information on the Code and referencing it in their own literature. It is also being displayed in a variety of formats as well as added to websites (figures 3 and 4).

Mystery Shopping Results

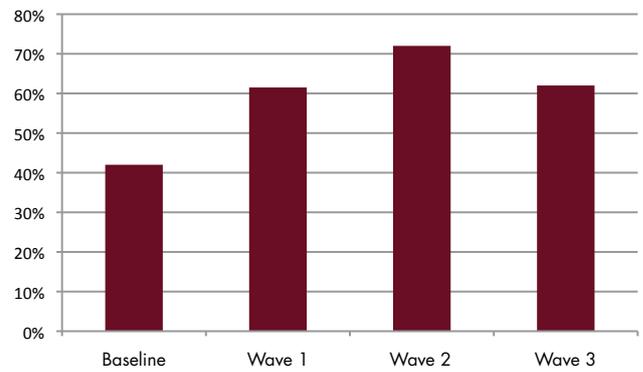


FIGURE 1 General awareness sales staff had of the Code when prompted by mystery shoppers

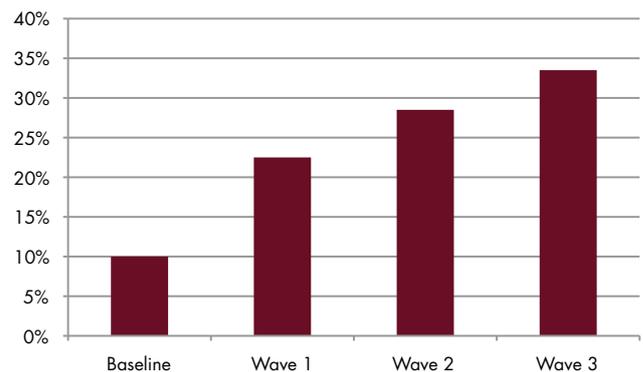


FIGURE 2 Information relating to the Code provided to mystery shoppers

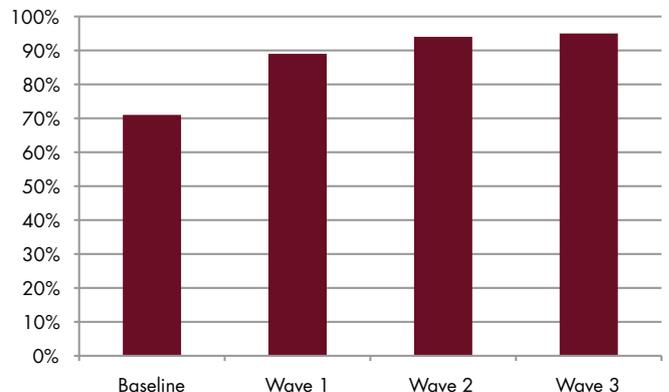


FIGURE 3 Sales literature referencing the Code provided to mystery shoppers

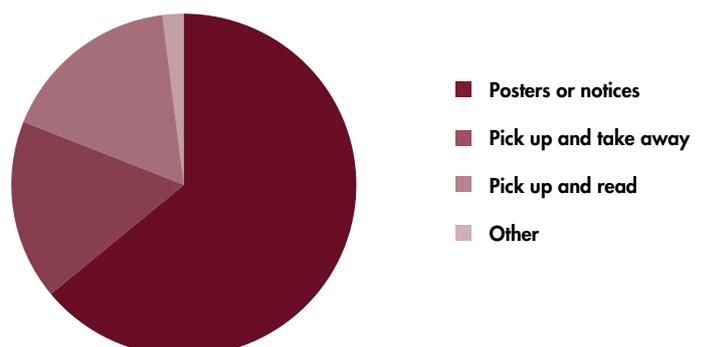


FIGURE 4 Methods of how the Code was displayed in sales offices

SUPPORTING HOME BUYERS

Unfortunately when buying a new home, things do not always go exactly to plan. However, now thanks to the Consumer Code, home buyers can have reassurance in that there is a process to support a fair resolution to their problem.

60% of all sales staff discussed the Consumer Code directly when talking to home buyers about how things can go wrong but the remainder referred to their own policies and procedures which have been developed to deal with any issues. This shows how the Code has raised standards in protecting home buyers. However, there is still more work to be done with smaller or less experienced home builders and this will continue to be addressed as the Code develops.

Following an increase in training, sales teams are also more familiar with and confident in discussing key areas covered by the Code. This has led to significant improvements in after sales service, systems and procedures for dealing with complaints.

ESTATE AGENTS

Mystery shopping of estate agent staff was a new element to the third wave of research. Estate agents have also been affected by the economic climate which has led to changes of ownership and staffing which has impacted on Consumer Code knowledge. Despite this, most of the respondents were aware of the Code and able to discuss it. Knowledge of the website has increased and agents were open to training.

Further promotion to estate agents is needed and will form part of the development plan for the next 12 months (figure 7). Future research will incorporate the opinions of home owners across the UK along with further monitoring through mystery shopping and audits.

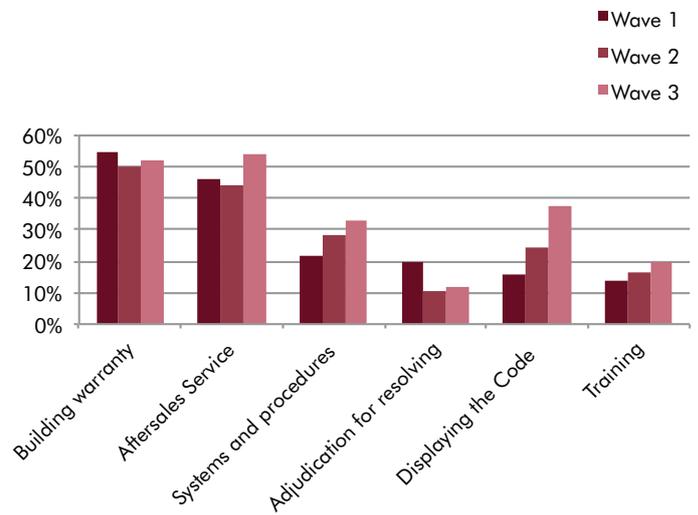


FIGURE 5 Aspects of the Code mentioned by sales staff when talking to mystery shoppers

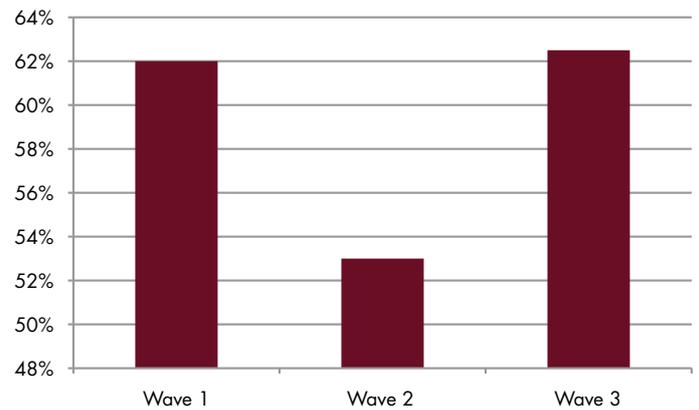


FIGURE 6 Number of sales staff actively discussing the Code with mystery shoppers

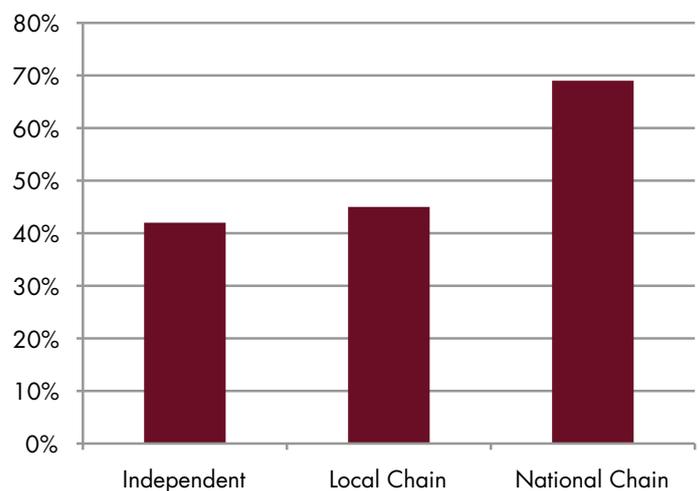


FIGURE 7 Awareness of the Code split by estate agent segment type

AUDITING HOME BUYERS CONTRACTS OF SALE

This latest round of auditing was undertaken in August 2012. It audited contracts of sales received by home buyers. This was to ascertain how the Consumer Code was being interpreted and used by solicitors and conveyancers.

RESULTS OF AUDIT OF CONTRACTS OF SALE

General

- Larger builders tended to score higher but a few contracts audited showed poor regard to the Code's requirements.
- Scottish forms employed a high level of technical legalistic terminology and drafting.

Contract terms

- Most audited contracts were fair with no significant imbalance.
- Contracts were broadly acceptable in terms of meeting the Code's requirements.

Changes to design or construction

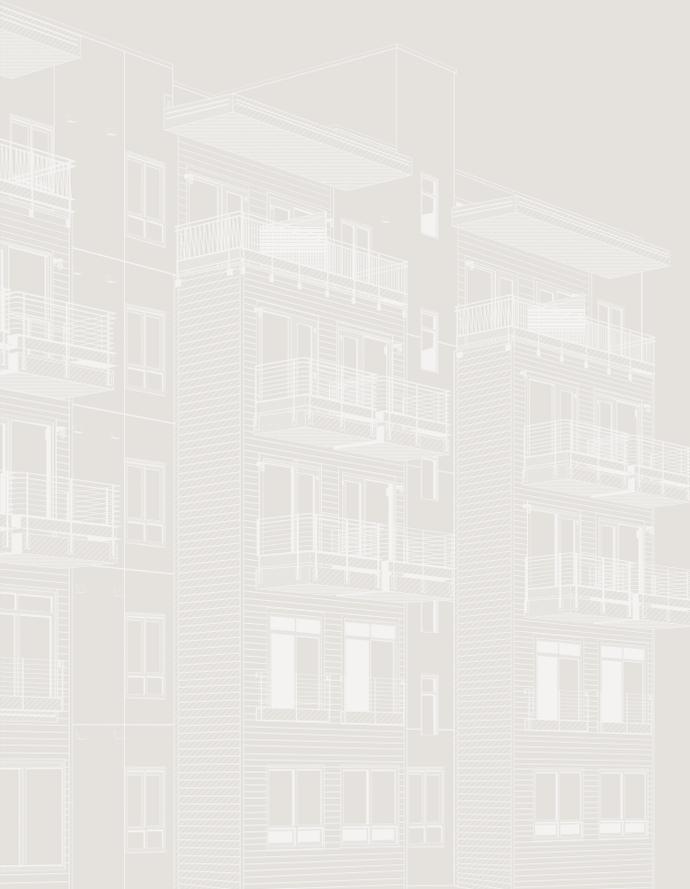
- This was one of the more important Code requirements and there was a wide degree of compliance in the contracts audited.

Protection for deposits/pre-payments

- There was a wide range of compliance with this important requirement.

Reliable information for construction/completion dates and rights to terminate

- Generally there was a good level of compliance.
- Contracts which largely comply in spirit often missed the point about providing adequate information regarding the build programme and completion dates.



“The assistant had a friendly and knowledgeable attitude when asked about the Code. We were impressed with her depth of knowledge and understanding, detailing two scenarios where it would come into effect.”

INDUSTRY VIEWS ON THE CONSUMER CODE

DONT JUST TAKE OUR WORD FOR IT...

The research undertaken by the Consumer Code shows that the principles of the Code are being embedded in to the everyday practices of home builders of all sizes, to the benefit of new home owners and home builders alike.



Stewart Baseley
Executive Chairman
The Home Builders Federation

'The Industry led initiatives, in 2005 by publishing a customer satisfaction survey, and in 2010, by introducing the Consumer Code for Home Builders, demonstrated the Industry's commitment to providing a high quality of service to the purchasers of new homes. With over 90% of customers willing to recommend their builder to a friend, and only a small number of customers submitting complaints to the Consumer Code's Independent Dispute Resolution Scheme, the Industry in 2012, is clearly delivering.'

'The Consumer Code for Home Builders has provided clear standards and a catalyst for the industry, and is a fantastic achievement by all involved.'



Mark Clare
Chief Executive
Barratt Group PLC

'A home is the biggest single item a consumer will ever buy - they invest their money and their future in what we build, so it's vital that the quality and service are outstanding. Over recent years the whole industry has improved its standards, which is reflected in the record customer satisfaction results we now achieve. I believe that the Consumer Code for Home Builders has been an important part of that process.'

'Whilst we will always strive to get things right first time and where we don't, put it right immediately, it's an important reassurance for our customers that the Code provides a speedy, low cost, resolution process they can rely on, should there be disagreement.'



Nick Jackson
Managing Director
Francis Jackson Homes

'As an award winning smaller house builder, Francis Jackson Homes has consistently delivered consumer satisfaction and build quality to the highest standards. We are pleased to support the Consumer Code which will encourage the same approach across the industry as a whole. The perception of new homes has improved markedly in recent years and the Consumer Code will further enhance this growing reputation.'



Ron Gainsford OBE
Chief Executive
Trading Standards Institute

'The Trading Standards Institute is a vibrant advocate for robust consumer codes that help drive confidence onwards and upwards. New home building is a key economic sector for consumers and the builders they make their big ticket purchase from. In just two years this Code has shown how an industry can deliver self-regulated improvement and enhanced customer satisfaction at a time when businesses and consumers need it most. The industry and its Code deserve every applause.'



Alan Brown
Chief Executive
CALA Group Ltd

'CALA Homes seeks to deliver, and achieves, the highest levels of customer satisfaction in the industry. We are delighted that the Consumer Code for Home Builders has established, for all the industry, minimum standards of service and behaviour, which consumers rightly expect and should receive.'

'We know that excellent customer service adds value to our business. We strongly support the Consumer Code, and celebrate the success it has helped the industry deliver, in achieving the very highest levels of customer satisfaction.'



Consumer Code for Homebuilders

The consumer Code for Homebuilders is an industry lead scheme which gives protection and rights to purchasers of new homes, ensuring that new homebuyers are treated fairly and are fully informed about their purchase before and after they sign the contract.

All builders registered with the one of the supporting new home warranty bodies agree to comply with the **Code's requirements**. The Code benefits both homebuyers and home builders by aiming to improve on the already high levels of customer satisfaction and therefore enhancing the reputation of the industry.

The Code applies to all homebuyers who reserve to buy a new or newly converted home, on or after 1st April 2010, built by a home builder registered with one of the supporting warranty bodies.



Training for Homebuilders

There is free on-line training available to help home builders and affiliated companies, including estate agents and solicitors, to comply with the Code requirements.

There are currently around 16,000 builders signed up to the Code through registration with the warranty bodies. Many of these have received training on how to comply.



Homebuilder Toolkit

A homebuilder toolkit is available through your warranty provider to help builders, particularly smaller companies to comply with the Code. The toolkit contains information such as a builder checklist and sample reservation agreement as well as information about the dispute resolution scheme, warranty information and Code display materials.

- ▶  Premier Guarantee Toolkit
- ▶  LABC Warranty Toolkit
- ▶  NHBC Toolkit

www.consumercodeforhomebuilders.com

For detailed information on the Consumer Code, to understand its benefits for home owners, or to simply download copies of the Code documentation, go on-line to **www.consumercodeforhomebuilders.com**

This site provides a range of information to support home builders, home buyers, solicitors and estate agents and includes answers to frequently asked questions regarding the Code. A good practice guide or 'Builder Guidance' to adhering to the Code Requirements can also be downloaded and high resolution versions are available for print.

To support sales and marketing teams, a free, on-line training course explaining the Code and its requirements is available via the websites of the participating warranty bodies. Visit the Consumer Code website for more details.

To contact the Consumer Code Secretariat, email **secretariat@consumercodeforhomebuilders.com**



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