

2014

**CONSUMER
CODE** FOR
HOME BUILDERS



Annual Report



www.consumercodeforhomebuilders.com

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“The Consumer Code is one of those helpful boosts to confidence on which home-buyers can rely when they purchase a new build property, so important at a time when we need to see more new homes built to meet our needs.” *Paul Smee, Director General for the Council of Mortgage Lenders.*

Foreword

The report covers the period 1/4/13 to 31/3/14 but release was delayed as we wished to refer to the outcome of the autumn consumer survey. We have tried to keep forward looking comments relevant and they therefore cover 2015.

Introduction from Chairman of the Management Board

During the first four years of operation of the Code, I have been enormously impressed by the commitment of the leaders of the Home Building Industry to ensure it has the priority and prominence it deserves. This commitment has been matched by many companies both large and small throughout the UK.

The Code continues to play a significant role in ensuring consumer confidence remains high and in doing so is an important marketing tool, for the Industry. However market research has demonstrated that there are some areas where compliance levels are variable and those will be our principal focus going forward as I have outlined on the next page.

The Code has now been established as a limited company and I am delighted to have been appointed for a second term as its Independent Chairman. The independence of the Code was also strengthened last year by the addition of two independent voices to our Advisory Forum, representing respectively the Trading Standards service and the Citizens Advice community. We have also recently appointed a highly experienced Independent Secretariat to manage the day to day running of the Code and I would like to wish Carol Brady every success in the role.

We were pleased to see the credibility of the Code recognised by the 'Help to Buy Scheme' in England and Scotland, with the requirement that the terms of the Code should be observed by home builders promoting Help to Buy. A major lender has also made adoption of the Code by home builders registered with home warranty organisations a requirement as a way of recognising approved home warranty schemes. We have in consequence been approached by other warranty providers over recent months, who wish to become Code Users. Those applications are currently being considered in dialogue with the applicants under the process agreed when the Code was established in consultation with the OFT.

Market research has been conducted annually since the inception of the Code and as this report testifies, there is some evidence of a reduction in awareness levels, notably at the first point of contact with the home buyer and amongst estate agents who work on behalf of home builders. Whilst both the Industry and estate agents have invested significantly in staff training, it is inevitable that the churn of staff in the Industry makes this an on going priority. We have over the last few months introduced a checklist for both home builders and estate agents to assist Code compliance and this has been widely distributed.

There remain some important priorities for the Code as we enter our fifth year of operation. We will aim to:

- **Raise the profile of the Code at the first point of contact with the home buyer, in order that they are aware of the protection it provides, particularly those entering into a reservation agreement;**
- **Continue to work with the legal profession to ensure the Code is visible and accessible during the legal transfer of property;**
- **Continue to focus on the relationship between home builders and agents to ensure the Code requirements are carried through;**
- **Ensure we maintain and, where possible, enhance communications with our many stakeholders and maintain the currency of our website as an important resource for home builders and agents;**
- **Continue to manage the applications for membership of the Code.**

As we transfer to a central secretariat I would like to place on record my sincere thanks on behalf of the Board and the Advisory Forum to the team at NHBC and MDIS who have provided exemplary support to the Code during the first four critical years of work to establish it. There has been a considerable burden placed on Board members over the last year as we have managed the various developments I have referred to and I extend my sincere thanks to both Board and Advisory Forum members for their continued encouragement and support.



Noel Hunter

Chairman of the Consumer Code Management Board

Who we are and what we do

“As we move into our fifth year supporting the Code, it is as important today as when we first helped to launch it back in 2010 when it built on the established protection provided to homebuyers by new home warranties. We are pleased our builder customers and the industry’s key stakeholders remain committed to the success of the Code and ensuring it continues to develop to meet the needs of the industry and its customers.”

Mike Quinton, Chief Executive Officer at NHBC

“We are delighted to see, five years on, that the Code remains integral in terms of maintaining consumer protection for new home buyers and driving up customer satisfaction within the industry. We remain committed, as do our industry stakeholders, to building on the Code’s success and ensuring it remains embedded and visible within the industry to improve the consumer landscape”

*Gary Devaney,
Group Chairman and Chief Executive Officer of MD Insurance Services Ltd.*

Since its launch in 2010, The Consumer Code for home builders has been providing 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.

In doing so, the Code also provides a speedy, low cost dispute resolution scheme to deal with complaints.

The Code contains requirements that all home builders who are registered with the UK’s main new home warranty providers; NHBC, Premier Guarantee and LABC Warranty, must comply with as part of their formal registration process and applies to any homes built after 1st April 2010.

Governance

The Consumer Code is a voluntary Code that 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, consisting of:



Noel Hunter OBE
Chairman of Consumer
Code Management Board



Ian Davis
Operations Director of
NHBC



Gary Devaney
Group Chairman and Chief
Executive Officer of MD
Insurance Services Ltd.



Mike Freshney
Chairman of Consumer
Code Advisory Forum

The Management Board is supported by an Advisory Forum that is chaired by Mike Freshney. The Advisory Forum is an industry-wide body that represents, consults and advises on Code content, its practical application and operation through which changes and improvements will be channelled.

Members of the Advisory Forum include:

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

Independent voices are also making themselves heard and contributing to the deliberations of the Code's Advisory Forum with the appointment of Ron Gainsford (OBE) and Susan Green from the Trading Standards Institute and Citizens Advice respectively.

In April 2014, an incorporation agreement was completed which meant the Code became a company limited by Guarantee. Noel Hunter was reappointed as Chair of the Management Board and Mike Freshney as Chair of the Code's Advisory Forum; both for a further three years.

Our Aims

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

- **treated fairly**
- **know what levels of service to expect**
- **are given reliable information about their purchase and their consumer rights before and after they move in, and**
- **know how to access speedy, low-cost dispute resolution arrangements to deal with complaints**

The Code reinforces best practice among home builders to make sure the level of information and customer service provided by all home builders is consistently high. It builds on successful efforts already made by the industry to improve consumer satisfaction in recent years.

Market Research

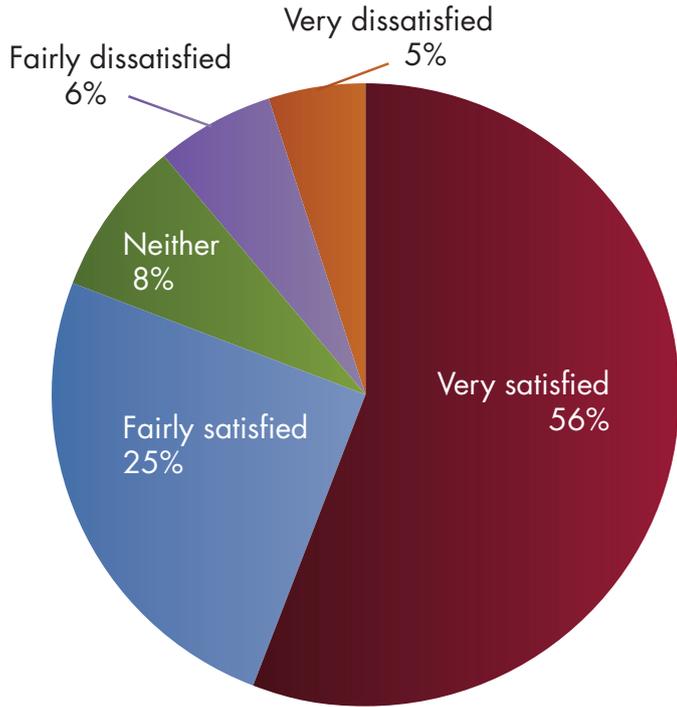
Customer satisfaction

Customer satisfaction levels for new built homes is high. The Home Builders Federation's (HBF) National New Homes Survey of Homeowners (published March 2014) showed that 90% of home owners are so delighted with the quality of their new home, they would recommend their builder to a friend.

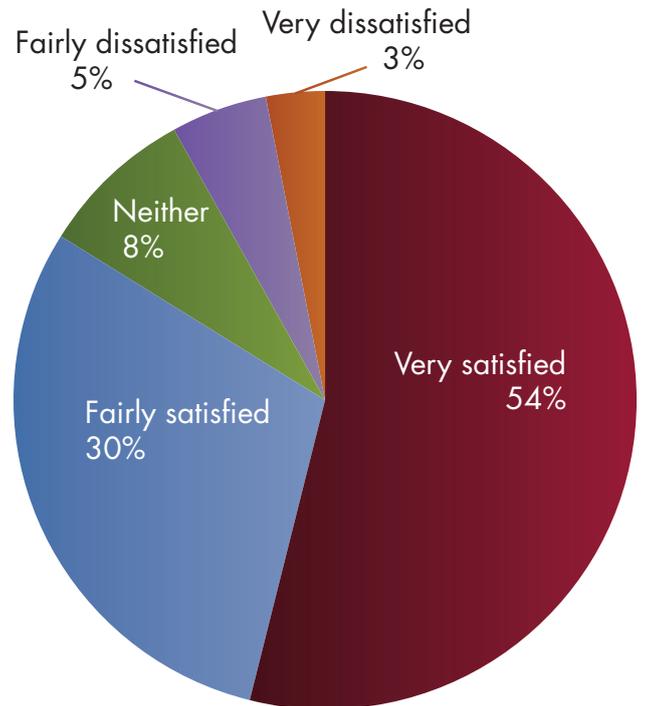
The survey showed continued high levels of homeowner satisfaction with the quality of new homes and the service they receive before, during and after moving in.

84% of homeowners were very or fairly satisfied with the service they received during the buying process, with 85% satisfied with the condition of their home when they moved in. 81% regarded their home builder as very or fairly satisfactory with regards to completing the home on time, whilst 82% were also satisfied with the standard of finish of their home.

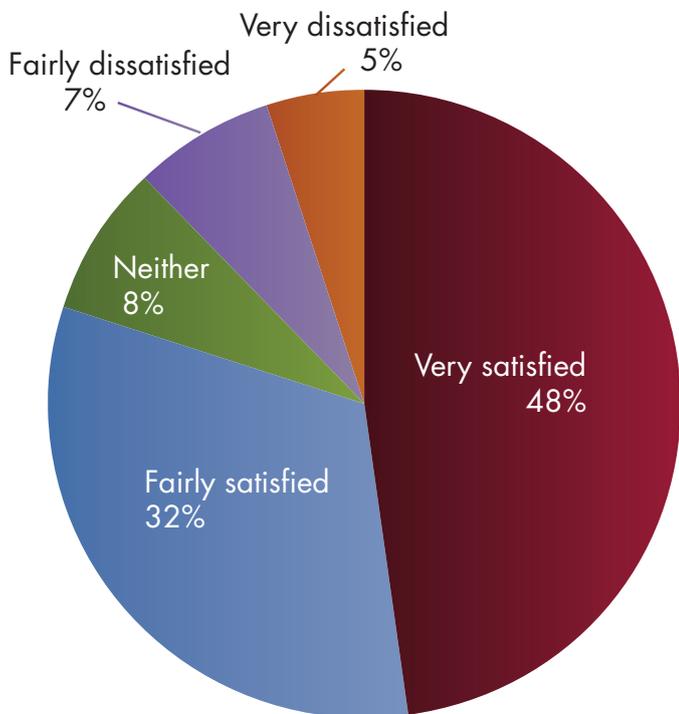
How would you rate your builder in relation to completing your home on time?



How satisfied or dissatisfied were you with the service provided by your builder during the buying process?



How satisfied or dissatisfied were you with the service provided by your builder after you moved in?



These survey results give a clear demonstration of the industry's determination to continue to improve what it provides for its customers and shows high levels of customer satisfaction despite a tough market and trading conditions.

Mystery Shopping

Research into how well home builders comply with the requirements of the Code is carried out each year. The research helps us to monitor compliance with the Code and to consider areas that we might need to strengthen or improve if we are to ensure the home buying process remains fair and transparent for purchasers.

The fifth wave of research has been undertaken since the Code's introduction in April 2010 and the sample of home builders used reflected the percentage of homes they built.

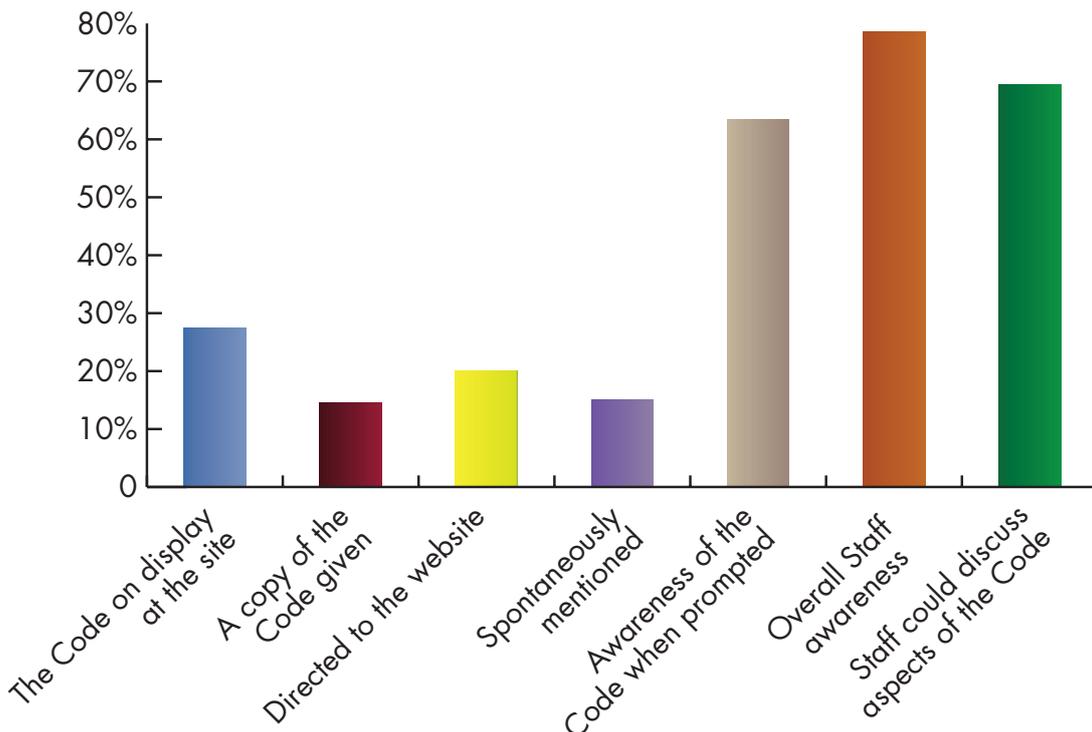
The key aim of the mystery shopping is to explore the extent to which the Code is being adhered to by sales staff on site and in estate agents' offices.

The mystery shopping showed there has been an increase in the number of home buyers being directed to either the home builder's or the Code's website for further information on the Code and its requirements. In addition, if a home buyer went to a home builder's site unaware of the Code, 32% will have left the site knowing about it, having had a salesperson either spontaneously mention it or through having seen a copy on display.

Total awareness (that is, spontaneous and prompted awareness combined) of the Code across site sales staff was 78.5% and while this is a significant decrease from 92% in Wave 4, their ability to discuss some aspect of the Code has increased and is the highest figure across any of the waves of the research undertaken at 69%.

Sales staff on site were able to discuss building warranty and aftersales service the most confidently and in detail, (97% and 92.5% respectively). Knowledge of complaint handling and the Code's independent dispute resolution scheme being at its highest since the research began at 74% and 68% respectively.

Awareness of the Code on site

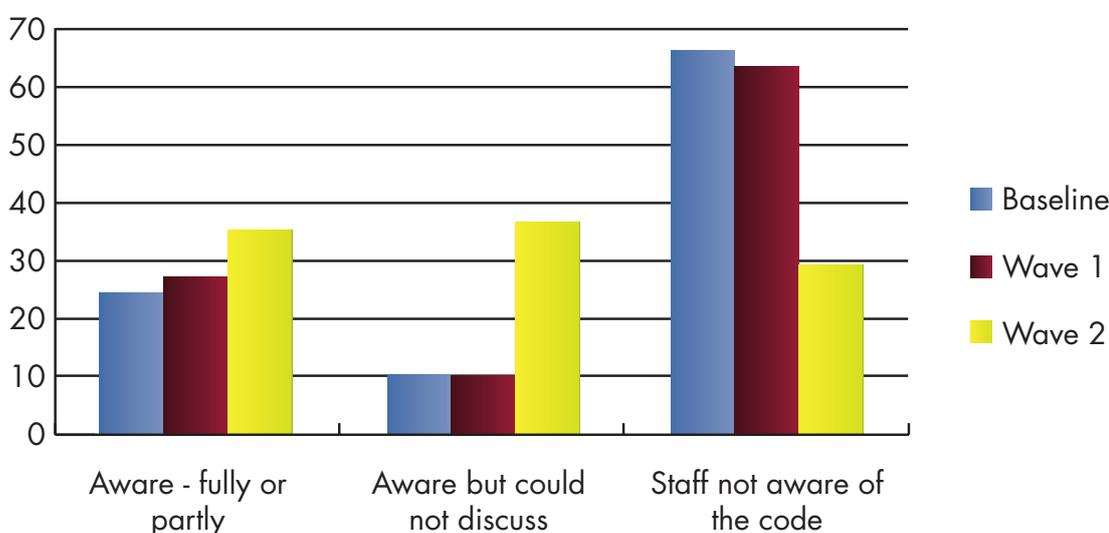


For the second year, our mystery shopping entailed approaching estate agencies selling new homes across England, Wales and Scotland. Estate agents were split by categories of local, independent and national chains.

The results showed an increase in the number of potential home buyers being directed to a home builder's website or the website for the Code by estate agents with over one fifth doing so.

There was also an increase in the number of estate agents mentioning the Code spontaneously, and even more positively, the number of estate agents being able to discuss some aspect of the Code, which has increased significantly to 35% from 27% on the previous year. Staff who were not aware of the Code has fallen from 63% to 29%.

Could estate agent discuss the Code?



These results remain positive and demonstrate that information for potential home buyers at the point of sale, remains key to raising awareness of the Code. We continued to work closely with the Industry and in partnership with the National Association of Estate Agents (NAEA) and the Royal Institute of Chartered Surveyors (RICS) and have developed a checklist that enables home builders and/or their agents to quickly see whether they have complied with the requirements of the Code.

We will develop our monitoring and feedback to the Industry to help home builders appropriately provide information on the Code. We will also, throughout the year, focus on reviewing contracts of sale and information contained within reservation agreements, alongside promoting our consumer leaflet supporting home buyers.

Independent Dispute Resolution Scheme

If things go wrong

As the HBF survey has shown, most new home buyers have a positive experience. However, the Code gives them valuable protection if they are unfortunate to get problems.

Until the Consumer Code was introduced, a home buyer who felt that they had a claim against their builder, as a result of their builder's action or inaction, would have had to have taken a case to court if the matter was not covered by their home warranty scheme. Under the Consumer Code, not only are the builder's responsibilities more clearly laid out, there is also a low-cost, speedy, independent dispute resolution scheme that will determine whether a builder has met his obligations under the Code without the home buyer having to take to legal action.

Under the Code, home builders are required to have a system for dealing with complaints. However, if a home buyer is not happy with the response of their builder, they may be able to refer the complaint to the Code's Independent Dispute Resolution Scheme (IDRS).

This scheme is provided independently by IDRS Ltd, a wholly owned subsidiary of the Centre for Effective Dispute Resolution (CEDR) for resolving disputes between home builders and home buyers covered by the Code. The scheme can consider a dispute arising from anything a home builder does or does not do that the home buyer thinks is a breach of the Code and which may have caused the home buyer disadvantage or financial loss.

Further details of the Scheme and a summary of case adjudications can be found on the Consumer Code website at <http://www.consumercodeforhomebuilders.com>

Adjudication facts and figures

Between 1 January 2013 and 31 December 2013 there were a total of 22 cases that were referred to IDRS, compared to 18 cases in 2012.

A summary of the cases over the past four years are broken down as follows:

Case Type	2013	2012	2011	2010
Number of cases which did not succeed (found in favour of Respondent)	9	8	6	0
Number of cases which succeeded in part	10	5	6	0
Number of cases that succeeded in full	0	1	0	1
Number of cases withdrawn	3	2	2	2
Number of cases still in progress (as at end of 2013)	0	1	0	0
Cases settled prior to adjudication	0	1	0	0
TOTAL	22	18	14	3

Claims

The total sum claimed in 2013 was slightly less than what was claimed in 2012 albeit the total sum awarded in 2013 was significantly higher than previous years. This was due to five individual cases out of the 22 being awarded significant sums to the home buyer by the adjudicator.

Total of:	2013	2012	2011	2010
Sum claimed	£133,845.40	£139,615.30	£70,023.92	£5,000
Sum awarded	£26,512.47	£4,680	£18,205.70	£5,000

The acceptance or rejection of decisions

Decisions made by Adjudicators can only be accepted or rejected by the home buyer under the Scheme. Decisions are not open for review or appeal. Below is a breakdown of the cases that have been accepted or rejected by home buyers over the last four years.

	2013	2012	2011	2010
Decisions Accepted	8	6	7	1
Decisions Rejected	6	5	3	0
No confirmation received	5	3	2	0

In 2013, in all cases save one, where a decision was issued directing the home builder to pay a sum to the home buyer, the home buyer accepted the decision. In one case, where a monetary amount was awarded, the home buyer failed to confirm acceptance of the decision. That decision therefore was not binding on the home builder and the parties remained free to pursue other methods of redress, such as referring the matter to the courts.

Sanctions

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

Main issues of dispute

Given the volume of home sales within the UK, the number of home buyers that use the Code's IDRS is significantly low by comparison and it is somewhat difficult therefore to undertake any detailed analysis and draw trends and themes as the statistics are not deemed significant. However, the main issues causing dispute that can be seen from cases handled by IDRS can be summarised as:

- **Changes to specifications – some home builders failed to notify the home buyer in advance of any significant changes and seeking agreement**
- **Poor complaint handling – home buyer's complaints were not dealt with effectively or systems to deal with in a timely manner were lacking**
- **Failure to advise on the deductions from a reservation agreement – home buyer's not being made aware of the likely cost of deductions from the reservation deposit in the event that the agreement is cancelled or expired.**

Communications and partnerships

Over the past year we have made full use of a range of communication channels to inform, assist and exchange views with the wide variety of organisations with an interest in the Code. Effective and regular communication with the industry, consumers and stakeholders remains an important element of articulating our aims, role and achievements.

Working with other organisations

We have constructive working relationships with a range of stakeholders that include industry bodies, complaint handlers, Government departments, consumer groups and other interested organisations. We have continued to build upon these relationships, through regular liaison meetings, to help raise awareness of the Code and an understanding of its aims.

These meetings help facilitate the exchange of ideas and understanding of the Code and further support the action we are taking in relation to ensuring compliance with the Code requirements.

We have continued to work closely with the industry and in partnership with the National Association of Estate Agents (NAEA) and the Royal Institute of Chartered Surveyors in relation to ensuring reference to the Code is contained within sales literature and top of mind for the sales team.

We have supported NAEA at their various conferences throughout the country and presented to their members in relation to the part they play when complying with the Code.

We also attended RESI (a residential property market conference) held in Cardiff which enabled us to network with a wide range of delegates involved in the property and building industry.

Consumers are also a key target audience in relation to raising awareness of the Code and we were represented at the Trading Standards Institute's National Conference held in Brighton in June and able to promote the benefits of the Code to its 2,000 delegates.

Web presence

Our website remains a valuable source of information for home buyers and home builders alike and to ensure transparency in our Independent Dispute Resolution Scheme - a key part of the Code - summaries of all adjudications are provided on the site.

This year we will update our Frequently Asked Questions ensuring they are consistent with any adjustments made to the Code and reflective of the type and nature of enquiries we receive.

Guidance and advice

- **Practice guidance note for lawyers** - Lawyers remain important players in the sales process whether representing the home builder or the consumer. We have worked closely with the three United Kingdom Law Societies to provide a practice guidance note for solicitors in relation to the conveyancing of a new property as well as with the Council for Licenced Conveyancers and the Solicitors Regulation Authority.
- **Checklist for home builders and sales agents** - We are always keen to listen to our stakeholders and to consider ways in which we might support the industry better to comply. We have produced a checklist that enables home builders and/or their agents to quickly see whether they have complied with the requirements of the Code.
- **On-line training and toolkits** - The home warranty providers provide on-line training, available on the Code's website, and Home Builder Toolkits to support and promote awareness and practical implementation of the Code. Details of which can be found on the home builders' section of the website along with details on how to register.

**THE CONSUMER CODE
FOR HOME BUILDERS AIMS TO
ENSURE THAT ALL HOME BUYERS ARE:**

Treated fairly

Know what levels of service to expect

**Fully informed about their purchase and
their consumer rights**

**Provided with a speedy, low cost dispute
resolution scheme to deal with complaints**



The Consumer Code for Home Builders gives 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.

Contact Information

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