THE HOME INFORMATION PACK

Background document G for the 40% House project.

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The Labour MP Frank Dobson first floated the Sellers’ Pack idea in the run up to the 1997 general election. In February of the election year, the shadow Environment Secretary produced a policy document entitled “No to Gazumping” which included the statement that:

We are now proposing a system in which a seller or a buyer who goes back on an agreement would be obliged to meet the costs the other party had incurred in progressing to exchange of contract.

One of the pledges in the 1997 Labour manifesto was for new controls to prevent gazumping. A further concern was the high number of sales (over 30%) that fell through between the making of an offer and exchange of contracts. The aim of the Sellers’ pack (now known as the Home Information Pack) was to make the whole process more swift and certain by requiring full information to be provided when the property is first put on the market (ODPM 2004). In addition, it became an opportunity to convey information about the energy efficiency of the property and to make recommendations for improving it: the HIP is to include a Home Condition Report (HCR), which in turn includes an Energy Report; and to comply with EU Directive 2002/91 (the Energy Performance of Buildings Directive, or EPBD).

Bristol pilot study, December 1999
A pilot scheme to test the practical operation of the information packs was launched in Bristol in December 1999 and ran until the end of July 2000. Sellers were not charged for the production of the HIPs (estimated at around £500), in a move to encourage take-up. The pilot was evaluated by the DETR (2000):

· following a Government mail-out to 80,000 households, 189 people compiled sellers’ packs.
· the packs reduced the time between offer and exchange from an average of 62 days to 48 days.
· there was a 50% cut in the number of house sales falling through.
· over 80% of homebuyers were satisfied with the process; only 6% were dissatisfied.
· buyers valued the transparency and greater certainty offered.
· there was resistance from some professionals.

The Bristol pilot was later criticised by some in the mortgage/estate agent business on the grounds that it did not involve a representative sample of housing – the homes involved were mostly desirable and easily-sold houses in the Clifton. However, public opinion polling has shown strong support for energy efficiency ratings for homes (Gallup/Strutt and Parker 2001) and for the whole concept of the HIP (ODPM 2005a). A preliminary consultation exercise on the HIP and the draft Housing Bill that would make the HIP mandatory in England and Wales concluded that removing the HCR
from the pack would risk cancelling out the likely benefits. 43% of failed transactions (12% of all transactions) arise from condition-related problems brought to light in the buyer's survey or lender's valuation inspection. The average chain involves 4 transactions, so there are knock-on effects. The report also expressed the belief that mortgage lenders would increasingly make use of the HCR when assessing the value of properties. The additional costs would be balanced by the savings. A fixed penalty system for non-compliance is proposed, to be policed by Trading Standards Officers (ODPM 2004).

The HIP was finally passed into law in November 2004, as Part 5 of the Housing Act. It is the mechanism by which the EPBD will be implemented in the owner-occupied sector. A date was set for implementation of the Home Information Packs with their HCRs, in January 2007.

While a Home Information Pack is legislated for in England and Wales only, both Scotland and Northern Ireland will be obliged to comply with the European Commission requirement for energy performance certificates for dwellings at the point of sale or letting, and for new dwellings under the EPBD.

**Content and design**
The HIP includes the following items:
- terms of sale
- evidence of title
- replies to standard preliminary enquiries made on behalf of buyers
- copies of any planning, listed building and building regulations consent and approvals
- copies of warranties and guarantees for new properties
- any guarantees for work carried out on the property
- replies to searches made of the local authority
- environmental issues such as flood risk
- a Home Condition Report based on a professional survey of the condition of the property, including an energy efficiency assessment.

Also, for leasehold properties:
- a copy of the lease.
- most recent service charge accounts and receipts.
- building insurance policy details and payment receipts.
- regulations made by the landlord or management company.
- memorandum and articles of the landlord or management company.

The Home Condition Report (HCR) is the only part of the HIP that is not already provided at some point in the process of buying and selling. It is this that incurs the extra costs to the seller (approximately £600), requires a new body of certified Home Inspectors to carry out the work, and has been the most controversial element in the HIP proposal.
Arguments for the HIP

- Helps sellers to decide on a realistic asking price.
- Gives buyer the information to make a well-informed, serious offer.
- Aims to speed up the home buying and selling process in England and Wales – currently (according to extensive research) among the slowest in Europe.
- Will help save hundreds of millions of pounds in wasted costs, arising from failed transactions.
- Reduces the risk of gazumping – this view has been countered.
- Makes energy efficiency a visible issue at point of sale

Arguments against

- Packs expected to cost in the region of £500, potentially pushing house prices up further.
- Disproportionately expensive element in the sale of cheaper properties.
- Difficult to maintain the accuracy and impartiality of the packs.
- Shortage of inspectors – an estimated 7500 inspectors are required to avoid homebuyers queuing.
- Information may become out-of-date if a property has been on the market for some time.
- Perceived by estate agents as causing delay in putting a property on the market.

Three draft designs of the Energy Report were tested out by the Energy Saving Trust during 2004, all based on the A-G ratings in an EU Energy Label. A design is still to be finalised at the time of writing but is expected by the summer of 2005. All draft designs included a Standard Assessment Procedure energy rating (that is, efficiency of the building fabric and water heating, not total consumption from the dwelling) suggestions as to how the householder could improve this and indications of the cost and payback times for different measures, along with some reference to the environmental benefits of saving energy. There were varying amounts of detail on the state of the home at the time of survey, how the home compared to others, the options open to the householder and the extent to which appliances and behaviour were mentioned.

**Effectiveness of the Energy Report**

Some preliminary research on the effectiveness of Energy Reports (prototypes piloted by Woolwich Building Society) shows that approximately a quarter of householders who were given a Home Energy Report had acted on one or more recommendations for improving the energy efficiency of their new home, within 18 months of moving in (Parnell et al, 2002; Darby 2003). However, these are almost certainly overestimates - the response rate to each survey was low and unlikely to have been representative. It is harder to assess the indirect effect of making an energy report an integral part of a wider Home Condition Report, but the research showed an encouraging level of interest in the reports – three-quarters of one sample had read and understood their energy report and half thought it had been a useful element in their pack. This could have an indirect effect at some point in the future, even if it did not lead to action within a short period of time: people typically draw on information cumulatively from a variety of sources in order to make decisions about their energy use (Darby 2003).

If minimum standards were introduced for energy efficiency, below which it became illegal to sell or let a dwelling, this would clearly boost the importance of the energy report. Less dramatically, a rise in fuel prices would increase the appeal of an energy-efficient home.
Implementation

The ODPM (2005b) gives preliminary guidance on the process of preparing HCRs. Home inspectors are required to examine chimney stacks, roofs, pipes and gutters, walls and roof space, and to assess dampness with a moisture meter. The report is based on a 'level 2' inspection, similar to the Homebuyer Survey and Valuation approved by the Royal Institute of Chartered Surveyors, but without the valuation. It is not as detailed as a full structural survey but more detailed than the basic mortgage valuation. The reports are to be written in clear objective language, using a standard text format. They are to be managed and kept in a central electronic databank, to act as a check on authenticity, prevent tampering and control access to the information (ODPM 2005b). In time, this could be used as material for use by local authorities when they file annual returns on the state of their housing under the Home Energy Conservation Act.

The provisions of the EPBD are to be implemented by January 2006, though a three-year period of grace has been allowed in which to recruit and train the necessary surveyors. The UK will need to use this period because of delays in training Home Inspectors. Approximately 7500 will be needed, but at present only 2500 chartered surveyors and other professionals undertake home surveys (NHER website). Inspectors may come from any background but will be required to reach a standard equivalent to that of a chartered surveyor, with an approved qualification in home inspection at NVQ level 4. Qualified surveyors (or similar) will not need much further training but will be required to submit ten sample reports and to take a written examination. It remains to be seen how many can be recruited and trained by 2007 (when the HIP is to become mandatory), and how acceptable the HCR will be to mortgage lenders as a basis for decision.

References


NHER website: http://www.nher.co.uk/homeinfopack.shtml National Home Energy Rating


http://www.legislation.hmsoprint.gov.uk/actsacts2004/40034--m.htm#148