



HIP Regulations

To the relief of all concerned, the new Home Information Pack Regulations were finally laid before Parliament and approved on 14th June 2006. These are the final version of the rules needed to implement the government's flagship Home Information Pack scheme on 1st June 2007.

The packs, which have their origins in the 1997 Labour Manifesto, are being touted by the government as a consumer friendly way to simplify the home buying process.

By providing detailed information about the property at an early stage, it hopes buyers will be able to make an informed choice when deciding to purchase a property. It is hoped that this will have a positive impact on the process by reducing wasted costs for transactions that do not proceed when, late in the day, information is revealed that causes a buyer to have a change of heart.

The actual impact of the scheme remains to be seen and there is concern from almost all sides that the scheme has not been fully thought through and is being introduced too soon.

Consumers are concerned that costs will increase (the pack will cost about £1,000 for an average property) and that there will be duplication of cost as the searches and Home Condition Reports (see later) will go out of date or not contain the correct detail to be relied on by lenders and buyers.

Newspapers and Consumer Groups are also concerned that this is another stealth tax, with the additional revenues generated by the pack attracting VAT on the total cost whereas parts of the pack obtained individually now do not.

More ominously perhaps, both lenders and economists are concerned that the introduction of the pack will cause a property bubble in the first part of 2007 with the resultant "bust" later in the year as sellers seek to avoid the additional costs of the pack by marketing before the deadline. The New Regulations seek to address this point by adding a longstop date of 31st October 2007. Any property that is on the market after that date - regardless of whether it was put on the market before 1st June 2007, MUST have a HIP to continue to be marketed.

All observers appear on one issue - namely that it seems less and less likely there will be enough trained home inspectors to carry out the Home Condition Reports. This report is the only really "new" element to the pack. In essence, the report is an inspection that falls some way between a drive-by valuation and a Homebuyers survey. The report will not contain any element of valuation and it seems likely therefore that lenders will still require their own valuation whilst buyers will feel that the detail provided is not sufficient to give them comfort. Notwithstanding these issues, a report will be required for all sales and it must be in the prescribed form. This will require an estimated 7,000 inspectors and to date there are just over 3,000 in training - the maths are certainly a concern - more so given that the shortest training course is 12 months!

The final concern revolves around the areas that are not covered by the regulations or left somewhat blurred at best. This includes the fact that they have currently moved away from including a prescribed Home Use and Home Contents Form: however, it seems likely that these will be imposed in further regulations before the introduction of the packs in June next year. The regulations are also open to interpretation as to when the exceptions to requiring a pack will apply, the definition of what is a "residential property", what is required to trigger the fact that a property is on the market and requires a HIP and many other areas.

Overall the professions and consumers have more to go on now than a few weeks ago and yet the final form and impact are far from certain at this stage and many changes are expected before the system is finally introduced. What does seem certain, however, is that it will be introduced regardless of these concerns or issues.

The Cynic might say, however, that the more certain and forthright the government is that it will happen, and happen on time, strengthens the thought that it will not - one thinks about the wholehearted support given by many a prime minister to an errant cabinet colleague who is sacked or resigns days or sometimes hours later. To quote a well known political novel - "you might say that - I couldn't possibly comment" !

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