

Introduction to Home Information Packs (HIPs)

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When asked about their experiences of buying and selling a property, 9 out of 10 people said that they were dissatisfied with the current process. Currently, one in four transactions collapses before contracts are exchanged and one million pounds a day is wasted, mainly due to transactions failing at a late stage. In response to these complaints, this year the government introduced the Home Information Pack.

Key features

- The Home Information Pack is a set of documents providing important information about a property such as searches, copies of the deeds and information regarding its energy efficiency.
- Since 1 August 2007, all 4 bedroom home owners in England and Wales will need to provide a Home Information Pack before putting their home up for sale.
- Since 10th September 2007 this obligation has been extended to 3 bedroom houses - hence covering 60% of today's market.
- As from 14 December, HIPs will be compulsory for all properties.

The government and professional bodies say that HIPs are designed to make buying better and selling simpler. At present, 28 per cent of property sales fail after terms have been agreed. The Government intends that the costs of the failed transactions (currently over £350m a year) should be reduced and it believes that HIPs will achieve this.

The Government claims that the introduction of HIPs has: -

- (1) begun improving transparency in the housing market
- (2) made property transactions less liable to failure, and
- (3) has reduced the level of wasted costs

1. **Transparency and speedy transactions**

Key information about the property used only to be available after terms of the sale had been agreed. Indeed, under the previous system, all buyers were negotiating in the dark and often ended up wasting money on legal fees and searches. Now, since this information has to be provided at the time of marketing a property the buying and selling process has become more efficient, transparent and faster. As a point of comparison, under the previous systems, transactions ran at half the speed of the European average, this has now been increased.

2. **A more reliable process**

60 per cent of property sales are in chains. This new system is designed to avoid the usual delay or failure in one to have a knock-on effect through the chain.

3. **A more cost efficient system**

In terms of costs incurred in preparing the HIPs, the average pack takes around 5 days to prepare. Major estate agents are charging around £300 +VAT on an upfront or deferred basis (£200 to 250 of which was already paid under the previous system). Further, more than 85 local authorities have reduced their search costs, in some cases by more than £100.

The duty to provide a HIP rests on the person marketing the property (usually, an estate agent) which means that the traditional distinction between the marketing and the actual conveyancing process is narrowing down.

It is likely that both solicitors and estate agents will move towards offering both services in a “all inclusive package” to remain in control of their work input. In effect, some solicitors are already seeking to broaden their services to include “estate agency” work and many property lawyers see this as a natural progression of their services as well as a necessary strategy to retain and develop their business. Considering solicitors existing skills, their position on and knowledge of the market this step can be taken without incurring start up costs since most of the overheads involved will already be incurred by the practise.

In the case of estate agents we can also already see a move to offer conveyancing packages as part of their services however, in reality, very few estate agents (contrary to their marketing) actually offer an in-house conveyancing service.

At Segens, we remain committed to see HIPs continue to benefit our clients first and foremost. We also believe that providing a competent, safe and cost effective service to our clients is best achieved by working alongside with estate agents thus benefiting from their market knowledge, experience and skills.

In any case, whether or not the government scheme is successful in the long term will depend on how the operators in the market react to this shift as this will change the property market significantly and this will ultimately impact on the individual buyer and seller's purse.

Therefore, and although there has been some reduction in relation to the costs of searches and in relation to the costs of failed transactions, it is too early to assess the overall success of HIPs ,all their ramifications on the property market, and eventually on the sellers and buyers.

Finally it is worth mentioning that the HIPs scheme provides for redress against intermediaries. Estate agents will have to belong to an approved redress scheme and will have to ensure of the accuracy of the documents provided. This should provide comfort and a better standard of service for consumers who will be able to complain to an independent body if they are dissatisfied,as is already the case with solicitors.

For more information about HIPs and on the services we offer, please contact:

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