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YOU MAY WELL be aware that the government has announced that Home Information Packs (HIPs) will be compulsory from 1 June 2007.

I am most grateful to two of our local professionals for the articles which follow.

“We can assist you in this **brave new world for house sales** and look forward to doing so”

Jonathan Carpenter is a chartered surveyor with Network Surveyors & Valuers. His thoughts are helpful and interesting. Jackie Oliver is an estate agent who has trained as a Home Inspector under the new Regulations and is able to provide us and you, our clients, with the necessary Energy Performance Certificate and the

(at present voluntary) Home Condition Report. We here at Arnold Thomson have invested in the necessary technology to bring all the elements of the new HIPs together electronically and have spent considerable time to ensure that we can provide a seamless service in the production of the necessary HIPs. My colleagues Sylvia McCarthy and Mike Fursey set out some guidance for you below.

We can assist you in this brave new world for house sales and look forward to doing so.



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Home Information Packs and you...

Unless the Government postpone or delay the new Home Information Pack (HIP), there will be radical changes to the way you sell your house.

From 1 June 2007, anyone selling residential property will need to obtain one of the much-advertised HIPs before the property can be marketed.

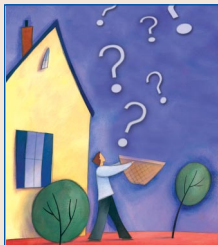
bodies are still in consultation with the Government and there may be changes to the way the Scheme is presented and operated after the date of this newsletter. Nevertheless, we will all be compelled to adopt the scheme and try to deliver some benefits to our clients. To do so, it will be **essential** for all those involved in residential property transactions to work closely

co-operation and co-ordination between those professionals at an early stage in the proceedings to produce HIPs.

One of the major reforms that will follow the introduction of the HIP scheme is that from 1 June 2007, estate agents **must** belong to an independent redress scheme.

We at Arnold Thomson have always endeavoured to maintain good working relationships with other professionals for the benefit of our clients, and we will continue to ensure that our clients obtain maximum value from the Government's proposals.

In an attempt to clarify some of your queries, we have set out a few of the more common questions with replies below:



“The rationale behind the introduction of Home Information Packs is to make the whole home buying process simpler and quicker, and to ensure **fewer sales break down...**”

We intend to continue to work closely with the other involved professionals to assist you in the transition from the current system to the new system of property sales.

The rationale behind the introduction of HIPs is to make the whole home buying process simpler and quicker, and to ensure that fewer sales break down. However, many professionals believe that the proposals are flawed, likely to prove costly, and will fail to meet this goal. Professional

together.

There are many types of professionals and different levels of involvement in any property sale. The professions include estate agents, surveyors, lawyers and mortgage lenders, and, from June, a new professional – the Home Inspector. Each professional has a specific area of expertise, and has in the past co-operated with others to ensure the success of a transaction. In the future, it will require previously unprecedented levels of

What is the HIP?

The **HIP** is a compilation of legal documents, coupled with an Energy Performance Certificate (EPC) which will be made available to buyers at an early stage. The majority of the documents included in the HIP are already provided to buyers' lawyers in property sales, although not necessarily at such an early stage. Apart

from the provision of this information at an early stage, the other main variation from the present system is that the seller will be responsible for providing searches, which have traditionally been paid for, and obtained by, the buyer.

Who is responsible for putting the HIP together?

For many prospective sellers, it is likely that you will first discuss your plans to sell with your estate agents. Your agents will be responsible for ensuring that the HIP is produced before the property can be advertised for sale and they (or the seller of the property) will be under a duty to provide a copy of the HIP to a potential buyer. They will liaise with the other professionals to ensure

addition, estate agents may be reported to the Office of Fair Trading for failure to comply with the regulations.

How much will it cost?

There is no "fixed fee" for the compilation of the HIP, which will depend on the organisation producing the pack. Some HIP providers will accept payment on completion of the sale, some will require pre-payment but will offer credit terms, and others will require payment in advance, whether in full or partial to cover the cost of searches and the EPC.

As a very rough guide, the cost of the HIP, including the EPC but excluding the Home Condition Report (which is currently not a required document) is

to help cut carbon emissions and fuel bills. Our homes already account for 27% of the UK's carbon emissions contributing to global climate change. The Energy Performance Certificate is designed to help homeowners reduce the environmental impact of their homes.

The Energy Savings Trust estimates that following the recommendations in an Energy Performance Certificate, an average of £300 a year can be saved in fuel bills."

Reducing carbon emissions from domestic property is a key part of the introduction of EPCs into the HIP, particularly since by January 2009 the European Directive on the Energy Performance of Buildings (EPBD) requires all property to be sold, rented or under construction to have an EPC. It is hoped that by introducing EPCs now buyers will act on advice contained in it to improve their new home's energy efficiency.

The EPBD will obviously have significant effect on builders. There are already moves to encourage builders to incorporate greener and more carbon friendly measures in newly built property.



“ if you are contemplating **selling your property** later this year, and would like further information or advice on the new regulations, please contact us to discuss how we can assist you.”

completeness and accuracy of the HIP. The HIP can be produced in paper or electronic format, although it is most likely that both versions will be available.

If you choose to market your property privately, you will need to provide the HIP and will be responsible for its production.

We can assist you in the production of the HIP and can liaise with the other essential professionals to do so.

Where paper copies of the HIP are provided, a reasonable charge may be made to cover copying and postage costs, but not if the HIP is provided in electronic format.

What happens if I don't provide a HIP?

If a HIP is not provided, Trading Standards may take action against the "responsible person". The "responsible person" is the person or firm who markets the property, i.e. the estate agents or the seller. There will be financial penalties for non-compliance with the regulations. A penalty has been fixed at **£200** for non-compliance with the regulations, which may be charged every time there is failure to comply. In

likely to cost in the range £450-£700 plus VAT, but will depend on the charges made for the compilation of the HIP, provision of the EPC, initial searches and legal fees for the preparation of the legal pack.

How long is the HIP valid for?

There is no official "shelf life" for a HIP. Once the property is marketed and the HIP made available, it will be valid for as long as the information remains unchanged. Although the Government has indicated that the EPC will be valid for only 3 months, once it is included in the HIP it will not have to be renewed unless the property is taken off the market and remarketed at a later date. The same applies to the local search, even though the buyers' lawyers and lenders may view a local search as valid for no more than 3 months.

What is the purpose of the ERC?

This can best be explained by the following quotation from the Government's HIP website: "Energy Performance Certificates will give home buyers and sellers A to G ratings for their home's energy efficiency

What is the Home Condition Report?

The Home Condition Report (HCR) is a report dealing with the physical condition of the property, but has been excluded as a compulsory part of the HIP. A seller may, however, include an HCR on a purely voluntary basis. It is possible that the HCR will be reintroduced as a mandatory component of the HIP. One of the major reasons for the exclusion of the HIP is the reluctance of others, such as mortgage lenders to rely on a survey report commissioned by a seller.

If you are contemplating selling your property later this year, and would like further information or advice on compliance with the new regulations, please contact us to discuss how we can assist you.

Full details of the Home Information Packs scheme can be obtained from the Government website: www.homeinformationpacks.gov.uk

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The Chartered Surveyors Perspective HIPS & Home Condition Reports...

“ From 1 June 2007 we will see the introduction of [Home Information Packs](#) , they are what the government consider to be a clearer, faster and easier way to buy and sell our homes.”

It is now less than three months before Home Information Packs (HIPs) come into force. From 1 June 2007 we will see the introduction of what the Government consider will be a clearer, faster and easier way to buy and sell our homes.

Buying and selling a property can sometimes be a slow, stressful and costly experience which is often prone to delay and failure. It is the Government's view that the introduction of the Home Information Pack will improve this process. From 1 June of this year all home owners in England and Wales will need to provide a HIP before putting their home up for sale.

The system is still getting criticism from some factions of the property industry but, with the packs being implemented so soon, home owners are going to need to get up to speed with what they involve.

The HIP will provide the following:

[Terms of sale](#)

[Evidence of title](#)

[Standard searches](#)

[Planning Consents and Building Control Certificates](#)

[Property information form](#)

[Warranties and guarantees](#)

[Energy rating](#)

[Home Condition Report \(HCR\) – voluntary](#)

The responsibility for preparing a HIP rests with the person responsible for marketing the property, usually the Estate Agent, Developer or Auctioneer or indeed the seller themselves if the property is being sold privately.

If the property is already on the market on 1 June 2007 there will be no requirement for a HIP to be prepared. Being on the market is still being debated but, for example, an advertisement in a local newspaper will probably be sufficient.

At the present time the Home

Condition Report is to be produced on a voluntary basis. For the past two or three years there has been an attempt to train enough Home Inspectors. Initially the Government anticipated a need for approximately 7,500 Home Inspectors but to date have fallen well short of this figure. Although a number of Chartered Surveyors have qualified as Home Inspectors many of the participants have come from a wide field of expertise including Estate Agents, Builders etc and indeed people not previously associated with the property industry.

The HCR is intended to provide the information on the condition of a property “up front” to buyers. The report is in the form of a “mini survey” and was, in part, intended to help mortgage lenders undertake automated valuations and thus eliminate the need for a physical inspection of the property. The HCR will not include an opinion of value and therefore lenders will need to obtain an assessment of the value of a property from either desktop review, drive by or continue with full inspections.

One part of the original HCR is to become compulsory and that is the provision of a “fridge style” energy rating of the property. This will entail an inspection of the property to establish its energy efficiency and this will be expressed in the form of a number together with an indication on how the efficiency can be improved. This energy rating is particularly important to the Government in their quest to meet their commitment to the Kyoto Agreement to reduce carbon emissions. It is now accepted that domestic property is the biggest culprit in carbon emissions and its effect on our climate.

There has been some concern that if HCR's are commissioned by a seller they cannot be relied upon by the purchaser. However, Home Inspectors will be qualified under a Certification Scheme approved by the Secretary of State and

this scheme will be responsible for monitoring and auditing the Inspector's work. The monitoring will be robust to ensure that standards are maintained. If an Inspector fails to maintain the correct standard or acts in a way that is partial to one party then their Certification will be removed along with their ability to produce HCR's.

The HCR has been described as a “mini survey” but is not called a survey. It is intended that the HCR will be an objective report based on the condition of the house and written in plain English. It has been called a Home Condition Report to distinguish it from other surveys. Chartered Surveyors will continue to provide separate and independent surveys and valuations for potential purchasers who do not wish to rely upon the HCR. These surveys will include the RICS Homebuyers Survey and Valuation and, for unusual property or houses in particularly poor condition, the Full Building Survey.

Research has suggested that 43% of failed transactions do so as a result of problems revealed by a valuation inspection or condition survey after terms have been agreed. It is the hope that HIPS and in particular HCR's will reduce or eradicate these failures by identifying the condition of the property “up front”. The dilemma for the discerning purchaser is whether to rely upon the HCR produced by the sellers Home Inspector or, as in the past and at the present time, to commission an independent report from a Chartered Surveyor. Time and market forces will no doubt be the judge.

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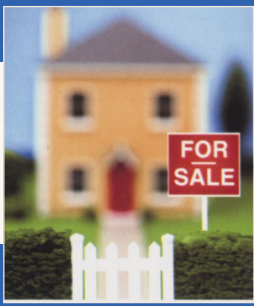
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The Home Inspectors Perspective

HIPS & Home Condition Reports...

“When did **re-negotiation** ever start at a couple of hundred pounds?...”

It is well known that the process of buying and selling homes can be fraught with difficulty, often resulting in stress, frustration and in many cases wasted money as a result of delayed or failed transactions.

Many sales are subject to substantial re-negotiations in price following the surveyor's report, when 'unknown' or unexpected condition matters come to light. Often this is some weeks into the transaction when money has been spent and chains have developed, often leading to sellers being 'held to ransom' just before exchange of contracts.

Providing essential information about a house 'up front' through a **Home Information Pack (HIP)** will help to make the process more transparent and efficient, addressing many of the problems, which cause delay and failure. As well as the

expenditure. For example - if a property has wood boring beetle in its roof timbers or a crack in its wall, either of which may require further investigation and possible treatment, this will be highlighted before the property is offered for sale, rather than the present system where extensive delays are often experienced following an agreed sale and price, and subsequent survey.

To complete the Home Condition Report competently even the most experienced surveyors are required to acquire new skills and obtain the Diploma in Home Inspection. Only those who hold this new qualification can carry out the Home Condition Report or Energy Performance Certificate.

In July 2006 the Government became concerned about the numbers of Home Inspectors who would be available for the Home Information Pack implementation date of June 1st

provide a Home Inspector Service for Home Condition Reports and Energy Performance Certificates as part of the Northampton 'Dry Run' since November last year. Sadly there has been very little public information about HIPs to date but it is quite clear from feedback from the dry run areas that the real benefits to consumers are these:

- 1). **The potential for a reduction in time of the conveyancing process**
- 2). **The knowledge of the energy consumption of a property and the potential for improvement**
- 3). **Probably the most important - the advance knowledge of the physical condition of the property that you are about to buy!**



“The intention of the **Home Condition Report** is that it will be an objective report on the **condition of the property**, which can be relied upon by both sellers and buyers alike and provide a sound basis upon which to agree a deal.”

mandatory legal elements of the HIP it was originally envisaged that the property would have a Home Condition Report and Energy Performance Certificate prepared before being offered for sale.

The intention of the Home Condition Report is that it will be an objective report on the condition of the property, which can be relied upon by both sellers and buyers alike, and provide a sound basis upon which to agree a deal. The report covers matters of importance to the buyer such as the internal and external condition of the property, how energy efficient it is, as well as identifying any defects or other matters requiring attention or

2007 and changed the status of the Home Condition Report from a mandatory to authorised document. This means that the Energy Performance Certificate must be included before a house can be offered for sale, but the Home Condition Report is not mandatory.

The Governments wish is that the HCR becomes widely accepted on a voluntary basis as consumers realise the benefits of including the full Home Condition Report in their pack and thereby reducing the opportunity for those last minute, stressful and costly re-negotiations.

Towcester Home Inspectors have been working with the Government to

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The information in this newsletter is not intended to be exhaustive of the topics covered. Specific advice should be sought on the application of the law in any particular case.

If this newsletter is of no interest, please tell us and we shall not send it to you again.

If we do not have your correct details please also inform us of any changes so that we may update our records.