



Fòcas Luchd-
Caitheimh Alba
Comhairle Luchd-caitheimh ùr na h-Alba



Consumer Focus
Scotland
Scotland's new Consumer Council

Home Reports - a briefing paper

November 2008

From 1 December 2008, everyone selling a house in Scotland will be required by law to provide a Home Report to prospective buyers. The new home report is clearly in the consumer interest: it will help protect buyers of property and give confidence to sellers.

At present, around 90% of buyers obtain only the cheapest basic valuation survey. That means most Scots are currently making their biggest ever financial purchase with very little information about the condition, value or energy efficiency of the property they offer for.

What is a Home Report?

'This is a once in a generation opportunity to put consumers rather than the house buying and selling industry at the centre of the house-buying process in Scotland, whether the market happens to be going through a buoyant or a downward cycle. We are convinced that in a few years time, the new system will seem unremarkable, and we will wonder why it took us so long to finally adopt a more common sense approach'.

**Martyn Evans, Director,
Consumer Focus Scotland**

as parking arrangements, factoring and property alterations.

Consumers making the largest purchase of their life have told us they would like more information about the home they buy earlier in the process. The detailed information in the Home Report will help buyers make an informed decision about whether to make an offer for a property.

And with energy costs continuing to rise, the inclusion of information on energy efficiency will mean potential buyers will

The Home Report will contain three documents providing buyers with far more information than they currently have:

- A single survey prepared by a chartered surveyor containing detailed information on property condition, accessibility information and a valuation.
- An energy report giving a home's energy efficiency rating and its environmental impact in terms of carbon dioxide emissions, and recommending ways to improve the building's energy efficiency.
- A property questionnaire giving prospective buyers useful practical information about the property, such

'This is not a time for people to take risks, and the fewer risks homebuyers have to take, the better. Earlier this year, we asked 504 members of the public who had bought a house in the past five years about their home-buying experiences. A quarter of them said they had found faults with their home after moving in. Those who missed problems said they spent an average £2,500 putting them right, and one in ten spent an eye-watering £10,000. In the current financial climate, homebuyers need facts about the condition of the house they are buying. They need not to be confronted by large bills they can ill afford.'

Julia Clarke, Which?

know what their overheads are going to be like long before they get the first bills.

The Home Report will end the need for every prospective buyer to commission and pay for their own survey, and often in the past many surveys, with no guarantee that they'll be successful. Everyone interested in a particular property gets the same information, including the same indication of its value. While some sellers have undoubtedly been winners where they have received much more than they'd hoped for through the sealed bidding process, they may also have lost out as buyers by having to pay over the odds through the same process.

There were also widespread concerns that asking prices were fixed well below valuation in the hope of triggering a blind bidding war. While market conditions are much more likely to influence the bids that people are willing to make, we would certainly expect the asking price that is set by sellers to be realistic when they know all the potential buyers have access to the same independent valuation information.



First time buyers

The home report will bring particular benefits for first time buyers, who are the life blood of the housing market. When it's harder than ever to get onto the first rung of the housing ladder, they will pay nothing for detailed information about the value and condition of the property, allowing them a little extra to put towards their deposit, decorating or moving costs. In these difficult times, every little helps.

The benefits for sellers

The vast majority of sellers are also buying, and will benefit from the new system as purchasers. The security and peace of mind Home Reports will give buyers will also help sellers to market their property positively and with confidence. The Home Report will flag up any major problems to sellers at an early stage, providing an opportunity to address them early in the process.

'Offers subject to survey' – a very poor solution

Offers 'subject to survey' have become fashionable in recent years. However, the 'subject to survey' approach leaves the prospective buyer in the dark as to the value and condition of the property. The buyer is making an offer without any hard information about the condition of the property or its value, or consequently whether their lender will be prepared to lend the sum needed to purchase it. Homebuyers need better information before they make an offer, not afterwards.

'Consumer organisations would never recommend that anyone makes the biggest purchase of their life without the information they need upfront. We cannot understand why some lawyers think their clients should bid without having a proper estimate of the price a house is worth, or information on its condition. Offers 'subject to survey' also introduce uncertainty and delay into the process, bringing in undesirable elements of the English system.'

Sarah O'Neill,
Principal Policy Advocate
Consumer Focus Scotland

Mortgage lenders will accept Home Reports

While lenders will always reserve the right to require their own survey, as they do now, we are confident that lenders will accept the Home Report in the vast majority of cases.

While the system may have changed, the single survey will be compiled by the same surveyors who produce reports for lenders at present, and lenders will continue to receive the information they need to make lending decisions. The survey reports will be produced by qualified surveyors who are required to adhere to their professional standards, the vast majority of whom are likely to be on the lenders' panels already.

Why buyers can trust a survey commissioned by the seller

The main issue of concern here is whether buyers have any comeback against the surveyor if something goes wrong. Thanks to a regulation passed recently by the Westminster Parliament at the request of the Scottish Government, the buyer will be able to legally rely on the survey and hold the surveyor to account for its content.

'The single survey and valuation part of the Home Report must, by law, be carried out by a chartered surveyor who is a member of RICS Scotland. Chartered surveyors are highly trained and one of the most highly regulated professions in the UK which means they follow very strict rules when surveying and valuing a property. The system they use to value a home is recognised throughout the world.'

Chartered surveyors must have special insurance called 'Professional Indemnity Insurance' which protects buyers and sellers if there are any problems. There is a redress system in place should buyers or sellers have reason to complain about a chartered surveyor and an independent surveyor ombudsman service who will investigate complaints in a fair and thorough way.'

**Graeme Hartley, Director,
RICS Scotland**



Why we should not delay the introduction of Home Reports until the market improves

Home Reports are good for buyers and sellers at any time – and particularly as market conditions get tougher. When it's harder to sell, you want prospective buyers to know that what you are selling is up to scratch. Sellers are almost inevitably buyers at the same time so they will only be expected to pay for the report on the house they are selling rather than potentially for a survey on each property they'd like to offer for. When it's harder to get a mortgage then you want to be surer than ever that the property you are buying is sound and represents a good investment.

Delaying the introduction of Home Reports would be a step backwards and it certainly wouldn't make any difference to the overall state of the housing market.

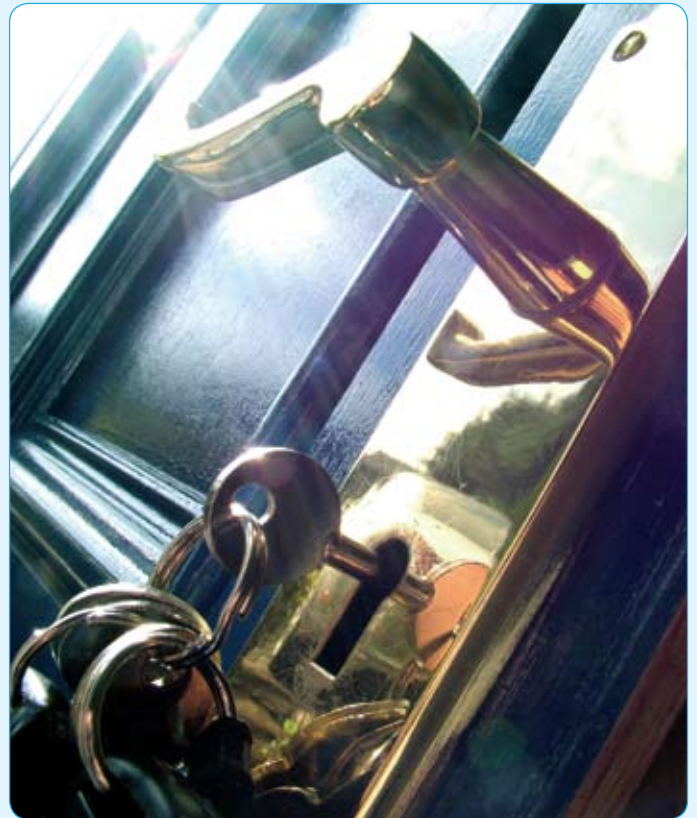
First time buyers have the most to lose from the reports being postponed or scrapped. During this stage in the cycle, there's a glimmer of good news for first time buyers that property prices are stabilising and in some cases falling. But, equally, getting a mortgage is more difficult than it was. The Home Report will give real and tangible benefits to first time buyers in the current housing market.

Concerns about the 'shelf life' of the Home Report can be addressed by common sense - if a house does not sell within a reasonable period, the Home Report need not be repeated, but can be updated very simply to remain current. More to the point if the house is not selling because of some major fault identified in the Home Report then surely the Report has achieved its objective of better information for sellers and buyers.

If Home Reports offer such clear benefits, why are some campaigning against their introduction?

Right now there's too much fear and false rumour being spread over Home Reports. Consumer organisations know only too well what happens to people when they make big decisions without the information they should be entitled to. This isn't a time for people to take risks, and the fewer risks homebuyers have to take, the better.

One of our fundamental guiding principles is that consumers, whatever they are buying, should have access to as much reliable information as they can, allowing them to make an informed decision. All the alternatives to Home Reports that currently exist provide less information to buyers. Up until now the practices and conventions in buying and selling



houses have been driven not by consumers but by the industries that exist to support the process.

Home Reports represent a consumer-focused solution to reducing the risks and stress of one of the biggest decisions anyone ever makes.

CONSUMER FOCUS SCOTLAND

Consumer Focus Scotland is the new statutory organisation campaigning for a fair deal for consumers in Scotland. Consumer Focus Scotland was created through a merger of the Scottish Consumer Council, energywatch Scotland and Postwatch Scotland on 1 October 2008.

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