
improving living in scotland



A consultation to establish a consumer body for Scotland

26 September 2018

ABOUT HOMES FOR SCOTLAND

Homes for Scotland is **the** voice of the home building industry.

With a membership of some 200 organisations together providing 95% of new homes built for sale in Scotland each year as well as a significant proportion of affordable housing, we are committed to improving the quality of living in Scotland by providing this and future generations with warm, sustainable homes in places people *want* to live.

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Homes for Scotland represents members on a wide range of issues affecting their ability to deliver much needed homes.

Our views are endorsed by committees and advisory groups utilising the skills and expertise of key representatives drawn from member companies.

A consultation to establish a consumer body for Scotland

Introduction

Homes for Scotland welcomes with interest the consultation on the creation of a consumer body in Scotland. We understand that the Scottish Government objective is to close gaps in existing protection, as opposed to replacing processes that are already in place within the UK consumer protection landscape.

The purpose of this response is to raise awareness of existing arrangements for consumer protection in the new build homes sector and to inform the Scottish Government about important work ongoing throughout the UK to further strengthen these arrangements.

Existing arrangements for consumers

The Consumer Code for Home Builders operates across the devolved nations to offer new build customers the same level of protection anywhere in the UK. It is an industry led approach with participation mandated through warranty bodies operating across the UK. This is extremely important as a consistent approach not only eases understanding for the consumer, it ensures warranty and mortgage lender buy in across the UK.

The Consumer Code for Home Builders was established in 2010. Its establishment led, without doubt, to a step change in how builders deal with customers through the sales process. This ground breaking, industry led approach enabled home builders across the UK to collectively work together to strengthen consumer redress on a consistent basis. It has been reviewed three times since launch by independent bodies, most recently in 2016 and each time has been subsequently updated and improved to provide greater protections for customers. Homes for Scotland has been involved in the Consumer Code for Home Builders since its inception. Chief Executive, Nicola Barclay currently sits on the Consumer Code for Home Builders board.

As a consequence of the high standards upheld by the warranty bodies involved in the Consumer Code for Home Builders, participation has only been an option for those who meet them, and other codes have since emerged to ensure smaller warranty bodies could continue to meet mortgage lender requirements and therefore continue to trade. This unfortunately has created a less clear consumer protection landscape for new build customers.

The largest of the other codes is the Consumer Code for New Homes, that also provides a robust and broadly similar set of protections for home buyers through the sales process and initial years of occupation. Whilst there is not a huge variation in the actual consumer code documents and the protections they afford for consumers, we fully acknowledge that the existence of a number of different codes depending on which builder the customer buys from is far from ideal.

To strengthen the existing arrangements provided by the codes, the new build homes sector is responding positively by working to unify the codes and pursuing the appointment of a New Homes Ombudsman to oversee the process.

Improving existing arrangements for consumers

Homes for Scotland has been working closely with its equivalent organisation in England, the Home Builders Federation (HBF), and new home warranty bodies to review the existing industry led codes.

Details of the changes we propose to the existing arrangements, acknowledging a number of recommendations from the 2016 Westminster All Party Parliamentary Group report, to strengthen consumer redress include:

- providing universal coverage, with the existence of more than one code currently diluting the perception of the total proportion being achieved by the industry led approach which we believe exceeds the 90th percentile,
- the removal of the customers fee to access the redress facility and clarity over coverage in years 1 and 2,
- reviewing the industry involvement in the structure giving the customer more confidence in the independence of the process.
- The appointment of a New Homes Ombudsman, to reinforce empowerment to new build. The Ombudsman will lead the redress aspects of the code, addressing customer concerns when things go wrong.

We are delighted with the pace of progress from this work. It is an excellent example of industry led stakeholder collaboration across the UK.

Why consistency across the UK is important

Whilst acknowledging that some consumer protection responsibilities are being devolved to the Scottish Government, it is important to explain why it is important that consumer protection for new home customers align across the UK.

Already in Scotland small differences in conveyancing have prevented some lenders who offer mortgages to buyers in England from participating in the Scottish market. Even a small difference can mean a significant investment in lenders processes and/or automated systems. Lenders have taken the decision to withdraw or not enter the Scottish market rather than to make the investment required. In maximising choice for new build customers, we are keen to see everything possible done to ensure a consistent approach to customer redress across the UK.

The same principles apply to warranty body participation, we would not want to see any reduction in choice for home builders in who they can partner with to offer structural insurance for their customers. With uncertainty around what is reserved/devolved, an industry led approach is the best way to guarantee this.

Summary

Homes for Scotland welcomes the opportunity to respond to the Scottish Government's consultation to highlight the important work we are involved in to strengthen consumer protection for new build customers. We are strongly of the belief that an industry led response is the best way forward to achieve the greatest customer service for customers throughout the UK.

It is worth noting that Homes for Scotland engaged Laura McGlynn and Erin McCreadie from the Scottish Government early in 2018 to discuss these points. We are also engaged with Simon Stockwell and Sandra Jack from the Family & Property Law Team who are familiar with the existing consumer code arrangements.

For further information relating to any of this please contact Homes for Scotland at the address below.

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