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*improving living in scotland*



**STRENGTHENING CONSUMER REDRESS  
IN THE HOUSING MARKET**

**16 APRIL 2018**

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## ABOUT HOMES FOR SCOTLAND

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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.

Visit [www.homesforscotland.com](http://www.homesforscotland.com) for further information and follow us on twitter @H\_F\_S

## PROCESS

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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.

This consultation response has been discussed, drafted and approved by the Board of Homes for Scotland.

# STRENGTHENING CONSUMER REDRESS IN THE HOUSING MARKET

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## 1. Introduction

- 1.1. Homes for Scotland welcomes the opportunity to respond to this consultation, noting the importance of offering the best customer service to buyers of new build homes across the UK. It is essential that the potential impact of proposals on home builder businesses and customers in Scotland is understood as part of this Westminster review.
- 1.2. Homes for Scotland has been working closely with the Home Builders Federation (HBF) and warranty bodies reviewing the existing industry led code. Details of the changes we propose to the existing arrangements, acknowledging a number of recommendations from the 2016 APPG report, to strengthen consumer redress are noted below. We are delighted with the pace of progress from this important work. It is an excellent example of industry led stakeholder collaboration across the UK.

## 2. Consistency across the UK

- 2.1. 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. 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. In proposing any changes to new build customer redress this point must not be lost. We must promote a system that enables consistency in participation. With housing devolved and consumer protection reserved we remain unclear whether a single housing ombudsman appointed by Westminster Ministers would cover buyers of new build homes in Scotland. For us, consistency across the UK for customers is a key strength of an industry led approach.

## 3. Warranty Body and Lender Buy in

- 3.1. 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.

#### 4. Working with the existing codes

- 4.1. The establishment of the Consumer Code for Home Builders in 2010 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.
- 4.2. 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 (CCNH), 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. We hope that the combination of existing codes will be a demonstrable outcome from the industry led work being undertaken.

#### 5. Improvements to existing arrangements

- 5.1. Despite the confusion that may be created by the existence of a number of codes, we genuinely believe that the Consumer Codes that are already in place offer new build customers a robust and clear process for complaints and redress. As such we would suggest these as the key starting point. In answer to question 19 within the consultation we would suggest that the existing code arrangements are best placed to deliver a new scheme.
- 5.2. As evidenced by annual customer satisfaction surveys, most home buyers are satisfied with their purchase. However, on those occasions where there are matters that need to be addressed, an Ombudsman role would be to address specific problems that are reported to them. This could achieve a positive outcome for the customer and hopefully as a result address issues with the builder involved. We would argue that a Consumer Code can also do this but can achieve so much more, working with the home building industry to ensure quality is further raised across the board.
- 5.3. We are already working with the HBF, warranty bodies and lenders to examine and implement improvements to the existing arrangements across the UK. These centre on 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 90<sup>th</sup> percentile.

- 5.4. Other more detailed changes are being progressed, all with the customer in mind, such as the removal of the customers fee to access the redress facility and clarity over coverage in years 1 and 2. Another relates to the independence of the Board and again we are fully supportive of this improvement if the independence of the structure gives the customer more confidence in the process. In making changes however it is crucial that viability remains paramount. To retain service levels for customers, especially during any transition, the system must have the financial and resource capacity to operate properly. Again, we see this as a key advantage of an industry led approach, involving those currently involved who understand the practical workings of the existing schemes. We are very pleased with the progress being made by the work led by HBF.

## 6. Introduction of an Ombudsman

- 6.1. We are keen to improve the existing arrangements for customers which we feel already offer an Ombudsman service for redress in all but name. To reinforce empowerment to new build customers we are therefore happy to support the transition to a formal Ombudsman. The Ombudsman would lead the redress aspects of the code, addressing customer concerns when things go wrong. In answer to question 20 in the consultation, we believe strongly that this can be achieved without a statutory process.

## 7. Summary

- 7.1. Homes for Scotland welcomes the opportunity to respond to the Secretary of State'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. The impact on customers in devolved nations must be acknowledged if a statutory approach is pursued.

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