

**CONSUMER
CODE FOR**
HOME BUILDERS

ANNUAL REPORT

2011

CONTENTS

2. INTRODUCTION TO THE CODE
3. CHAIRMAN'S REPORT
4. GOVERNANCE
 - MANAGEMENT BOARD
 - ADVISORY FORUM
 - QUALIFYING CRITERIA FOR APPLICANT WARRANTY PROVIDERS
5. MONITORING THE CODE
 - MYSTERY SHOPPING RESULTS
 - SMALLER BUILDERS
 - SALES CONTRACT REVIEW
 - REVIEWING THE CODE
6. MONITORING THE CODE
 - SMALLER BUILDERS
 - ESTATE AGENTS
 - SALES CONTRACT REVIEW
7. DISPUTE RESOLUTION SCHEME AND SANCTIONS
 - TRAINING FOR THE INDUSTRY
 - PROMOTING THE CODE

FOREWORD



I am pleased to welcome this first Annual Report of the new Consumer Code for Home Builders.

Our home is almost always the most expensive "consumer durable" any of us will buy. Quite rightly homebuyers expect to get what they pay for and know how to complain if they don't. People expect fair treatment and know that any disputes will be resolved quickly. This report shows that the new Code has made progress in helping more people get what they want.

It's good to read about the effort that has gone into promotion of the Code and to see that training has been widely available to make sure that those selling new homes are fully aware of the Code and its terms. With the prospect of many more new homes being built, it's going to be even more important to drive up standards of customer service. New homebuyers deserve to be able to spend their hard earned money with confidence and know that their complaints about any problems will not only be listened to but, more importantly, acted on.

So we need to make sure that this Code has real impact, which is why, in particular, I welcome the fact that it will have its first full review in the coming year. The review will need to lead to further improvements, building on the good work recorded in this Report, to increase consumer confidence in the new home buying process. Homebuyers need to have even more confidence that they get what they pay for. This will not only be of benefit to the homebuyer but also the housebuilder.

The Rt Hon Grant Shapps MP
Minister for Housing and Local Government

INTRODUCTION TO THE CODE

The Consumer Code for Home Builders was launched in April 2010 after 18 months of extensive consultation with the industry, consumer organisations, government and other stakeholder bodies.

The Code was developed following recommendations of the Barker Review of 2004 and the government led study into the house building industry published in October 2008. A group of stakeholders within the industry joined forces to consider the issues raised in those reports relating to customer service and satisfaction and decided to produce a Code of Conduct for home builders.

The Code was introduced to reinforce best practice amongst home builders, in providing high levels of customer service to home buyers. It builds on successful efforts already made by the industry to improve customer satisfaction in recent years.

The aim of the Code is to ensure all new home buyers:

- are treated fairly;
- know what levels of service to expect;
- are given reliable information about their purchase and their consumer rights before and after they move in, and;
- know how to access speedy, low-cost dispute resolution arrangements to deal with complaints access to complaints procedures.

The Code applies to all home builders registered with the UK's main new home warranty providers NHBC and MD Insurance Services Ltd (trading as Premier Guarantee and LABC Warranty) and consists of 19 requirements and principles that home builders must meet in their marketing and selling of homes and their after-sales customer service.

CHAIRMAN'S REPORT

The Consumer Code for Home Builders was established on 1st April 2010 to provide reassurance for the buyers of new homes throughout the UK. As the first independent Chairman of the Code, I recognise its critical importance to customers as they make, what may prove to be, the largest purchase decision in their lifetime.

The Code affects in excess of 16,000 builders throughout the UK, of all sizes, who are registered under the warranty schemes provided by NHBC and MD Insurance Services Ltd; the joint sponsors of the scheme.

There have been two primary goals during our first year of operation; to ensure the industry is up-to-speed and is aware of its obligations, and to ensure customers are aware of the Code.

Industry awareness of the Code during the last year has risen from 56% to 96% which is encouraging, but our monitoring shows that we need to provide further help to smaller builders and estate agents who may be less well informed and not so well prepared to meet their responsibilities under the Code. We have produced a

toolkit to assist them and in parallel improved our website to provide accessible support to both industry and consumers.

We are particularly conscious of our responsibility to consumers and the need to ensure they can reach out for support when it is needed. To that end we have raised our profile with the Trading Standards Service, the Consumer Direct helpline operated by the OFT and with the Citizens Advice Bureau network who collectively provide the majority of advisory and complaint handling services for consumers, across the UK. Advisors receiving enquiries are now fully briefed on the support that is available through the Code, including where necessary access to our Independent Dispute Resolution Scheme.

Looking ahead, we recognise the importance of ensuring the Code remains appropriate and relevant to an industry that is continually developing and to consumers who are becoming ever more sophisticated. We have resolved to conduct regular reviews of the Code reaching out to all relevant stakeholders including government. The first such review will take place before the Code reaches its second anniversary in April 2012, and its findings will be implemented one year later.

If you have any comments on this report or views about the Code generally, I would be delighted to hear from you.

Thanks for your support,



Noel Hunter OBE

Chairman of the Consumer Code for Home Builders



GOVERNANCE

MANAGEMENT BOARD

This Consumer Code is a voluntary industry code that is led and run by the industry. A Management Board is responsible for operating the Consumer Code Scheme and is chaired by an independent Chairman, Noel Hunter OBE. The Management Board is supported by an Advisory Forum representing a range of industry and consumer interests.



Noel Hunter OBE

Chairman of the Consumer Code for Home Builders since July 2010, Noel Hunter OBE, is currently a member of the Council of The Property Ombudsman, chair of the Board of the Trading Standards Institute and chairman of the Steering Board of the National Measurement Office.



Ian Davis

Member of the Code's Management Board, Ian Davis is Operations Director of NHBC. He is a Chartered Civil Engineer, a member of the Institution of Civil Engineers and holds a Masters Degree in Business Administration. His early career was with engineering contractors and consulting engineers. He was previously NHBC's Director of Standards and Research, and Deputy Chief Executive (Operations). He rejoined NHBC in 2006 after nine years as the Director General of the Federation of Master Builders.



Gary Devaney

Member of the Code's Management Board, Gary Devaney is also Chairman and Managing Director of the M.D. Insurance Services Ltd, which encompasses the Premier Guarantee and LABC Warranty brands. The Group also includes companies that specialise in Building Control, Sustainability and Legislative Services and has offices in the UK, Spain and Cyprus. With a comprehensive background in Insurance services, Gary has spent the last 14 years establishing Premier Guarantee in both the UK and overseas markets. Gary is an Associate Member of the Chartered Insurance Institute and a Chartered Insurance Practitioner.



Mike Freshney

Chairman of the Code's Advisory Forum, Mike Freshney is also a member of NHBC's Consumer Committee, member of NHBC's Standards Committee, Non-Executive Director of CALA Group Ltd, Deputy Chairman of Westerman Homes Ltd, Non-Executive Chairman of NHBC Building Control Services Ltd, Chairman of Robust Details Ltd, and Board Member of the Zero Carbon Hub Ltd. Mr Freshney is also a Non-Executive Director of the Home Builders Federation, and represents UK Home Building interests in the European Housing Confederation (UEPC).



Jonathan Fair

Member of the Code's Advisory Forum, Jonathan Fair has over two decades of experience in the construction and property development sectors working for private practice and industry. He is currently Chief Executive of Homes for Scotland.

ADVISORY FORUM

The Management Board is supported by an Advisory Forum, chaired by Mike Freshney. It is an industry-wide body that represents, consults and advises on Code content, its practical application and operation, through which changes and improvements will be channelled.

The Advisory Forum has representatives from:

- Construction Employers Federation (NI)
- Council of Mortgage Lenders
- Federation of Master Builders
- Home Builders Federation
- House Builders' Association
- Homes for Scotland
- NHBC
- MD Insurance Services Ltd
- Retirement Housing Group

QUALIFYING CRITERIA FOR APPLICANT WARRANTY PROVIDERS

The Code was formed by agreement between new home warranty providers NHBC and MD Insurance Services Ltd (trading as Premier Guarantee and LABC Warranty).

Builders registered with these organisations operate certain standards of good practice for the benefit of consumers, including operating the Code. Following stakeholder consultation, a set of criteria has been developed for other warranty providers who may wish to apply to join the Code scheme. These criteria are available on the Code website www.consumercodeforhomebuilders.co.uk.

MONITORING THE CODE

Monitoring how well the Code is being applied by home builders is an important aspect of ensuring that the effectiveness of the Code is properly tested.

In March 2010, shortly before the Code was launched, the Code Management Board commissioned mystery shopping and other research among home builders of all sizes across the UK to assess how prepared the industry was for the introduction of the Code. This involved:

- mystery shopping at site sales offices;
- an extensive telephone survey of builders (subsequently extended to include estate agents)
- an audit of builders' contracts of sale.

This original exercise was designed to serve as a benchmark for future mystery shopping exercises and for measuring improvements. Following the introduction of the Code, two further rounds of monitoring have taken place to establish how well and consistently the Code is being applied in practice and to identify any areas for further training or necessary improvements.

MYSTERY SHOPPING RESULTS

The second and third waves of mystery shopping were conducted in November 2010 and June 2011.

This mystery shopping and survey work was carried out in late 2010 and the review of sale contracts in early 2011.

The results of each mystery shopping report has shown an increase in awareness and understanding of the Code by home builders and the industry as a whole.

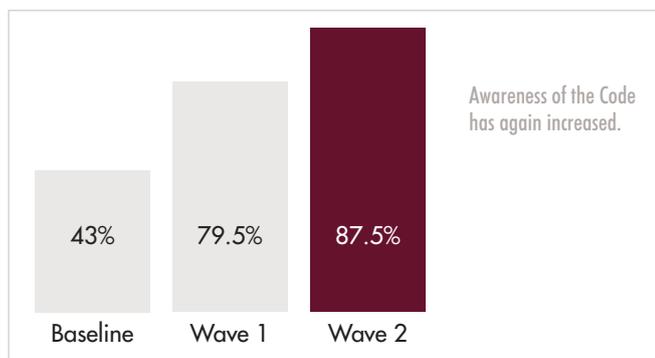


Figure 1: Awareness of Code by builders' sales staff (both prompted and spontaneous awareness)

Attitudes towards the Code have remained very positive and very few of the survey respondents said they have had problems with implementing the Code.

Virtually all those who took part in the telephone survey were aware of the Code, as were the vast majority of site sales staff.

Every large builder surveyed had made the Code available on their website, in sales literature or had incorporated it in their customer charter. However, a hard copy was not always immediately available at site sales offices.

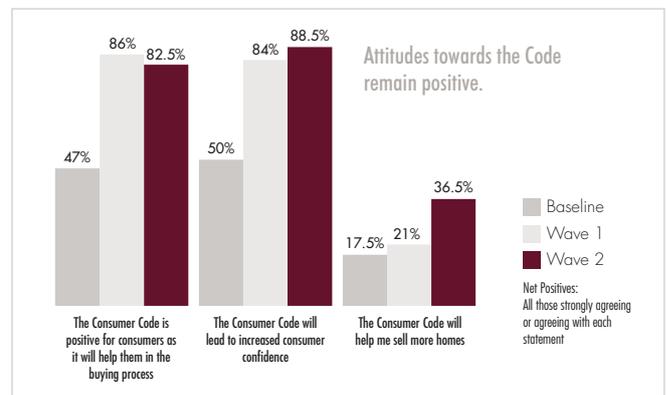


Figure 2: Builders' attitudes towards the Code

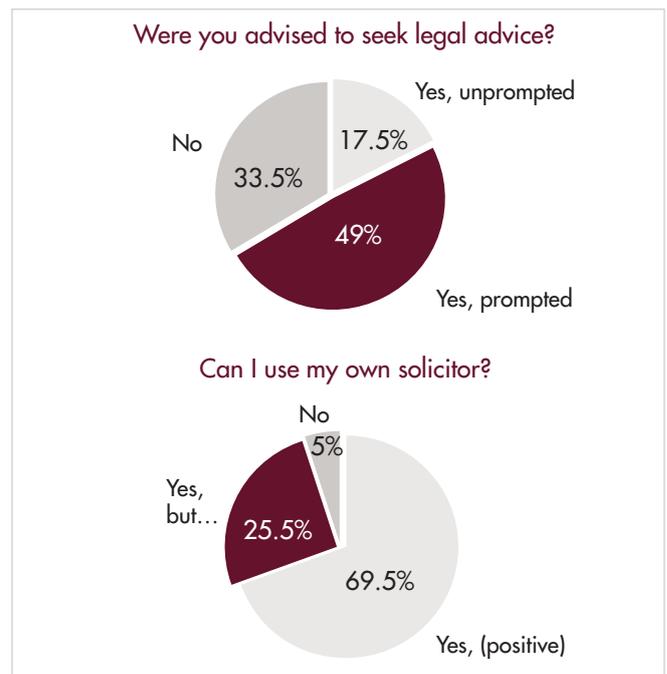


Figure 3: Legal advice (Wave 2 research)

Most mystery shoppers were correctly advised that they would need their own legal adviser but some were not.

SMALLER BUILDERS

Levels of awareness of the Code and its requirements has been, as expected, lower among smaller builders and steps continue to be taken to address this, including the development of a compliance toolkit to help home builders, especially smaller companies to meet the Code's requirements. The toolkit contains information such as a builder checklist and sample reservation agreement as well as information about the dispute resolution scheme, warranty information and Code display materials. The toolkits are available to download from the warranty providers' websites.

Size	Baseline Data	Wave 1	Wave 2
1000+	100%	100%	99%
301-1000	86%	100%	100%
51-300	62%	98%	94%
11-50	50%	92%	91%
1-10	52%	89%	77%

Awareness across most segments is relatively consistent between Wave 1 and Wave 2.

Figure 4: Awareness by house builder size

ESTATE AGENTS

The post-launch mystery shopping was extended to include visits to estate agents' offices. This highlighted the need for further information to be provided to estate agents and steps are being taken to address this and raise awareness of the Code requirements. This includes a press campaign in association with the National Association of Estate Agents and working with the RICS. Future monitoring is expected to reflect this work.

Home builders have also been advised that if using estate agents to sell homes on their behalf, they must take responsibility for ensuring the estate agent's customer facing staff are fully aware of and follow the Code's requirements.

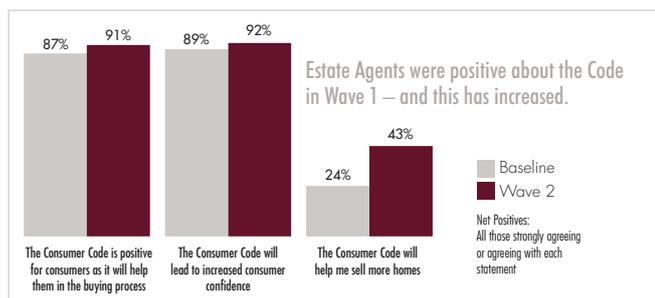


Figure 5: Estate Agents' attitudes towards the Code

SALES CONTRACT REVIEW

As part of the monitoring of the Code, audits of home builders' Contracts of Sale have taken place on two occasions. The first audit was conducted before the launch and was repeated in November 2010 to establish how well and how consistently the Code requirements have been incorporated.

As anticipated, the second audit revealed a significant improvement over the audit carried out on pre-Code contracts.

Following the mystery shopping and sales contract auditing, guidance was issued to the industry giving instructions on what further steps should be taken to ensure continual improvement. This has focused on areas such as training to ensure all customer facing staff are aware of the Code's requirements including making the Code freely available to prospective homebuyers and always advising homebuyers to take independent legal advice.

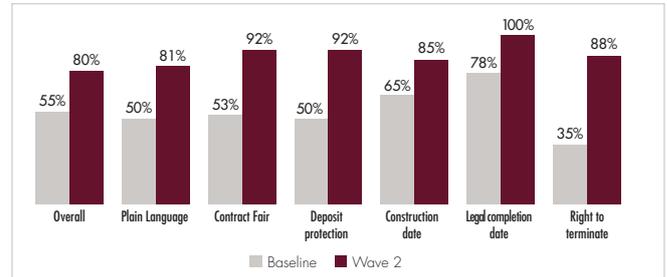


Figure 6: Compliance of sales contracts with the Code's requirements

REVIEWING THE CODE

The Code is a dynamic document and will continue to be subject to review to ensure that it fully covers the relevant issues for the benefit of home buyers and home builders.

A review will be undertaken every two years to ensure that it continues to fulfil its purpose.

The first full review of the Code is due in mid 2012, following the next mystery shopping and monitoring exercises.

DISPUTE RESOLUTION SCHEME

The independent resolution scheme, run independently by IDRS Ltd (a subsidiary of the Chartered Institute of Arbitrators), is available for homebuyers who believe their builder has failed to meet the requirements of the Code.

Disputes are resolved using an adjudication process. This Dispute Resolution Scheme is independent of the Home Warranty Bodies.

During the first year of operation, approximately 100,000* new home buyers have benefited from the Code.

Since the Code was launched there has been one case that has gone through the full adjudication process. This case was found in favour of the homeowner, with the builder being required to repay the reservation fee of £5,000. Their delay in complying with the adjudicator's decision led to their temporary suspension from the warranty provider's register.

TRAINING FOR THE INDUSTRY

In preparation for the introduction of the Code, an extensive programme of training was undertaken by the Code body, warranty providers and trade bodies to help home builders meet the Code's requirements.

More than 2,000 builders, including all the major house-builders that account for the majority of the new homes built in the UK, received training on how to comply with the Code.

This has been supplemented by free on-line training modules containing information on the requirements of the Code and how builders or companies affiliated to builders such as estate agents and solicitors should comply.

Additional support and guidance has been provided to help builders comply with the Code's requirements, including sample reservation agreements, warranty and Code display information and other marketing and display materials.

PROMOTING THE CODE

In its first year of operation, the Code has received considerable support and is recognised as an important asset for home buyers and home builders. Since its launch, high importance has been placed on promoting the Code to the industry and raising awareness of its requirements.

Work is underway with consumer advice bodies, such as the Citizens' Advice Bureau, Consumer Direct and the Trading Standards Service to ensure that consumers are made aware of the Code and how it benefits them. In addition efforts are being focused on communicating the requirements of the Code more widely among estate agents, solicitors and other professions associated with the Code.

Maintaining regular contact with government departments is also an important element of the ongoing communication and engagement with stakeholders.

Priorities for the coming year will include increasing understanding and compliance of the Code across the industry. This will include providing additional support to builders and to affiliated professions including estate agents and solicitors to ensure that the aims of the Code are achieved as consistently as possible. The Code website will also be re-launched this year to ensure that it provides an accessible source of information and guidance for consumers and industry.

Constructive communications will also be maintained with Government, consumer groups and all those who have a stake in the success of the Code to ensure it continues to benefit new home buyers in the UK.

*NHBC, Premier Guarantee and LABC Warranty registrations April 2010 to April 2011/ No of reservations Approximation.



improving living in scotland



premier
guarantee



RETIREMENT
HOUSING
GROUP

CEF CONSTRUCTION
EMPLOYERS
FEDERATION

The Consumer Code for Home Builders gives protection and rights to purchasers of new homes, ensuring that all new home buyers are treated fairly and are fully informed about their purchase before and after they sign the contract.