

ANNUAL REPORT 2013



**CONSUMER
CODE** FOR
HOME BUILDERS

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"Bovis Homes strives to provide great customer service to its customers and deliver them a high quality home. We are proud of the homes we build and our high customer satisfaction results reflect this. The Consumer Code is a key part in providing our customers with a reassuring service as they buy from Bovis Homes and begin to live in their new home. We are a strong supporter of the Consumer Code and believe that it has been a significant contributor to the improving standards across the house building industry."

David Ritchie

Chief Executive, Bovis Homes Group PLC

INTRODUCTION TO THE CONSUMER CODE

Since its launch in 2010, The Consumer Code for Home Builders has been providing 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. It also provides a speedy, low cost dispute resolution scheme to deal with complaints.

The Code contains requirements that all home builders who are registered with the UK's main new home warranty providers; NHBC, Premier Guarantee and LABC Warranty must comply with as part of their formal registration process and applies to any homes built after 1st April 2010.

"The Code is intended to provide additional consumer protection to those who are looking to buy a new home, whether it is being bought before or after it is built. The Law Society supports the aims of the Code and hopes that those acting on behalf of buyers of new homes, and the buyers themselves, will find the Code helpful in relation to being treated fairly, the nature of preliminary deposits, the information that developers need to provide to buyers and in negotiations generally."

Desmond Hudson

Chief Executive, The Law Society





CHAIRMAN'S REPORT

New home sales remain high on the political agenda and are of course an important economic 'driver' particularly in the present climate. Consumer confidence undoubtedly remains a key issue and here the Consumer Code makes an important contribution by supporting the integrity of the sales process in this most significant of purchases.

The Code is now three years old and during that period three key strategies have been pursued; ensuring the Code is embedded within the Industry; making it accessible to consumers and maintaining a close working relationship with key stakeholders, including government departments and the devolved administrations.

I believe that significant progress has been made in each of these areas and I pay tribute to the industry for the commitment it has made to the Code and to consumers. Market research demonstrates that consumer satisfaction has never been higher.

The first review of the Code has been successfully completed and whilst it has not been necessary to introduce any changes to the Code itself we have received many constructive comments. These have led to important improvements in the guidance notes which have now been re-issued and came into effect on the 1st April this year. An important change to Code governance has also been introduced by inviting independent voices to contribute to the deliberations of the Advisory Forum in the form of representatives from the Trading Standards Institute and Citizens Advice.

Despite these positive developments I am in no sense complacent about the challenges that lie ahead to ensure the Code remains credible, visible and relevant to consumers and continues to be an important priority for the Industry. I believe the three important challenges over the next three years will be to improve compliance monitoring and provide feedback for the industry to support improvements; to ensure the Code listens to and reflects the interests of all its stakeholders and to establish a central secretariat to follow on from the incorporation of the Code as a Limited Company.

Compliance is a central issue for any self-regulatory Code and such issues as the thorough training of sales staff and the visibility of the Code to Consumers at the point of sale will remain of central importance. It will also be important to ensure that the chain of responsibility for compliance is not weakened or broken when a Homebuilder delegates responsibility for the sales process to an agent. We are working closely with the Industry and in partnership with the National Association of Estate Agents (NAEA) and the Royal Institute of Chartered Surveyors (RICS) to deal with this potential risk.

It is self-evident that lawyers are also important players in the sales process whether representing the home builder or the consumer. I have been most grateful to the three United Kingdom Law Societies for their willingness to work with us to raise the awareness of their members to the Code and its application. We have agreed to contribute to professional training and provide information for inclusion in conveyancing quality assurance schemes.

Finally may I express my sincere thanks for the support and courtesy I have experienced from all of the many organisations I have met over the last twelve months and to my colleagues from the Board and Advisory Forum for their valued support and advice. The Secretariat as ever has provided exemplary support.

Noel Hunter OBE

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GOVERNANCE

MANAGEMENT BOARD

The Consumer Code is a voluntary Code which was developed and led by the industry to provide additional consumer protection. A Management Board continues to be responsible for the day to day operation of the Code, consisting of:

- **Noel Hunter OBE:** Chairman of Consumer Code Management Board
- **Ian Davis:** Operations Director of NHBC
- **Gary Devaney:** Group Chairman and Chief Executive Officer of MD Insurance Services Ltd.
- **Mike Freshney:** Chairman of Consumer Code 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.

MEMBERS INCLUDE:

- Construction Employers Federation (NI)
- Council of Mortgage Lenders
- Federation of Master Builders
- Home Builders Federation
- House Builders' Association
- Homes for Scotland
- NHBC
- Premier Guarantee
- LABC Warranty
- Retirement Housing Group

CONSUMER CODE FOR HOME BUILDERS LIMITED

The Consumer Code has been going through the process of setting up as a legal entity, and an incorporation agreement has now been completed. Consumer Code for Home Builders Limited is a company limited by Guarantee, incorporated and registered in England and Wales with a company number 07081414.

HOW WILL THIS AFFECT THE CODE?

In practice, this will not have any impact on the running of the Code which will continue to be run by the Management Board and supported by the Secretariat and Advisory Forum.

DISPUTE RESOLUTION SCHEME

If a home buyer believes they have a dispute because a home builder has failed to meet the requirements of the Code, which falls outside the scope of their new home warranty, they may refer their dispute to an independent dispute resolution scheme. This scheme is run by IDRS Ltd, part of CEDR Disputes Group and is independent of the new home warranty bodies.

As of 1st September 2013, 27 cases had been formally adjudicated. The main areas of dispute fall predominantly in to the category of the provision of pre-purchase information, summarised as:

- Failure to provide adequate pre-purchase information or misleading purchase prices.
- Misrepresentation of property description.
- Failing to build to agreed specification.
- Breach of reservation agreement.
- Non-repayment of reservation fees.

A summary of case adjudications can be found on the Consumer Code website www.consumercodeforhomebuilders.com

2013 FIGURES:

Number of cases which did not succeed (found in favour of Respondent)	4
Number of cases which succeeded in part	6
Number of cases that succeeded in full	0
Number of cases withdrawn	1
Number of cases still in progress	2
Cases settled	0
TOTAL	13

Sanctions for home builders not adhering to the Code could include financial penalties and suspension from the new home warranty providers' registers.

CHANGES TO THE CONSUMER CODE

During 2012, the rules of the Consumer Code went through a process of review to ensure the Code continues to evolve with the industry and changing consumer needs. The result is a third edition of the Builder Guidance which will come into force for reservations signed on or after 1st April 2013. The Code requirements have not been changed but the guidance which affects their interpretation has. As part of the Rules of Registration, all Builders registered with the supporting warranty bodies are required to adhere to the rules of the Consumer Code for Home Builders.

To support the implementation of the Code, a support Tool Kit, training module and sample documentation can be downloaded from the relevant warranty bodies' websites.

CONSUMER CODE OPERATIONAL REVIEW

Following the recent operational review a number of outcomes are being implemented, including:

- Trading Standards Institute and Citizens Advice Bureau have been invited to attend and represent Consumer issues at the Advisory Forum.
- The development of a Communication plan to extend the awareness of the Code across all stakeholders.
- That the Code be reviewed at 3 year intervals, a timetable having now been set for a review in 2015.
- That we engage with Trading Standards Institute as they have become responsible for approved Consumer Code schemes.

MONITORING THE CODE

The Consumer Code has an on-going commitment to undertake market research to bench mark and monitor the extent to which home builders are complying with the rules of the Consumer Code since its launch in 2010. Surveys and audits are undertaken incorporating mystery shopping of sites and estate agents, telephone interviews and, audits of builders contracts of sale. These methods provide an insight in to how the various requirements of the Code are being met including:

- Awareness of the Code
- How information is sourced
- Attitudes towards the Code
- Information needs of home buyers



MYSTERY SHOPPING RESULTS

Wave 4 of the annual market research took place in September 2013. The sample of house builders used reflected the percentage of houses they built. Estate agents were split by local, independent and national chains.

Positively, there has been a marked increase in the visibility of the Code for front end sales directly with home builders and estate agents. Copies of the Code continue to be displayed within site offices and there has been a 33% increase in the number of home builders promoting the Code and directing potential home buyers to their websites for further information on the Code/Requirements. There is also a 36% increase in the number of sales people who could fully discuss the Code.

As the Code becomes firmly embedded in the processes followed by home builders, there was a significant increase in sales representatives discussing how complaints are handled and how complaints/disputes are resolved (increased by 40% and 58% respectively), which are key areas of the Code's requirements. 12% of respondents were also advised to seek legal advice when asked.

Estate agents are also more aware of, and able to discuss, structural warranties and after-sales services with potential home buyers. There is a 34% increase in references made to the Consumer Code itself.

There is an underlying need to keep promoting the importance to referring to the Code within sales literature and ensuring top of mind awareness with sales teams and especially estate agents.

Information for consumers at the point of supply is key to home buyers awareness of the Code. We will be developing our compliance checks to ensure that information is appropriately provided. We have also developed a consumer leaflet to support home buyers.

* Consumer Code for Home Builders market research - Wave 4

** (HBF) National New Homes Survey of Homeowners

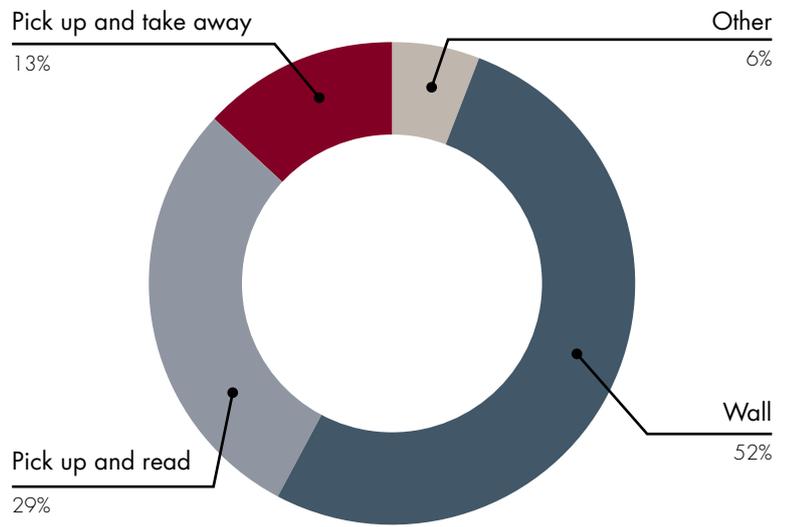


FIGURE 1*

Sales literature referencing the Code provided to mystery shoppers.

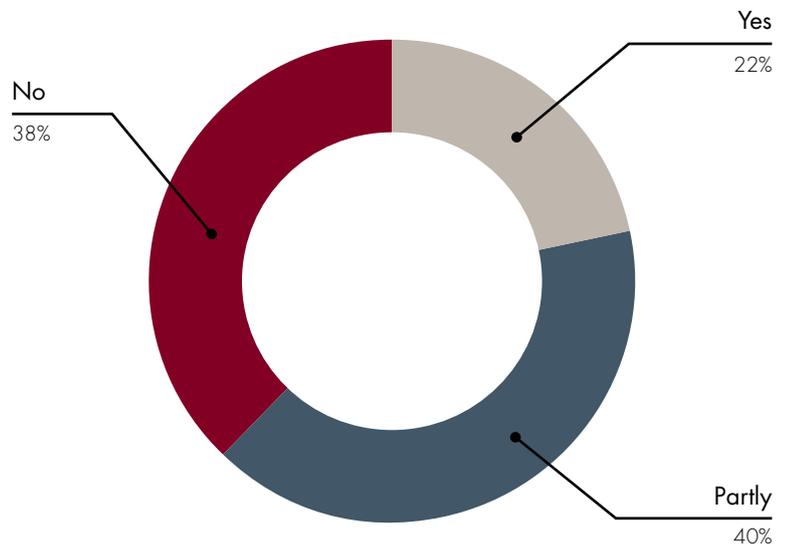


FIGURE 2*

Could questions asked regarding the Consumer Code be answered?

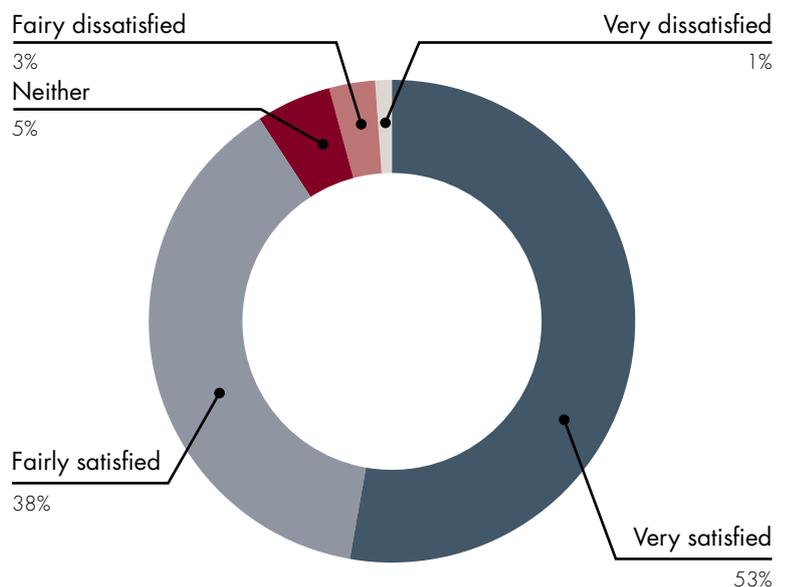


FIGURE 3**

Taking everything in to account, overall how satisfied or dissatisfied are you with the quality of your home?

RESEARCH INTO LAWYERS' AWARENESS OF THE CODE

A considerable share of the protection afforded by the Consumer Code derives from requirements related to the contract of sale between the builder and the home buyer. As a result, and to support the aim to broaden the reach of the Code, in May 2013, a research project was undertaken to benchmark lawyers' awareness of the Code and its operation as only 50% of contracts are currently substantially compliant with the Code.

Legal professionals acting on behalf of homebuyers provide an important link in the chain of protection. A major focus of the Code is to significantly improve the awareness of the Code requirements in the Legal Profession.

The Consumer Code for Home Builders is working with the Law Society to provide more information on what the Code is, how it operates and clearer guidance on how to implement.

Details of the Code and copies of the documentation can be accessed via the website www.consumercodeforhomebuilders.com

CUSTOMER SATISFACTION

The results of the 2013 National New Homes Survey of Homeowners, promoted by the Home Builders Federation (HBF), show that home builders have continued to improve their customer satisfaction to the highest ever level. This reflects that the requirements of the Consumer Code are, in the main, being met.

The HBF survey is an independently verified survey of 29,330 new home buyers who have purchased homes from sixteen large home builders (building over 300 private new homes per annum) and five medium and small builders (building less than 300 private new homes per annum).

91% of respondents said they would recommend their builder to a friend and 91% said that they were satisfied or very satisfied with the overall quality of their new home. Both these results have increased since 2012 and show that the industry continues to achieve very high levels of customer satisfaction despite the tough market and trading conditions.

The results compare extremely favourably when benchmarked against customer satisfaction survey results for other products and services from other industries.

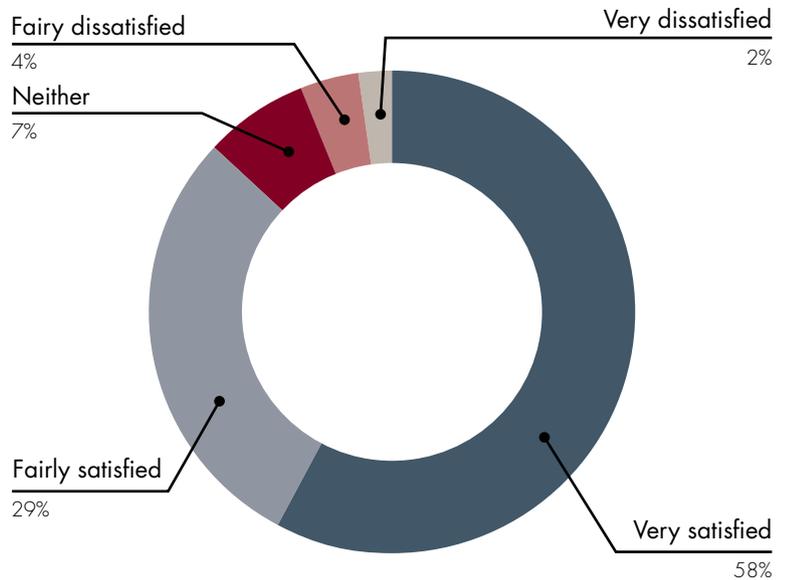


FIGURE 4**

How satisfied or dissatisfied were you with the service provided by your Builder during the buying process?

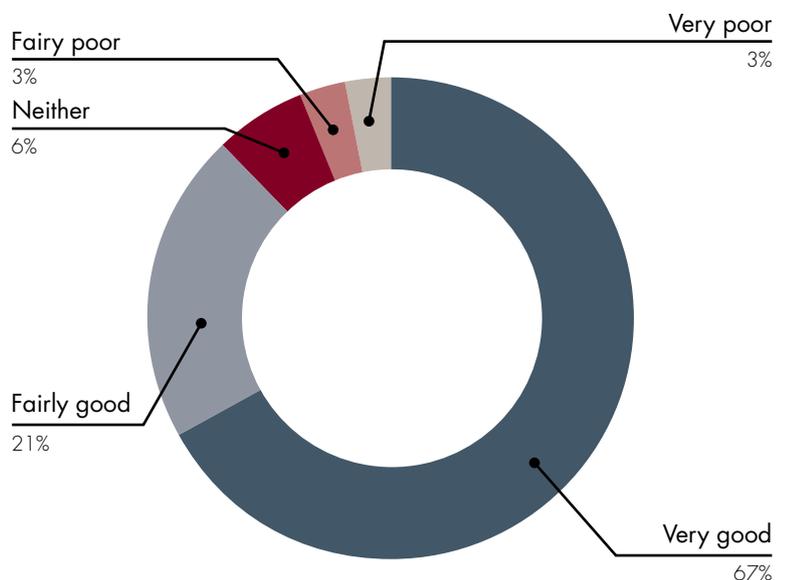


FIGURE 5**

How would you rate your builder in relation to completing your home on time?

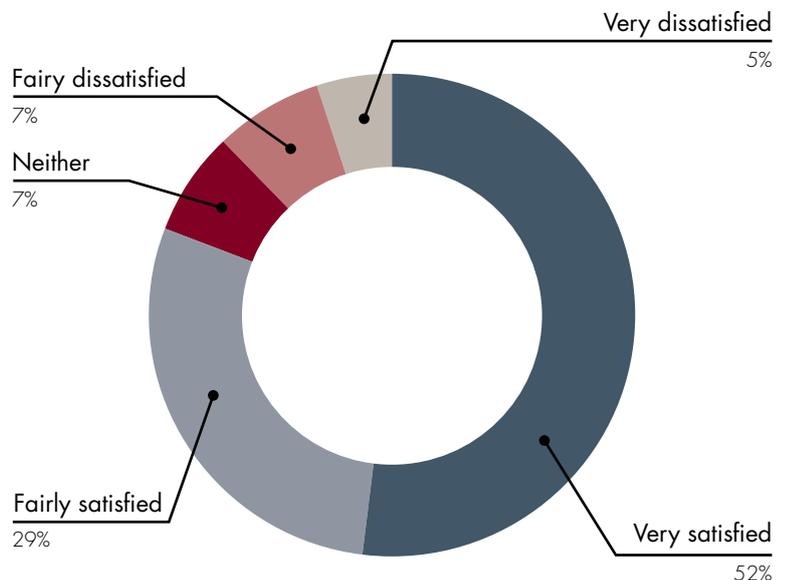


FIGURE 6**

How satisfied or dissatisfied were you with the service provided by your Builder after you moved in?

PROMOTING THE CODE

The Consumer Code website continues to be the main source of information relating to the Code: www.consumercodeforhomebuilders.com and various updates have been made to make the information clearer and easier to understand. Updates include:

- Launching 2013 editions of the Code documentation
- Additional downloads tab to make documentation easier to find and archiving of old documents
- Production of a Guide for New Home Owners
- Addition of a research section to provide more information on Customer Satisfaction levels and research undertaken by the Consumer Code

To support awareness of the Code in the related support industries such as consumer groups, solicitors and estate agencies, the Code has exhibited at the 2013 Trading Standards Institute (TSI) and RESI conferences as well as speaking at a number of National Association of Estate Agencies (NAEA) conferences. Support for the Code has been positive throughout but there is a need to reinforce this promotion to ensure top of mind awareness. A direct mail campaign provided the Guide to New Home Owners to all Citizens' Advice Bureau offices.

Periodic communications are provided to Home Builders by the participating warranty providers who also provide on-line training and Home Builder Toolkits to support awareness and practical implementation of the Code.

The Code also operates an on-line training package which is available via the participating Warranty providers which covers all areas of the Code Requirements. Go to the Home builders section of the website for more details on how to register.

www.consumercodeforhomebuilders.com

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