



**CONSUMER
CODE** FOR
HOME BUILDERS

www.consumercode.co.uk

ANNUAL REPORT **2017**

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INTRODUCTION FROM THE CHAIRMAN



The next 12 months will be a pivotal period for the Code and reflects the increasing political focus on the industry. This has occurred following a series of well-publicised failings in consumer protection that have impacted on the image of certain sections of the industry. To its credit the industry is demonstrating its commitment to improve consumer protection led by the Home Builders Federation and Homes for Scotland with whom we are working closely.

The Management Board of the Code believe these changes can best be supported by ensuring the Board is re configured to be independent of the industry and that consumers will in future have free access to our Independent Dispute Resolution Scheme. We will also increase the headroom of the awards available to consumers using the scheme. We expect these changes to be fully implemented by April 2019.

The Consumer Code was first introduced on the 1st April 2010 and the intervening period has seen two independent reviews engaging the views of all stakeholders resulting in subsequent developments and continuing improvements. The Code is now well embedded within the industry; exemplified by the enormous take up of a recent training package developed in partnership with the CITB and designed for front line staff. The training package has for the first time married Code training with training on the criminal law provisions of the Consumer Protection Regulations. It has already been undertaken by over 7,000 customer-facing industry employees.

In parallel there have been significant improvements made to the public profile of the Code through a much enhanced website and regular profiling through social media. We also provide regular tailored briefings for the industry.

These developments have been accompanied by increased activity focused on compliance led by our independent Disciplinary and Sanctions Panel and contracted to an independent and highly experienced monitoring team.

The Code has not supported the call for a single industry Ombudsman as this would not provide the compliance regime essential to improving industry practice at the interface with consumers. Getting it right first time will reduce the risk of problems occurring for consumers and we are supporting Government's initiative to simplify home buyers access to advice and redress through a central single access portal. We have already linked our website to other redress schemes.

The Code continues to be used by Government and the Devolved Administrations as a central criterion in industry compliance with the terms of the 'Help to Buy' schemes; an initiative which we will continue to support.

Noel Hunter, OBE

WHO WE ARE AND WHAT WE DO

WHO WE ARE

The Consumer Code for Home Builders ("the Code") is a voluntary Code that was developed and led by the Industry to provide additional consumer protection.

The purpose of the Code is to provide protection and rights to purchasers of new homes, and requires that all buyers of new homes are treated fairly and are fully informed about their purchase before and after they sign the contract.

Since its launch in April 2010, the Code has gone from strength to strength. The principles of the Code have been firmly adopted and embedded into the processes of many home builders whilst raising the standard of service and support provided to home buyers.

The Code reinforces best practice among home builders to make sure the level of information and customer service provided by them is consistently high and provides for a speedy, low cost dispute resolution scheme to deal with complaints.

GOVERNANCE

A Management Board is responsible for operating the Code which is chaired by Noel Hunter OBE.

He is a previous Vice Chair of the Council of The Property Ombudsman, non executive director of the Board of the Chartered Trading Standards Institute, and Chairman of a third sector hospice.

Noel is supported by other Board members and during 2017, we saw the retirement of Ian Davis, former Director at NHBC and co-founder of the Code. Ian worked tirelessly to embed the Code within the industry to ensure its Requirements are understood and adhered to and can be thanked for much of its success. Ian has been ably replaced by Geoff Egginton, NHBC Regional Director.



Noel Hunter
Chairman



Geoff Egginton
NHBC Regional Director

The Code has an operating budget of circa £290,000 per year. Whilst the principal costs are for the expenditure on governance and administration, these costs also incorporate any necessary expenditure on monitoring/auditing of Code compliance; promotion of the Code through our website; social media and supportive material, and the development and provision of our training material, both on-line and train-the-trainer packages.

Other Board members include:



Gary Devaney, Group Chairman
and Chief Executive Officer of
MD Insurance Services Ltd



Mike Freshney, Chairman of
the Code's Advisory Forum.



Nicola Barclay, Chief Executive
for Homes for Scotland



Frances Harrison, Chair of
Brighton & Hove Citizens Advice

WHO WE ARE AND WHAT WE DO

ADVISORY FORUM

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

Independent voices from organisations who have an affiliation with the new home building industry are also making themselves heard and contributing to the deliberations of the Code's Advisory Forum. Joining NAEA Propertymark and the Law Society (England) we were delighted to appoint the Law Society (Scotland) to the Advisory Forum.

Members of the Advisory Forum include:

- Chartered Trading Standards Institute
- Citizens Advice
- Construction Employers Federation (NI)
- Home Builders Federation
- Homes for Scotland
- House Builders' Association
- Law Societies (England and Scotland)
- MD Insurance Services
- NAEA Propertymark
- NHBC
- Retirement Housing Group
- UK Finance

OUR AIMS

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

- Be treated fairly at all times;
- Be given reliable information about their purchase and consumer rights before and after they move in to their new home;
- Know what levels of service to expect and
- Know how to access an independent, speedy, low-cost dispute resolution scheme to deal with any complaints.

The Code reinforces best practice among home builders to encourage a consistently high level of information and customer service. It builds on successful efforts already made by the industry to improve consumer satisfaction in recent years.



IMPLEMENTATION OF CHANGES TO THE CODE

The Code's Management Board is keen to ensure the Code remains relevant and continues to protect buyers of new homes. It not only considers the experience of operating the Code, which it has done for the past eight years, but also the feedback from our audit and monitoring, adjudications from our Independent Dispute Resolution Scheme and the varied discussions with our stakeholders.

Having committed to an extensive review of the Code in 2016, the third since its launch in 2010, the Management Board oversaw the implementation of the changes made to strengthen the Code yet further, which took effect from 1 April 2017.

The revisions to the Code saw improvement in a number of areas and in particular:

- Consumer awareness of the Code by encouraging its greater prominence in sales offices;
- On-line training for front line sales staff to improve overall compliance with the Code at the point of sale and to marry the Consumer Protection Regulations which is criminal law enforced by Trading Standards;
- Pre-purchase information home buyers receive when making purchasing decisions, such as information on event fees
- Independent Dispute Resolution Scheme to reflect the Alternative Dispute Regulations.

The revisions also took account of good practice within the consumer protection landscape and require home builders to consider the specific and evident needs of vulnerable consumers and to not to use any high pressure selling.

SUPPORTING THE INDUSTRY THROUGH TRAINING

To support the home building industry and their agents to comply with the revised Requirements of the Code, the on-line e-learning module was overhauled and a new course, which now marries the importance of complying with the Code Requirements and the Consumer Protection Regulations, was launched.

Having received grant funding from the Construction Industry Training Board and with support from the Home Builders Federation and Homes for Scotland, the

training is offered free to all staff who need to have an understanding of the Code.

By way of further endorsement to the training material, many home builders have taken the content and incorporated it within their own learning management systems making it more accessible and tailored to individual needs.

It is estimated that within the first 12 months since its launch, over 7,000 industry staff have made use of the course material.

In addition, home builders responded saying that they often trained staff in-house and suggested that a "train the trainer" package would assist in delivering the content and help with Code compliance.

Following the pilot, the training package has now been made freely available to all home builders registered with the supporting home warranty bodies.

FURTHER SUPPORT FOR HOME BUILDERS

Other material is also made freely available for home builders and their agents to use to encourage compliance with the Code; this can be found on our website.

Such material includes:

- A sample Reservation agreement;
- A compliance checklist and
- Code logos and branding guidelines.

It is a requirement of the supporting home warranty bodies for home builders to adopt and promote the Code, particularly in relation to the promotion of the Code at site and sales offices, by providing free Code window stickers/clings.



CODE COMPLIANCE MONITORING

AUDITING

To encourage home builders to adopt the Code and to enable the Consumer Code’s Management Board to check how well it is being applied, or whether it needs to be amended or updated further, the following activities may be carried out:

- Research
- Audits, which may include audits of home builders’ systems and documents
- Mystery-shopping surveys
- Annual returns or reports from home builders
- Reviews and assessments of customer satisfaction feedback and complaints
- Training for home builders.

In 2016, the Code’s Management Board decided to temporarily suspend the mystery shopping programme that had been undertaken in previous years; it was concerned that, to some degree, it may be measuring that which can be easily measured rather than that which ought to be measured.

In its place, the Management Board implemented a more targeted auditing regime which has included:

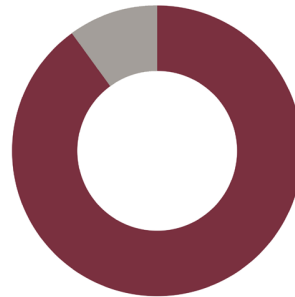
- A detailed review of the Reservation agreements used by home builders for compliance specifically with Section 2.6 of the Code
- A desktop audit of compliance through the delivery and return of self- assessment forms
- Piloted site visits in the North East which will be rolled out more widely during 2018 and
- Assessment of all complaints and decisions that have been made through the Code’s Independent Dispute Resolution Scheme.

The outcome of the monitoring is considered by the Code’s Disciplinary and Sanctions Panel who will decide what, if any, further action needs to be taken to improve compliance.

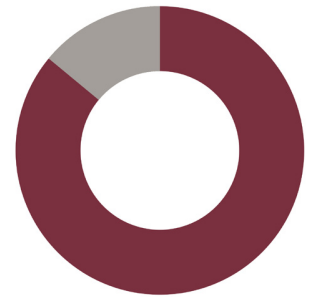
CUSTOMER SATISFACTION

The results from the latest annual Home Builders Federation (HBF) Customer Satisfaction Survey (published in March 2018) demonstrate that delivering high levels of customer service remains an absolute priority for home builders.

Findings from the 2016/17 survey show 90% of new homebuyers surveyed say they would buy a new build home again; while over 86% say they would recommend their home builder to a friend - a 2% year-on-year increase.



90% of new homebuyers surveyed say they would buy a new build home again



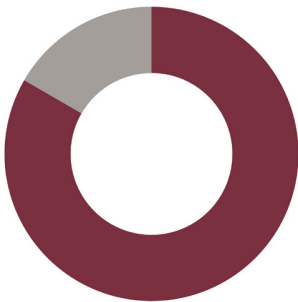
over 86% say they would recommend their home builder to a friend

The HBF survey, now in its thirteenth year, is a self-completion census of new home purchasers and some 57,972 responded to the latest survey (a response rate of 62%). The results show continued high levels of home owner satisfaction with the quality of new homes and the service they receive before, during and after moving in.

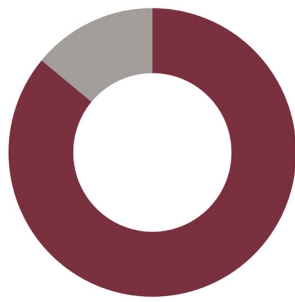


62% of new home purchasers responded to the latest survey

81% of home owners were very, or fairly satisfied, with the service they received during the home buying process, while 85% of home owners said they were happy with the quality of their new home.



81% of home owners were very, or fairly satisfied, with the service they received during the home buying process



85% of home owners said they were happy with the quality of their new home.

The full results of the survey, which we take into consideration when monitoring the effectiveness of the Code, can be seen here: https://www.hbf.co.uk/documents/7471/HBF_CSS_Brochure_2018v2.pdf

In addition to the HBF Customer Satisfaction Survey, the New Homes Review (NHR) which was launched in November 2016, has published its first findings from 536 homeowners who participated in the survey between 3 November 2016 and 31 November 2017.

The NHR independent rating is Gold meaning that the average customer satisfaction score for the survey was between 61% and 70%.

This rating shows that there are improvements that could be made but the sector is not in quite the poor state that some commentators would have you believe. Although the majority of purchasers expressed some form of dissatisfaction about the process, they were satisfied with their new build home itself and:

- Felt that the quality of the build was high
- Felt that their home met expectations when they moved in
- Felt that their build had been completed on time

- Were satisfied with the service they received during the sales process
- Felt that their new build home represented value for money
- Where snags and defects were experienced but resolved quickly, were generally as positive as those who had not experienced any

AREAS FOR IMPROVEMENT

- Almost everyone experienced snags or defects which ranged from issues around décor and finish to more serious problems relating to heating and plumbing
- There can be a lack of communication from the builder/developer when there are delays or snags and defects and this is unsatisfactory for the homeowner
- Any delays need to be communicated quickly and realistically so there are not multiple changes to the completion date.

The full results of the survey along with more details on the rating system can be found on the website <http://www.newhomesreview.com/>



INDEPENDENT DISPUTE RESOLUTION SCHEME

IF THINGS GO WRONG

If a home buyer believes they have a dispute because a home builder has failed to meet the Requirements of the Code and which falls outside of the scope of their new home warranty, they may refer their dispute to the Code's Independent Dispute Resolution Scheme (IDRS). This Scheme is run by the Centre for Effective Dispute Resolution (CEDR Ltd).

Under the Code, home builders are required to have a system for dealing with complaints and a home buyer must first give a home builder the opportunity to rectify any matters. If a home buyer is not happy with the response of their home builder, they can apply to the warranty provider to resolve the issue. On matters that are not covered by the warranty, the home buyer can apply to the Consumer Code's Independent Dispute Resolution Scheme to have the dispute considered and let the

adjudicator determine if the home buyer has been disadvantaged or suffered financial loss.

Further details of the scheme and summaries of case adjudications can be found on the Code's website at: <http://www.consumercode.co.uk/home-buyers/how-are-complaints-dealt-with/adjudication-case-summaries/>

ADJUDICATION FACTS AND FIGURES

Between 1 January 2017 and 31 December 2017 there were a total of 89 cases referred to the IDRS, which represents a decrease of 13% on the amount of cases referred to the scheme in 2016.

After a six-year period of consecutive yearly growth in the total amount of cases referred, 2017 has seen a reduction in case volumes.

This would indicate that home builders are showing an improved adherence to the Requirements of the Code such that disputes do not arise as frequently, which would be consistent with the active promotion of the Code and its Requirements to home builders during 2017. It is also possible that home builders have improved their performance in resolving disputes to home buyers' satisfaction without having recourse to the scheme.

However, to put this in to context, given the many thousands of home buyers that are potentially covered by the Code, the numbers seeking assistance through the Scheme are still very low, equating to approximately just 0.05% of the home buying population.

A summary of the cases over the past seven years are broken down as follows:

	2017	2016	2015	2014	2013	2012	2011	2010
Number of cases found fully in favour of the Home Buyer	5	7	3	1	0	1	0	1
Number of cases found partly in favour of the Home Buyer	47	59	43	21	10	5	6	0
Number of cases found fully in favour of the Home Builder	25	20	5	10	9	8	6	0
Number of cases settled prior to an adjudicator's decision	5	8	6	6	0	1	0	0
Number of cases withdrawn from the Scheme or deemed invalid	7	8	9	5	3	2	2	2
TOTAL CASES	89	102	66	43	22	18	14	3

CLAIMS

While there has been a decrease in the overall case numbers, the average sum claimed by home buyers in 2017 was £7,219.40. This is a slight increase from the average of £6,813.85 in 2016, reflecting the high volume of cases received in 2016 for relatively low sums of money.

In 2017, the average sum awarded by adjudicators in cases where the home buyer's claim was successful was £1,510.64. Whilst slightly higher than the average award in 2016 of £986.49, it appears to continue a trend of declining average awards in previous years, from £2,031.67 in 2015, £2,219.66 in 2014 and £2,651.25 in 2013.

	Total Sum Claimed by Home Buyers	Total Sum Awarded by Adjudicators
2017	£555,893.98	£77,043.06
2016	£695,012.57	£65,108.42
2015	£584,514.46	£93,456.78
2014	£304,899.93	£48,832.52
2013	£133,845.40	£26,512.47
2012	£139,615.30	£4,680.00
2011	£70,023.92	£18,205.70
2010	£5000.00	£5000.00

ACCEPTANCE OR REJECTION OF DECISIONS

Decisions made by adjudicators can only be accepted or rejected by the home buyer under the Scheme. Decisions are not open for review or appeal. Below is a breakdown of the cases that have been accepted or rejected by home buyers over the last eight years.

	2017	2016	2015	2014	2013	2012	2011	2010
Decision accepted	42	51	42	19	8	6	7	1
Decision rejected	27	17	6	11	6	5	3	0
No response	8	18	3	2	5	3	2	0

COMMUNICATIONS AND PARTNERSHIPS

CODE WEBSITE

The Code's website continues to be the main source of information relating to the Code: <http://www.consumercode.co.uk/> and is regularly updated with key information, including summaries of all adjudications from our Independent Dispute Resolution Scheme.

To coincide with the revisions to the Code, the Code's website was re-launched in 2017, making the information for both home buyers and home builders more readily accessible. The Code Requirements can be seen at a glance and there is a simplified complaints process summary explaining how a complaint for either a breach of the Code and/or defects with a new home can be raised.

Further enhancements provided information for those affiliated with the new home building industry such as estate agents and solicitors/licenced conveyancers and a news page has also been created providing current information both on Code activities and within the home building industry.

Website visitors can now also sign up to receive the Code's electronic newsletter which will be issued via Mailchimp from autumn 2018.

SOCIAL MEDIA

Social media is now a stable platform in most people's daily lives as a means of giving and receiving information. The Code now uses Twitter to regularly share news and tips on the protection it affords home buyers when buying a new home and in sharing news across the industry. The Code can be followed at: [@TheCode_CCHB](https://twitter.com/TheCode_CCHB).

We make full use of a range of communication channels to inform, assist and exchange views with a wide variety of organisations with an interest in the Code. Effective and regular communication with the Industry, consumers and stakeholders remains an important element of articulating our aims, role and achievements.

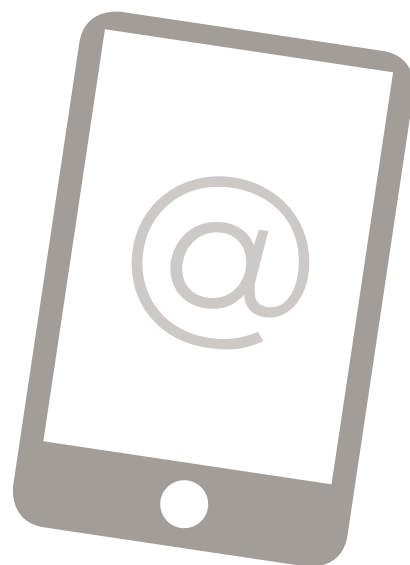
WORKING WITH OTHER ORGANISATIONS

We continue to build upon the strong relationships the Code has with a range of our stakeholders including industry bodies; Government departments, UK Law Societies, consumer groups and other interested organisations. A key focus on the discussions for this year has been around the unification of the various Codes operating within the sector and how the complaint process for home buyers, should they need to, can be simplified.

Estate agents play a pivotal role in the selling of new homes and we continue to work in partnership with the NAEA Propertymark and join them on their Land and New Homes Committee.

Lawyers and licensed conveyancers too remain important players in the home buying process whether representing the home builder or the home buyer. We continue to work closely with the three United Kingdom Law Societies and are delighted to be invited to speak at the Law Society's National Property Conference later in the year.

Consumers are also a key target audience in relation to raising awareness of the Code and we remain engaged with the Chartered Trading Standards Institute through their Consumer Codes Approval Scheme and Citizens Advice, who are represented on our Management Board through the appointment of Frances Harrison.



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