

CONSUMER CODE FOR HOME BUILDERS:

SPRING 2019 STATUS REPORT

About the Code

The Consumer Code for Home Builders is the largest voluntary code operating across the new homes industry, covering over 90% of the market.

The Code was created to improve customer service standards across the industry and make the process of buying a new home fair and transparent. Our work includes providing advice and training for home builders, sales teams and conveyancers, so we can all work together to provide a good quality, consistent experience for buyers.

The Code includes additional protections for home buyers and operates a totally independent dispute resolution scheme which has resolved hundreds of consumer disputes. In partnership with our supporting warranty bodies, we deal with thousands of customer enquiries, referrals and complaints. In parallel, the Code operates an independent regulatory regime overseen by Trading Standards professionals.

Who is covered by the Code?

All builders operating under warranties provided by NHBC, Premier Guarantee and LABC Warranty are required to comply with the Code. From 1 June 2019, warranty body, Checkmate, will join the Code, extending our coverage to approximately 93-95% of new homes built in the UK.

Enhancing the Consumer Code

We have been working on a number of initiatives to strengthen the Code, in the wake of high-profile concerns reported in the media regarding build quality, and advice from both the Ministry for Housing, Communities & Local Government (MHCLG) and the All Party Parliamentary Group (APPG) on Housing. All of the developments are on schedule to be completed by the end of this year. To date, we have achieved the following:

1. Free access to consumers for complaint resolution.
2. A revision of the Code website to improve stakeholder-based access.
3. The creation of a contact centre to streamline consumer access.
4. The commissioning of a PR team to support the above and enhance visibility.
5. The appointment of an independent monitoring team to report on compliance.
6. We have doubled the amount that buyers can claim for inconvenience to £500 and will raise the financial limit for reparation awards generally under the revised Code following consultation.
7. A free online training module has been created accessible through our website which has already been used by over 8000 front line sales staff. In addition, Warranty bodies have and continue to provide extensive training.

In addition, we are making progress on two further changes:

The creation of a totally Independent Board: Currently the Board includes the Code's supporting warranty bodies, other industry representatives and consumer groups. The creation of an independent Board will still enable industry input but will be consumer-led.

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This requires the transformation of the Board's current governance arrangements. The legal framework is almost complete and on schedule for consultation with stakeholders through our Advisory Forum, other Code bodies, government departments and the devolved administrations.

The new Board will retain the critical role as regulator, overseeing Code compliance. This will ensure a focus on 'getting it right first time' to reduce the problems that beset consumers and minimise the need for referrals to the Ombudsman.

The referral of complaints to a new homes Ombudsman: The new Board will commission an Ombudsman by open competition. This will replace the current Independent Dispute Resolution Scheme. Commissioning the Ombudsman in this way will allow the Board to seek best value, ensure operational standards are maintained and give confidence to consumers that the Ombudsman will be held to account.

Critical success factors

In addition to the enhancements outlined above, HBF is overseeing three critical work strands which support the improvements we all need to make to tackle current challenges.

- 1. The creation of a unified Code across the industry:** This work is well advanced but not yet complete. When the draft Code is available it will need to be the subject of wide consultation with stakeholders. Our recommendation is that this process is undertaken under independent Chairmanship by a suitably qualified individual appointed by the new Board. The industry will need to be given a reasonable period to introduce the changes.
- 2. A best practice warranty standard:** This is being established in consultation with the Warranty bodies and will also need to be the subject of wide consultation with stakeholders. There is currently a significant variation in warranty standards across the industry which consumers – and sometimes solicitors – are unaware of.

Warranties play an important part in consumer protection and this is therefore a critical issue. A parallel concern is who will make the judgement of which warranties meet the standard. This is a key issue which will come under considerable scrutiny under competition law and needs to be resolved.

- 3. Tackling widespread concerns about build quality:** The creation of an Ombudsman will build confidence in complaint management but will not resolve the issue of build quality. That remains the primary responsibility of developers. It is a widely held view that the industry will need to focus on accredited quality management processes if these concerns are to be resolved. The HBF is reviewing how this can be improved. In addition, we are looking at the potential role the Code could perform in plugging the gap where claims are not covered by the builder within the first two years of construction, or the warranty. Should changes be made, these will again require consultation with stakeholders and a careful review of the interface with the Financial Ombudsman Service.

The Code enhancements already implemented and underway, together with successful conclusion of the HBF-led work strands, will help enhance quality and consistency, improve customer satisfaction and enable consumers to benefit from fair and transparent redress if things go wrong.

For further information about the Consumer Code, visit www.consumercode.co.uk or sign up to receive our newsletter here: <http://eepurl.com/dFcEJT>

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