

**CONSUMER
CODE FOR
HOME BUILDERS**

www.consumercode.co.uk



ANNUAL REPORT 2018/19

APRIL 2018 TO MARCH 2019

CONTENTS

2	INTRODUCTION FROM THE CHAIRMAN
3-4	WHO WE ARE AND WHAT WE DO
4	OUR AIMS
5	SECURING CHARTERED TRADING STANDARDS INSTITUTE'S APPROVAL
6	STRENGTHENING CONSUMER REDRESS IN THE HOUSING MARKET
7-8	SUPPORTING CONSUMERS
9-13	WORKING WITH THE INDUSTRY
14-19	CUSTOMER SERVICE AND THE INDEPENDENT DISPUTE RESOLUTION SCHEME
20	COMMUNICATIONS AND PARTNERSHIPS
21	CONTACT INFORMATION

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INTRODUCTION FROM THE CHAIRMAN



The Consumer Code for Home Builders was developed in conjunction with the Office of Fair Trading and launched on 1st April 2010 to address issues identified relating to the sale and purchase of new homes. Since then, the industry has achieved the targets set in the Barker Review to improve levels of customer satisfaction and service quality to at least 85%. However, dissatisfaction levels of up to 15% are still unacceptable in a product of such fundamental importance to consumers.

Latterly, the media spotlight has been on build quality, which is currently outside the remit of the Code. It has also been evident that confidence in the Code could be increased if it was to be totally independent of the Industry. Currently all compliance monitoring and the process of adjudication and sanctions are independent but the Management Board of the Code is not.

The Code Management Board made a commitment in its last Annual Report to address these issues and strong progress has been made. Significant changes include:

1. The creation of a new and independent Board with a majority of consumer representatives.
2. The Code is being completely re-drafted to embody quality issues identified in the first two years after construction. There will be a single Code covering the Industry. HBF is currently working to establish an acceptable quality standard for a completed home.
3. An ombudsman will be appointed to increase consumer confidence and consumers will have free access to the service. Free access has already been implemented to the existing Independent Dispute Resolution Service.
4. The regulatory role of the Independent Board is being strengthened by commissioning increased compliance monitoring by Trading Standards professionals to 'get things right' at the point of supply.
5. UK Finance in partnership with HBF is leading the development of a 'best practice' warranty standard to ensure consumers have a consistent level of protection under their warranty. Warranties continue to play an important role in Consumer Protection.

These proposals are designed to increase confidence in the new Code and will be the subject of detailed consultation. The new Code will provide the means of resolving quality disputes in the first two years after construction. However this is not a panacea. It is also essential the Industry improves quality management systems on site to improve build quality.

The early implementation of these changes are, in my view, critical to renewing consumer confidence in the new homes industry.

Noel Hunter, OBE
Chairman Consumer Code for Home Builders

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 for new home buyers.

Our aim is to improve the new home buying experience for customers by:

- Setting and monitoring customer service standards
- Educating and guiding builders and other stakeholders
- Working with Home Warranty Bodies to cover defects
- Providing a fair and independent dispute resolution service if things go wrong

The Code provides 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 developed and improved to further benefit home buyers. 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.

OPERATING BUDGET

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 online and train-the-trainer packages.

GOVERNANCE

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



Noel Hunter
Chairman

Noel is a Fellow and Vice President of the Chartered Trading Standards Institute and Chairman of their Board; a member of the Royal Society of Arts and Chairman of the British Hallmarking Council and of a third sector hospice.

Noel is supported by other Board members:



Geoff Egginton, NHBC
Regional Director



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



Paul Cooper,
Partner at Lockton
Companies LLP and Head
of Checkmate.uk.com*

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 continue to make themselves heard and contribute to the deliberations of the Code's 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, 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. However, as demand for new homes to be built across the country grows, with some 192,070¹ being completed during 2017/18, the Code recognises there is more to be done to improve consistency and quality across the industry.

¹ According to the latest MHCLG figures published 3 April 2019 for 2017-18



SECURING CHARTERED TRADING STANDARDS INSTITUTE'S APPROVAL

During the year, the Code secured approval by the Chartered Trading Standards Institute (CTSI) under their Consumer Codes Approval Scheme. This is one of the largest industries ever covered by a CTSI approved Code, and has undergone particularly robust scrutiny as a result.

In order to secure CTSI approval, the Code was independently examined by experienced auditors who were looking for evidence that the Code could influence and raise standards across its membership; monitor compliance and have appropriate measures should non-compliance be found; that there was access to an independent dispute resolution scheme for any complaints raised with a member that isn't resolved; and that the Code can keep pace with changing market and industry practices and expectations.

The Code secured approval by the Chartered Trading Standards Institute (CTSI) under their Consumer Codes Approval Scheme.

The auditors' findings also confirmed that the Management Board of the Code is committed to raising the awareness among consumers to the protections the Code provides.

Securing independent approval from CTSI endorses the work done by the Code to date to drive up customer service standards in the home building industry and provide the tools and training house builders need to offer the best service to their customers.

The Consumer Code for Home Builders provides essential reassurance for new home buyers that their rights are protected and that they can seek redress should a home builder fail to meet the pre-sales, purchase and after-sales requirements set out in the Code.

CTSI Head of Client and Commissioning, Sue Steward said: "Buying a new home can be a stressful experience. The Consumer Code for Home Builders provides essential reassurance for new home buyers that their rights are protected and that they can seek redress should a home builder fail to meet the pre-sales, purchase and after-sales requirements set out in the Code. Through our assessment, the Consumer Code has demonstrated good governance and fair practices, and we are confident in the Code's approach to supporting consumers".

CTSI Executive Director, Leon Livermore (right) presents Noel Hunter with the CTSI Certificate



STRENGTHENING CONSUMER REDRESS IN THE HOUSING MARKET

The Secretary of State for Housing, Communities and Local Government, James Brokenshire, announced in the year his plans to launch a New Homes Ombudsman and spoke about a new watchdog that will “champion home buyers, protect their interests and hold developers to account”.

There is very little detail about how this ombudsman would work in practice, and what it would cover. In seeking to simplify the process for consumer redress, it is important that the standards home builders are required to meet are not watered down.

Moreover, we are seeking reassurances from government that there will be a continued commitment to proactively raising standards and monitoring compliance with codes of practice. Traditionally, these are not roles an ombudsman would fulfil and we are keen that any new arrangements prioritise home buyers and are realistic in what they can deliver.

Unfortunately, many ombudsman schemes can only financially compensate consumers and lack the power to take action in response to poor performance, limiting their ability to improve the overall quality of service.

THE CODE'S RESPONSE

The Code welcomes moves to improve consumer protection and standards in new homes but the parliamentary time required to put this stated ambition on the statute books is limited and so the reality may yet be some way off.

The Code has therefore been working with a number of parties to see what steps can be put into place now, without the need for legislation, to further enhance consumer protection. This has included working with other code schemes such as the Consumer Code for New Homes to develop a single code to which all developers must adhere.

It is anticipated that any revised Code will be consulted on during the Autumn of 2019 for implementation in 2020.

1 April 2019:

Removal of fee for consumers to access our IDRS

March 2019:

Carol Brady MBE appointed CEO of the Code

February 2019:

New phone line introduced for handling calls

November 2018:

Code gains CTSI Consumer Codes Approval

October 2018:

“Proposed decision” introduced to align Code IDRS with Ombudsman and other ADR services

June 2018:

“Train the Trainer” package launched

June 2018:

Roll out of external auditing

April 2018:

Code responds to Government's initial consultation on improving redress in the housing sector

SUPPORTING CONSUMERS



TELEPHONE PILOT

We welcome feedback from all our stakeholders and take seriously the comments they make about either the Code and/or how it is governed. The Code is in its fourth edition as a result of this as we continually strive to further improve how it is applied and plug any perceived gaps in its content.

Having listened to what we were being told about accessibility to, and advice on the Code, we undertook a pilot to operate our first telephone helpline. The services of the UK European Consumer Centre were secured to provide contact centre support to handle such enquiries.

The team within the centre are adept at providing free and impartial advice in the event of a cross-border consumer dispute (having done so for over 11 years now) and are part of a wider Network of Centres known as the 'European Consumer Centre Network'. They were recently voted the best of the 28 centres across Europe and so in selecting them we have every confidence in their ability to deal with enquiries on our behalf.

In setting up the pilot, a number of assumptions were made in relation to the volumes that would be received based on the number of visits to our contacts page on our website.

Given the uncertainty surrounding the volume of calls, we took the decision to introduce the telephone number on a "soft launch" i.e. to publish on our website but without any publicity so that we were able to test our assumptions and for the call handlers to become confident in their handling without being overwhelmed.

As this report was being prepared, the pilot was completed successfully and the telephone line has since been formally launched.



WHAT TO EXPECT FROM YOUR NEW HOME

For consumers, buying a brand new home is an exciting experience and it's natural they will want everything to be perfect. That's why the Code sets out standards home builders are expected to follow, to support them through the process.

However, every home is different and has been individually built and inevitably that means there will be some variation in the finished appearance due to the nature of the materials used and the ways in which they are applied. Slight variations are normal and to be expected and because of the nature of the materials and processes used to build homes, all new builds will require a period of settling in and 'drying out'. This can often result in minor defects appearing such as small cracks as moisture dries.

Although such issues are rarely anything serious, with support from our home warranty bodies, we produced a new online guide for home buyers to download so that they would know what to expect from their new home. The guide provides information to home buyers to make them aware of what can happen and what help is available to put things right should they need to.

This can be downloaded from our website here: <http://www.consumercode.co.uk/home-buyers/what-can-you-expect-from-your-new-home/>.



MYTH BUSTING

Via our social media, we received a number of queries and comments, many of which required a response of more than 280 characters. However, we didn't want to leave the comments unanswered, particularly as they related to some important areas and so we created an article to clear up any confusion and to bust some of the myths which had developed over time with respect to the buying of a new home.

The information was promoted on our website here: <http://www.consumercode.co.uk/consumers/clearing-up-confusion/> and we responded to all social media pointing them in this direction.

In addition, and as a direct response to queries raised through our social media, we continually revised and published our Frequently Asked Questions (FAQs) on our website: <http://www.consumercode.co.uk/home-buyers/faqs/> addressing queries raised in relation to the development and application of the Code.

FURTHER SUPPORT FOR CONSUMERS

To further support home buyers, and following feedback from consumers, improvements have also been made to our Independent Dispute Resolution Scheme which is discussed further on in this report under the section on Independent Dispute Resolution Scheme.



WORKING WITH THE INDUSTRY



ONLINE TRAINING

Seeking compliance with the Code Requirements is an important part of the protection afforded consumers when purchasing their new home.

The Code provides a free online e-learning training programme which supports the home building industry and their agents to comply with the Code Requirements. It is designed to ensure those involved in the sale of new homes understand the expectation of the Code and are clear on how to support consumers through the home buying process.

The training marries the importance of complying with the Code Requirements alongside the Consumer Protection Regulations, which are enforced by local authority Trading Standards officers.

During the year, we took the opportunity to improve the hosting arrangements of our online course as the previous site meant that we were limited in the numbers of consecutive users that could access the course and we were having to continually purge accounts that had not been accessed for some time. This made record keeping of numbers difficult and sustainability of the system somewhat tenuous.

We have now moved the site to a more stable environment which doesn't limit the number of active users and should mean that in future, we can provide more accurate reports on those who have been through the training.

“TRAIN THE TRAINERS”

With house building on the rise, developers have been keen to find ways to share the training more widely across their organisations. A new training package called ‘Train the Trainer’ was designed to help the 16,000 members improve customer service when selling new homes.

The ‘Train the Trainer’ programme provides the skills and resources needed to allow developers to run group training sessions in-house. There is a full suite of course materials, including a presentation, delegate handouts and guidance notes, to equip staff with the knowledge and content required to run a group training session.

The package was piloted among approximately 50 Bellway Homes staff across two regions, and the response has been very positive.

Maria Seed, Group Sales Director from Bellway Homes said: “Providing excellent customer service is very important to us and as part of this, it’s essential that our people have the skills and knowledge they need to ensure we are complying fully with the Consumer Code. Using the ‘Train the Trainer’ package means we’ve been able to equip a small group within our team to carry out Consumer Code training, so that they can share important skills and knowledge across our organisation”.

“We’ve been able to equip a small group within our team to carry out Consumer Code training, so that they can share important skills and knowledge across our organisation”





COMPLIANCE KIT

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 at www.consumercode.co.uk.

Such material includes:

- A sample Reservation agreement;
- A compliance checklist;
- Code logos and branding guidelines and
- Code window stickers/clings.

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.

- Dispute Resolution Scheme as well as
- Providing training to home builders through the supporting home warranty bodies.

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

COMPLIANCE MONITORING



To encourage home builders to adopt the Code and to enable the Management Board to check how well it is being applied, or whether it needs to be amended or updated further, a number of monitoring activities are carried out.

During 2018, in order to strengthen compliance, the Management Board implemented a more targeted auditing regime which included:

- A desktop audit of compliance through the delivery and return of self- assessment forms
- Site visits to areas across the UK where new homes are being offered for sale, including the offices of estate agents
- Assessment of all complaints and decisions that have been made through the Code's Independent Dispute Resolution Scheme as well as
- Providing training to home builders through the supporting home warranty bodies.

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

SELF-COMPLIANCE

Given the size of the industry, self-compliance forms part of our auditing regime and survey forms are sent each month to a selection of home builders from a cross section, ranging from large to small and from across the UK, ensuring those who build within Scotland, Wales and Northern Ireland are included.

In the main, the responses provided found that home buyers deemed to be medium to large in size were aware of the Code and had processes and systems in place to comply with its Requirements. However, smaller home builders were less likely to be aware of the Code and therefore found the process helpful in terms of raising awareness and what needed to be done to bring them into compliance.

Comments received from builders included:

"The survey has provided us with the information required to put procedures in place"

"We have found this a helpful exercise to consider our current procedures in reference to the guidance for the code. Completing this form in a fully transparent manner, we have identified a couple of areas, whilst being compliant, where we will be refining our existing procedures".

"We are a small building company who sell 2 new build properties a year, at the moment we don't take reservations, we sell the houses once they are completed through an estate agent. We will however start handing out the forms in our handover file and have registered for the online training. If we start taking reservations we now have all the information to hand".

"...Also has come at quite a timely moment as we are about a month away from marketing our next 3 properties so we can ensure the relevant parts of the code are covered with our agent, and conveyancers going forwards."

The Code's Disciplinary and Sanctions Panel reviews all responses at its meetings and considers what action, if any, needs to be taken. This may include a more focused audit including a site visit if necessary.

SITE AUDITS

Following a successful pilot of site visits in the North East, our externally appointed auditors Quincetree Limited, assessed a number of sites across the Midlands and East Anglia regions, including the offices of estate agents who were selling the new homes on behalf of developers.

There are estimated to be over 10,000 people employed in the front line of selling new homes and these compliance visits are therefore an essential part of our work to help builders comply with the Code and deliver a great service to home buyers.

The auditors identified evidence of good practice in many areas, including:

- Availability of Code packs for potential customers to read and/or take away with them
- Visibility of the Code logo on sales literature
- Utilisation of Code online training material
- Good working knowledge of the principles regarding responsibilities of the builder and the home warranty company
- Regular staff meetings to ensure staff are aware of any issues/changes
- Sites complying with the Code's health and safety requirements and
- Familiarisation meetings with home buyers before completion to identify and resolve snagging issues.



There are estimated to be over **10,000 people employed** in the front line of selling new homes

However, there were also a number of areas the auditors found required improvement at some sites and these included:

- Code visibility, particularly with estate agents acting on behalf of a builder
- Where appropriate, an indication of the management fee, including stating in what circumstances and on what terms, the charges and fees may alter
- Training on the Code, particularly for estate agents, many of whom were unaware of the free online Code training
- Reservation agreements failing to say what the monetary range of the possible cost retention may be should the home buyer cancel and
- Lack of pre-information on which a home buyer can make a reasonably informed decision as under section 2.1 of the Code.

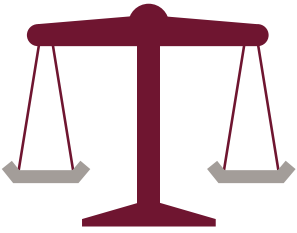
Although not a current specific Requirement of the Code, the auditors advised that the details of the Code and the protection it affords home buyers should be displayed on home builders' websites.

Consumers often look at these websites for details of new developments, providing an ideal opportunity to raise awareness of the Code and ensure potential home buyers know what to expect from the sales process. This is a revision to the Code which is being contemplated as mentioned above.

Where developers use agents to sell their homes, they should ensure the agents are trained on the Code's details and also ensure that agents' responsibilities are clearly explained in their contract arrangements.

Our auditing shows that when agents are used to sell properties, there is a weakness in the standard of service provided to home buyers in respect of their knowledge and understanding of the Code. This is a matter we are discussing with NAEA PropertyMark, the UK's leading professional body for estate agents, to see what further support we can give to further improve compliance.





ADJUDICATION DECISIONS

The Code's Disciplinary and Sanctions Panel (DSP) reviews all cases that go through the Independent Dispute and Resolution Scheme (further details of the scheme can be found later in this report).

The Chairman of the Board writes to the Chief Executive of each company, where a breach of the Code has been found. The letter highlights the breach and offers further guidance on compliance to prevent a re-occurrence as necessary.

Home builders have been found to be keen to learn lessons from the Adjudications and improve their customer service where they can. Responses to these letters include comments such as:

"Please be assured that delivering a high quality product and service is a key aim of our business and I am very disappointed that we fell short of our high standards in the particular case you shared with me. While we have many satisfied customers, we are very keen to learn from our mistakes and improve our service accordingly. I have asked to contact you as soon as possibleto explore how we may work with your Management Board and improve the customer experience in the new homes market as you request."

"[Company], ... is equally keen to improve the customer experience and as you will appreciate across the industry there is a focus on both build quality and customer satisfaction in its broadest sense, including Consumer Code compliance....."

In some cases, home builders have argued that a complaint is vexatious, or the financial claim is disproportionate. The adjudication process is fully independent and therefore seeks to apply proportionate redress, taking both the home buyer's and home builder's experience into consideration.



SANCTIONS

The DSP also considers matters of non-compliance with an Adjudicator's decision. As part of a home builder's registration with the Code's supporting Home Warranty Bodies, they are required to comply with their Rules, the Requirements of the Code, and any directions and decisions given or made by the Independent Dispute Resolution Scheme (IDRS).

If a home builder fails to comply with an Adjudicator's decision, the Chairman of the Board writes to them and advises that the matter will be escalated to the appropriate supporting Home Warranty Body.

If the relevant Home Warranty Body believes that the home builder has failed to comply with the Adjudicator's final Decision, they have the powers to:

- Impose under its Registration Scheme any disciplinary sanction it is entitled to impose, as if the failure to comply breached its own Registration Scheme.
- Impose under the Rules the disciplinary sanction of cancelling the relevant Home Builder's Registration under the Registration Schemes of all the Home Warranty Bodies.

During the year², there were four occasions whereby the home builder failed to comply with the Adjudicator's decision, all of which were remedied upon the intervention of either the Code and/or the Home Warranty Body.

² April 2018 - March 2019

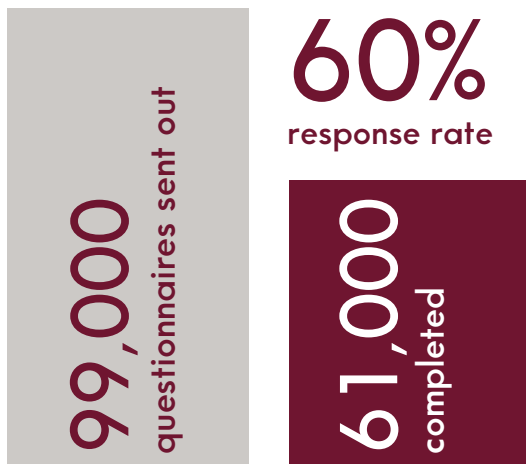
CUSTOMER SATISFACTION

According to latest research (see below) customer satisfaction scores are heading in the right direction, albeit there is still work to do.

The results from the latest annual Home Builders Federation (HBF) Customer Satisfaction Survey (published in March 2019) demonstrate that delivering high levels of customer service remains a high priority for home builders.

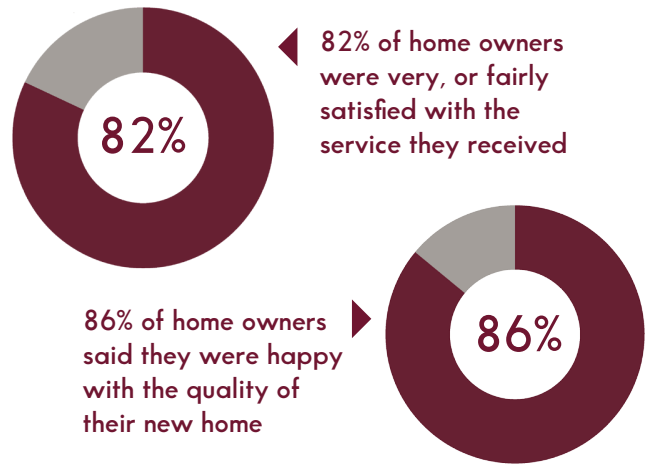
Findings from the 2017/18 survey show 90% of new homebuyers surveyed say they would buy a new build home again; while 87% of those surveyed said they would recommend their home builder to a friend - a 1% increase on last year's results.

The HBF survey, now in its fourteenth year, is a self-completion census of new home purchasers and with almost 99,000 questionnaires being sent out, just under 61,000 are returned - a response rate of 60% which is extremely high. 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.



After seeing satisfaction levels fall for four years in succession, something the industry was heavily criticised for, home builders have worked hard to turn this around and last year there was a reversal of the trend with a 2% improvement in the key 'recommend' questions. 82% of home owners were very, or fairly satisfied, with the service they received during the home buying process, while 86% 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/8389/CSS_HBF_Brochure_2019_with_table.pdf



In addition to the HBF Customer Satisfaction Survey, the New Homes Review (NHR) (which was launched in November 2016), published its second annual report for the period conducted between 1 November 2017 and 31 October 2018 with 687 home owners participating in it.

The survey revealed that just over two thirds of new home buyers were satisfied with their new build home overall, showing a slight increase from last year and most felt:

- Satisfied with the service they received during the sales process
- The building completed on time and improved from 2017
- The quality of the build was high
- The standard of finish was good
- Their home met their expectations when they moved in
- Their new build home was value for money
- That their home met expectations when they moved in.

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
- 25% of those who experienced delays or defects said that they had not been resolved in a timely manner. More needs to be done to improve this
- Clear, open communication around snags, defects and delays is very important and helps minimise disruption to the home buyer

The full results of the survey along with more details on the rating system can be found on the website <http://www.newhomesreview.com/media/1123/nhr-annual-report-2018.pdf>

WHAT TO EXPECT FROM YOUR NEW HOME

Buying a new home is a significant investment and it's understandable that buyers want their home to be perfect. As identified on page 7 of this report, new homes are susceptible to imperfections as the ground settles and homes dry out. In rare cases, more significant problems occur which need to be sorted out by the builder or warranty provider.

To help buyers understand what to look for and how to respond, we put together a 'What you can expect from your new home' guide, which was published this year with the help of our supporting home warranty bodies: <http://www.consumercode.co.uk/wp-content/uploads/2018/09/What-can-you-expect-from-your-new-home-180918.pdf>

DEALING WITH DEFECTS

The Code requires that home builders provide the home buyers with an accessible after-sales service and this includes informing them that they are responsible for remedying relevant defects arising under the Home Warranty two-year defect period (sometimes referred to as the defects insurance period).

The home builder should advise who to contact during the first two years of the Home Warranty cover, including names, addresses and telephone numbers as they are responsible for putting right defects that develop within the first two years of purchase.

Where faults are reported to a builder and they have either failed to rectify them in a reasonable time or are unable to rectify them due to insolvency, then the home buyer can contact their home warranty provider who may be able to help or offer advice through their own dispute resolution service. They may even be able to complete the work if the builder is not able to do so and the Code requires that home builders advise their home buyers of this.

During 2018, the Code's supporting home warranty bodies dealt with over 6,200 cases for home buyers through their own dispute resolution service.

If a problem arises in years three to ten, home buyers continue to be protected by their insurance cover which is usually referred to as the structural insurance period. This means the home warranty provider will pay the cost or carry out remedial works for issues covered by the

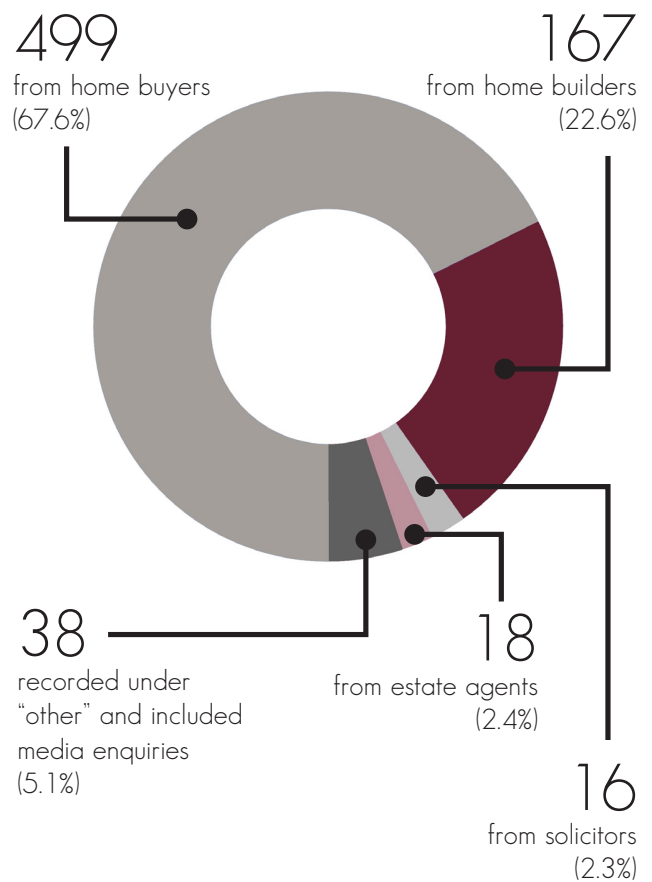
home buyer's policy and will usually include items such as foundations, walls and cladding, roofs, flues and chimneys, ceilings and load bearing parts of the floor and glazing in outside windows and doors.

COMPLAINTS ABOUT BREACHES OF THE CODE

In addition to the above complaints process, a home buyer may be able to bring a complaint through the Code's Independent Dispute Resolution Scheme where they believe they have not:

- been treated fairly
- been given information on what levels of service to expect
- been fully informed about their purchase and their consumer rights before and after they move in.

During 2018, 737 general enquiries were received about the Code, broken down as follows:



Here are a few comments from those that the Code has helped:

Mr H: “Thanks for taking the time to put together such a comprehensive response.... We would not have been able to make these decisions without reviewing and reflecting on your update. Thanks again for all your help and if we experience further issues, we may well be back in touch.”

Mr F: “I was never given any legal or information docs that stated anything about the situation with the gradient.... Thanks, you have given me some more ammunition to go back at them with. I appreciate it a lot”

Mr D: “Thank you so much. Great information for me to act on”.

Ms T: “Thank you so much for giving us such a speedy and comprehensive response and what a relief to us as foreign purchasers who are searching in the dark for assistance when things do not go as planned”.

Mr B: “Thank you very much for your response it is much appreciated. We have now agreed with the developer a refund minus what both parties feel is a fair admin fee”.

Although the majority of people we helped responded positively, some expressed frustrations with perceived limitations of the Code. This feedback will be considered as part of the next review of the Code in 2019.

Our supporting home warranty bodies also provided information on the Code to over 880 policyholders. In those instances where application forms are sent out for a claim to be made to the Code's Independent Dispute Resolution Scheme (IDRS) the home warranty body writes to the home builder advising them of the fact and encouraging them to resolve the matter with the home buyer without the need for an Adjudicator to decide the case.

INDEPENDENT DISPUTE RESOLUTION SCHEME

IF THINGS GO WRONG

Home buyers are always encouraged to speak to their home warranty provider first so that they can deal with any issues that might fall under the home warranty policy and/or offer support (as outlined above) through their own dispute resolution service.

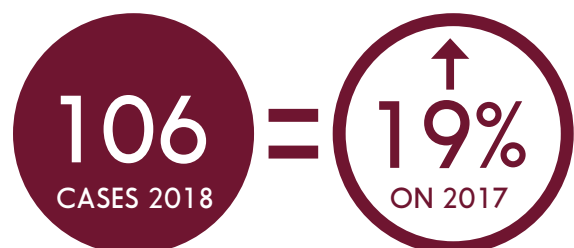
However, where a home buyer believes they have a dispute because a home builder has failed to meet the Requirements of the Code and which falls outside of the scope of their new home warranty, they may refer their dispute to the Code's Independent Dispute Resolution Scheme (IDRS). This Scheme is run by the Centre for Effective Dispute Resolution (CEDR Ltd) who are a certified Alternative Dispute Resolution provider with the Chartered Trading Standards Institute.

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 2018 and 31 December 2018 there were a total of 106 cases referred to the IDRS, which represents an increase of 19% on the amount of cases referred to the scheme in 2017. This is the highest number of cases referred to the Scheme in any particular year, slightly more than the 102 disputes referred in 2016.



During the period covered by the IDRS, a total of 192,090 new homes were completed in the UK (7.7% higher than new homes completed in 2017). We therefore believe the increase in the number of cases may be partly due to an increase in the number of new homes built, as well as a reflection on the work being done by the Code to raise awareness of the Scheme and in encouraging home buyers to come forward if they are experiencing issues.

A summary of the cases, since the introduction of the Code, are broken down in the table below. Where an Adjudicator found that there had been a breach of the Code, but that the home buyer had not proven all their claim, including the redress they were seeking, they determined the claim partially succeeded⁴.

CLAIMS

In 2018, the home buyers who applied to the Scheme claimed a total combined sum of £694,540.02. This is an increase of 25% on the total amount claimed by home buyers in 2017, and returns the total sum claimed to almost the same figure as in 2016. This can be explained by the 19% increase in case volumes in 2018 when compared to the previous year.

The average sum claimed by home buyers in 2018 was £7,310.95. This is an extremely small increase from the average of £7,219.40 claimed in 2017, indicating that although the total sum claimed has increased, this does not reflect a significant increase in the sum being claimed per case.

Although the total sum claimed by home buyers increased in 2018, **the total sum awarded to home buyers by the independent adjudicators decreased by 16% to £64,984.63. While home buyers are claiming increasing amounts, levels of compensation can only be awarded based on evidence of loss.** The discrepancy between amount claimed and amount awarded suggests some home buyers are failing to evidence their losses or have unrealistic expectations of the financial awards that they may obtain by using the Scheme without proving loss (see case studies below).

There were **16 decisions made by adjudicators in 2018 in which the home buyer was awarded more than £1,000.** This is an increase from the 12 decisions in 2017 in which this occurred. **Of these 16 decisions, three were for £5,000 or more.** Notably, no home buyers were awarded the highest possible amount of £15,000 in 2018, which occurred in one case in 2017.

Summary of cases and outcomes

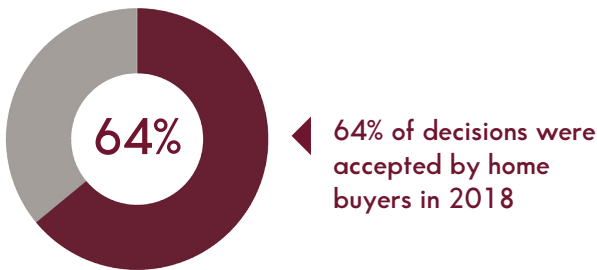
	2018	2017	2016	2015	2014
Number of cases found fully in favour of the Home Buyer	7	5	7	3	1
Number of cases found partly in favour of the Home Buyer	65	47	59	43	21
Number of cases found fully in favour of the Home Builder	23	25	20	5	10
Number of cases settled	5	5	8	6	6
Number of cases withdrawn from the Scheme or deemed invalid	6	7	8	9	5
TOTAL CASES	106	89	102	66	43

⁴ Given the Code was still breached and a remedy awarded, this classification will change in 2019 so as to cause less confusion as to the Adjudicator's findings.

ACCEPTANCE OR REJECTION OF DECISIONS

Decisions made by adjudicators can only be accepted or rejected by the home buyer under the Scheme. Where a home buyer chooses to reject a decision, or where a home buyer fails to respond within six weeks of the decision being made, the decision has no effect whatsoever on either party. Decisions are not open for review or appeal (although recent changes do now allow further evidence to be submitted following a draft decision - see page 19).

In 2018, 64% of decisions were accepted by home buyers, which is a significant increase from the 55% of decisions accepted in 2017, and represents the highest proportion of accepted decisions since 2015.



This shows that, despite home buyers receiving a lower average sum of compensation than ever before, an increasing amount of home buyers are accepting the decisions reached by adjudicators.

12 cases were dealt with in 2018 where the adjudicator found the home buyer's claim to be successful, but the home buyer did not accept the decision and therefore lost out on the redress awarded by the adjudicator. As noted in previous years, this most often occurs where the redress awarded by the adjudicator has been a very small fraction of that sought by the home buyer. As illustration, in nine of these 12 cases, the home buyers chose not to accept a decision in which they were awarded £500 or less while they had claimed £15,000.

There were no instances this year of home buyers rejecting decisions where they were awarded significant sums of compensation. All of the decisions in which adjudicators awarded at least £1,000 were accepted by home buyers.

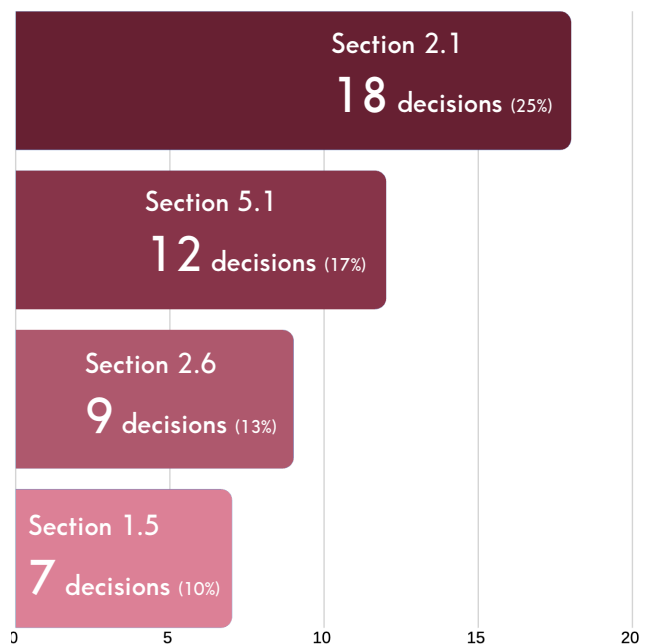
Unlike the previous two years, there was one decision in 2018 which was accepted by the home buyer where the adjudicator found the claim to be unsuccessful.

MAIN ISSUES OF DISPUTE

Given the volume of new home sales within the UK, the number of home buyers that use the Code's Independent Dispute Resolution Scheme is low by comparison. It is difficult therefore to undertake any meaningful analysis and draw trends and themes given the lack of statistical significance.

However, of the 72 decisions in which an adjudicator found the home builder to have breached the Code during 2018, the most common sections of the Code found to have been breached were:

- 2.1: a total of 18 decisions (25%) identified a breach of the home builder's duty to provide the home buyer with enough pre-purchase information to help them make a suitably informed purchasing decision
- 5.1: a total of 12 decisions (17%) identified a breach of the home builder's duty to provide appropriate procedures for handling calls and complaints
- 2.6: a total of 9 decisions (13%) identified a breach of the home builder's duty to reimburse the home buyer's reservation fee upon the cancellation of the reservation agreement
- 1.5: a total of 7 decisions (10%) identified a breach of the home builder's duty to ensure that sales and advertising material is clear and truthful.



IMPROVEMENTS TO THE SCHEME

In October 2018, following feedback from users of our Scheme, a new process was introduced whereby the appointed adjudicator now prepares and issues a 'Proposed Decision'. This Proposed Decision contains the adjudicator's preliminary conclusions on the dispute, which is sent to both parties and on which they have 10 working days to provide their comments.

This is common practice amongst many Ombudsman and Alternative Dispute Resolution Schemes and allows the parties a final opportunity to comment on anything the adjudicator may be proposing before the decision becomes final and binding (if accepted). Upon receipt of any further representations, the adjudicator has a further 5 working days to finalise and issue their Final Decision.

Case Study 1

- successful claim

After lengthy delays, home buyer 'A' looked to withdraw from their purchase. The home builder refused to refund the reservation fee.

Despite the lack of a signed reservation agreement, 'A' successfully claimed their £5,000 reservation fee refund and their application fee. The adjudicator agreed entirely with the home buyer's claim that the documentation presented indicated the intention of the parties and that a reservation agreement had been entered into.

Without the Code, this reservation fee is not covered by consumer protection legislation and it is unlikely it would be refundable.

Case Study 2

- disproportionate claim

Home buyer 'B' claimed their home builder hadn't provided correct information about a service charge and sought £15,000 in compensation and a 0.5% reduction in the service charge.

The adjudicator agreed the Code had been breached but that the amount claimed was disproportionate. £350 was awarded in respect of inconvenience, plus reimbursement of the application fee.

Case Study 3

- the importance of evidence

Home buyer 'C' alleged that the home builder failed to provide enough pre-purchase information regarding the appearance and finish of the home as they failed to build to the specification provided at pre-purchase stage. They claimed a sum of £11,525 made up of various elements.

With their application, 'C' submitted sales plans, drawings and architects schedules which helped the adjudicator determine a breach of the Code had occurred. The home buyer submitted further evidence of their financial loss. This evidence enabled the adjudicator to award a sum of £10,735.19 to remedy expenses incurred and a further sum of £250 for inconvenience as well as the refund of 'C's' application fee.

Case Study 4

- lack of evidence

Home buyer 'D' claimed the home builder had not built the home in accordance with the specification, and sought £10,000 compensation for, amongst other things, practical action to refund the cost of the additional work they had paid for.

The adjudicator agreed that a breach of the Code had occurred but, as the home builder had already remedied the breach, the adjudicator found the home buyer had failed to provide sufficient evidence to justify the compensation they were seeking. An amount of £150 for inconvenience and a refund of the application fee was directed.



COMMUNICATIONS AND PARTNERSHIPS

Effective and regular communication with the industry, consumers and stakeholders remains an important element of articulating the aims, role and achievements of the Code.

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.

During 2018, on average the Code had 4,152 users visit the website with some 13,800 page views per month. The information provided on it therefore is key to providing information both to home buyers on what the Code is and what they can expect from their home builders, but also to home builders and others associated with selling a home in terms of compliance.

The information we provide on the site is kept under regular review and we use our Frequently Asked Questions (FAQs) page: <http://www.consumercode.co.uk/home-buyers/faqs/> to help inform home buyers and address any gaps in knowledge and/or inaccuracies we see when engaging across our social media platform.

Visitors are also able to sign up to receive copies of our regular newsletter, directly via email, to keep abreast of latest Code news.

Further enhancements included our new online guide on what home buyers can expect from their new home which explains that due to the nature of the materials and processes used to build homes, all new builds will require a period of settling in and 'drying out'. This can often result in minor defects appearing such as small cracks as moisture dries and although rarely anything serious, we wanted home buyers to be aware of what can happen and what help is available to put things right.

This leaflet can be downloaded here: <http://www.consumercode.co.uk/wp-content/uploads/2018/09/What-can-you-expect-from-your-new-home-180918.pdf>

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 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.

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 we are keen to see the Code's Chairman speaking at the Law Society's National Property Conference in October.

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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