

**THE DEMISE OF THE HIP**

Home Owners Selling their properties will no longer be required to produce a Home Information Pack (HIP) after the Government announced that they will be scrapped.

HIPs which were launched in 2007 and have since become mandatory for anybody selling a home, have been dogged by criticism. Solicitors and Estate Agents have long complained that they add red tape to the selling process, whilst Sellers have not been happy about the £200-400 cost to prepare the Packs.

**SUSPENSION**

On Thursday 20<sup>th</sup> May 2010 Eric Pickles, the Communities Secretary, laid an Order before Parliament suspending HIPs pending primary legislation for a permanent abolition “the expensive and unnecessary Home Information Pack has increased the cost and hassle of selling homes and is stifling a fragile housing market” he said. “That is why I am taking emergency action to suspend the HIP, bring down the cost of selling a home and removing unnecessary Regulation from the home buying process. This action will encourage Sellers back into the market and help the market as a whole and the economy to recover”.

**EPC**

Sellers will still be required to get an Energy Performance Certificate, showing how energy efficient their property is, within 28 days of putting their home on the market, as is the requirement under EU Law. The cost of an EPC is approximately £60.00 and is valid for a period of 10 years.

## **WELCOME**

The news was welcomed by the property industry, which has long called for an end to the Packs, saying they failed to help home Buyers and discouraged people from putting their property on the market for sale.

Julian Charlesworth, spokesman for the Royal Institution of Chartered Surveyors (RICS) said “HIPs have failed to address the significant problems in the home buying process they were originally supposed to tackle and the RICS is pleased that one of the first acts of the new Government has been to clearly show their intention to abolish them. Taking a swift decision will have minimised the impact on the market and ensured that Estate Agents who stick to the rules will not lose out”. The Government must now use this opportunity to move on positive discussions about improving the home buying process, working closely with the industry and professional bodies that have already done a lot of work on this issue. This is now an opportunity to start again with a clean slate and come up with innovative proposals to reform the system.

Peter Bolton King Chief Executive of the National Association of Estate Agents said “for those of us who have weathered the turbulent market conditions of the past year, the suspension of HIPs is very welcome news. It will be greeted enthusiastically by the housing market and house Buyers, few of whom have paid much attention to these pointless Packs”.

## **STABILITY**

Whilst the consensus from Estate Agents and Solicitors locally and nationwide, is that the introduction of HIPs have simply not worked, there are some who will be disappointed to see them go.

Some believe that the introduction of HIPs have resulted in house prices having stabilised, as fewer properties are being placed on the market for sale. Whilst this may well have been true initially, the credit crunch has been a huge influencer, with HIP Providers having provided schemes to ensure no up front

payments are required until the property is sold. The argument is also that “toe dippers” have caused more problems than they are worth. They can be characterised with unrealistically high Valuations (as they can always withdraw) have wasted Estate Agents time and money and irrecoverable advertising costs, not to mention the stress and discomfort they cause to genuine Sellers and Buyers by pulling out at a later stage. Part of the rationale behind the introduction of HIPs was to create more certainty in the housing market. This may well have been achieved with the demise of the “toe dippers”. If a further by-product is that house prices have stabilised and recovering house prices can follow, most involved with HIPs may well feel rather pleased.

The Association of Home Information Pack Providers, are hoping that the Government will allow them to continue to provide EPCs, but understand that this side of the business may unfortunately be given to one of the country’s utility companies, which will be a further loss to those who have trained to become Energy Assessors.

### **OPPORTUNITY MISSED?**

The First Time Buyer Organisation “Firstrung” bemoans the demise of the HIP. With the introduction of the basic HIP now less than 100 days from implementation, Paul Holmes Director of Firstrung, is certain that by diluting the Pack to the status of an energy inspection only, a huge opportunity has been missed. The Packs would have been compiled when a property was placed on the market and will have contained not only the normal legal documents relating to the property and its sale, but also a type of Survey known as a Home Condition Report, which would have included the EPC. The Seller, the Buyer and the Mortgage Lender would have been able (under Law) to have relied upon the HIP document and mainly Home Condition Report as being authentic and the fact that the HCR would have been prepared by a properly qualified licensed and insured Home Inspector being liable to those parties for the contents of that Report, would have had huge benefits in

streamlining what is still perceived by a first time Buyer to be quite a complex and daunting process.

Unfortunately, it was still not certain whether or not the proposed Home Condition Report would indeed have been accepted by Buyers Mortgage Companies, who may have still insisted upon their own Valuation to have been carried out upon the property, prior to the Mortgage being given. If that had ended up being the case, for each property being sold to a Buyer having a Mortgage – there would be two Valuations carried out. Likewise, prior to the demise of the HIP, two lots of searches were often carried out on the one property i.e. Local Authority and Waterboard searches prepared for inclusion in the HIP, which only have a shelf life of 3 ½ months maximum – thus any Buyer needing a Mortgage who agreed to purchase after the property had been on the market for 3 ½ months would have to renew the searches.

The demise of the HIP – good or bad – one can never please all of the people, all of the time.

## **ACTION**

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