



HOME INFORMATION PACKS

Is your business prepared?



HOME INFORMATION PACK

BETTER BUYING, SIMPLER SELLING.

www.homeinformationpacks.gov.uk

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IS YOUR AGENCY READY?

FROM 12 MARCH THERE ARE ONLY
58 WORKING DAYS UNTIL HIPs
BECOME LAW ON 1 JUNE 2007



Essential information about Home Information Packs (HIPs), including your legal obligations, the content of HIPs, and a guide to the steps you can take now to start getting ready for 1 June when HIPs become law.

See the final page of this leaflet for tips on action you can take now to make sure you are ready.

WHY IS THE GOVERNMENT INTRODUCING HIPs?

The Government is introducing HIPs as part of wider reforms to cut carbon emissions from homes and to improve home buying and selling. The HIP is a set of documents providing important information about a property, such as its energy efficiency, boundary ownership and planning permissions.

The purpose of the Pack is to provide consumers with better information early in the process – to improve the speed and certainty of transactions and reduce wasted costs.

KNOW YOUR LEGAL OBLIGATIONS

From the 1 June 2007 in England and Wales, the law will require sellers of residential property or their estate agents to have a Home Information Pack before putting their homes up for sale. As estate agents, you can only market a home if you

have a valid Home Information Pack for that property to give to potential buyers.

The documents that have to be included in a Pack from the first day of marketing include an index, an Energy Performance Certificate, the sales statement and evidence of title. For the other compulsory documents – the local property searches and certain documents for leasehold properties – the Government is initially allowing flexibility. Marketing can begin provided the missing documents are added to the Pack as soon as possible. There must be evidence in the Pack that these documents have already been commissioned.

Optional documents in the HIP include the Home Condition Report (HCR), which the Government strongly encourages sellers to include.

ESTATE AGENT'S DUTIES

The Home Information Pack duties apply to the person responsible for marketing the home – this will usually be an estate agent.

The main duty is to have a HIP in your possession or under your control when marketing begins.

Certain documents must be in the HIP when marketing starts, but the following documents can be added to the Pack later:

- ◆ Searches
- ◆ Leasehold and Commonhold information

You are also under a duty to provide a copy of the HIP (or any part of it) to a potential buyer who asks for it. The only exceptions to this rule are where it is believed that:

- ◆ the person making the request could not afford the property in question



- ◆ the person making the request is not really interested in buying the property; or
- ◆ the potential buyer is not a person to whom the seller would wish to sell the property.

A reasonable charge to cover copying and postage costs can be made for providing copies. No charge may be made for making electronic copies of the Pack.

You will be expected to make sure that the right documents are included in the HIP. But it is not intended that the seller or the seller's estate agent should be held responsible for the accuracy of the information contained in documents that have been provided by others. The penalty provisions recognise this and will not apply so long as the seller or the seller's estate agent has reasonable cause to believe that the documents comply with the rules.

The HIP duties will be enforced by Local Authority Trading Standards Officers. They will have a range of options, from giving advice and warnings to issuing a fixed penalty notice. The fixed penalty has been set at £200 initially and could be repeated for repeated breaches. Marketing a property without a HIP will render an estate agent liable to a fixed penalty notice.

Estate agents should also be aware that a breach of the HIP duties will be treated as an "undesirable practice" under the Estate Agents Act and will be notified to the Office of Fair Trading (OFT) as such. An estate agent who deliberately flouts the HIP duties will therefore risk a banning order from the OFT.

From 1 June 2007, estate agents marketing with HIPs will also have to belong to an independent Redress Scheme.

WHAT ARE THE BENEFITS OF HIPs FOR MY BUSINESS?

HIPs, especially those containing a Home Condition Report, will be good for your business – offering a better service to your customers by allowing them to make properly informed decisions. This should lead to fewer failed transactions and the associated wasted costs.

Your customers also receive important information about the energy efficiency of homes and advice on how to cut fuel bills.

WHAT DO HIPs MEAN FOR BUYERS AND SELLERS?

As a seller, providing a Home Information Pack up-front should mean that buyers are able to make better informed decisions about buying your home – reducing the likelihood of nasty surprises coming up later in the process and delaying or derailing the sale.

As a buyer, the HIP provides important information about properties that they are considering purchasing, as well as important information about the relative energy efficiency of homes.



WHAT'S IN A HIP?

The Pack contains certain key documents which you should look out for and draw to the attention of both buyers and sellers.

The **Sale Statement** should provide some basic information about the sale, including:

- ◆ The name of the seller and the address of the property being sold
- ◆ Whether it is freehold or leasehold
- ◆ Evidence of title (whether the title is registered or unregistered).

The Pack will contain either a stand alone **Energy Performance Certificate** or a **Home Condition Report** (which includes a separate **Energy Performance Certificate**).

The **Energy Performance Certificate** tells you how energy efficient the home is on a scale of A-G. The most efficient homes, which should

have the lowest running costs, are in band A. The Certificate also tells you, on a scale of A-G, about the impact the home has on the environment. Better rated homes should have less impact through Carbon Dioxide emissions.

The average property in the UK is in Bands D-E for both ratings. Recommendations are included in the Certificate about ways to improve the home's energy efficiency to save you money and help the environment.

When included, the optional **Home Condition Report** provides information about the condition the home is in and includes an **Energy Performance Certificate**.

The **Home Condition Report** rates the condition of each part of the home on a scale of 1-3 (where 1 is best) – letting the seller and buyer know if any repairs are needed and, if so, whether they are serious.

Buyers and sellers can rely on the **Home Condition Report**. The Home Inspectors who prepare them are qualified, accredited and insured.

For most properties, the Pack should include official copies from Land Registry of the **Property Register** and the **Title Plan**:

◆ The **Property Register** provides a brief description of the property and whether it is freehold or leasehold. For leasehold properties, the number of years remaining on the lease should be stated. A title which is described in the Property Register as “absolute” (for either freehold or leasehold) or “good” (which applies to leasehold only) should have the best classes of title. If the title is described as “qualified” or “posessory” you may wish to seek legal advice as to whether someone other than the registered owner has a claim to the property or part of it.

You or your client may wish to look at the **Title Plan** to check that it shows the boundaries of the property as you understand them to be. The **Proprietorship Register** states who is currently registered as owning the property.

If there are other documents referred to in these registers, you or your legal adviser may be able to obtain full copies or summaries of these documents from the Land Registry.

The required local property **Searches** are usually provided by one of a number of sources including the relevant local authority or a private search company. While a searcher should make every effort to obtain all the relevant information required to complete a search, if any of the answers are missing, an insurance policy should be included to protect the buyer against any problems with the property or the area that the

missing answer might have revealed. The Drainage and Water Search will generally be provided by the relevant regional water company.

The Pack may include forms completed by the seller concerning a range of matters relating to the property. The **Home Use Form** [or the **Seller's Property Information Form**] should include information on boundaries, notices, guarantees, services, sharing with neighbours, arrangements and rights, occupiers, changes to the property and planning and building control matters.

There may also be a **Home Contents Form** [or **Fixtures, Fittings and Contents Form**] listing items that are included or excluded from the sale or which are subject to negotiation.



The HIP may also contain a **Legal Summary**, which would normally be at the front of the Pack. The **Legal Summary** is a legal adviser's view of the contents of the Pack and should identify any issues that a potential buyer may wish to take into consideration when purchasing the property.

Flats and maisonettes are usually sold **Leasehold**. The important things to look for are:

- ◆ The **Lease** sets out the legal rights and duties of the leaseholder and landlord and the number of years the leaseholder is entitled to the property.
- ◆ Details of the **Ground Rent** and the **Service Charges** payable for the property, covering repairs, maintenance and improvements to the building and shared parts.

The Pack may also include information on how sellers can seek **Redress** from their Pack provider (and provider(s) of any element of the Pack). This reinforces the importance of dealing with reputable providers of information who are members of independent redress schemes.

Estate agents should note that this guide is not a substitute for legal advice.

See the opposite page for tips on action you can take now to make sure you are ready for 1 June.

Further mailings to you will include practical assistance to help make sure you and your customers are ready for the introduction of HIPs.

1. Find out more. Why not click on to the dedicated website now! www.homeinformationpacks.gov.uk – and sign up to receive the HIPs e-newsletter to keep in touch with the latest news and information.

2. Think how HIPs will affect your business practice. Make sure everyone in your agency knows about HIPs and what ‘go live’ means for your business processes on 1 June.

3. Make sure you can advise your customers. Know the product – don’t be caught out. Know your obligations and those of your customers and educate your staff to answer common questions from buyers and sellers on HIPs. In particular, you need to understand the additional value to you, to sellers and buyers of including a Home Condition Report in their HIP.

4. Identify who will provide your HIPs and your Energy Performance Certificates.

This may be your own agency, a solicitor or specialist HIP provider. Given that Energy Performance Certificates are required to be in the Pack from the first day of marketing a property, you need to ensure that your agency has access to local organisations or individuals who are qualified to prepare these. For information about organisations who are already producing HIPs, click on to the following website link www.homeinformationpacks.gov.uk/dry-run.aspx

5. Start planning now to make the most of HIPs to enhance your business. Sign up to become an early adopter by e-mailing homeinfopacks@communities.gsi.gov.uk and get your free HIPs starter pack.

Remember to e-mail homeinfopacks@communities.gsi.gov.uk if you have any queries.

