

## Move It: Home Buying Reform

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### 1: Introduction

Which? has a longstanding interest in the house buying and selling process. It is the largest transaction that most consumers make yet it is a process characterised by problems and in many areas offers low levels of consumer protection.

In order to better understand the process and the problems that consumers face, we commissioned a two stage research programme in Autumn 2007. This research has demonstrated that there are significant problems in the process that are causing stress, delay and excessive cost.

### 2: Recommendation

Which? now believes that the only way to get meaningful reform to the house buying process is for the Government to commission a wide-ranging and independent review to make recommendations as to how the transaction process can be improved. This review should look at the entire process in order to ensure that the implications of change on the market are properly considered.

In addressing these problems, some of the areas that we think would merit detailed consideration include the following:

- > Explore alternative models for the whole home buying process including contractual arrangements;
- > Examine whether the markets for property services are sufficiently competitive;
- > Assess the impact of the work being done to drive up professional standards and consider improvements; and
- > Assess the effectiveness of PIPs in Scotland and HIPs in England and Wales.



### 3: What did the research show?

Overall our research showed that consumers believe the process of buying and selling houses to be stressful, expensive and time consuming.

#### Key Findings

House buying is considered stressful for the following reasons:

- > There appears to be a general **lack of knowledge** of what the various parties of professionals in the process actually do and of what the process involves. 76% of people said that it would be helpful to have all the information they needed to buy or sell a property available from one source and 45% said that it was difficult to get reliable information.
- > A common complaint relates to the **unpredictability** of other buyers and sellers and the **lack of control** over the chain. Setting time limits on the process, improving communication and transparency and bringing in formal commitment to purchase earlier in the process were suggested as valuable tools in improving this part of the purchase/sale.
- > It is also felt that there is often a **lack of transparency** and **poor communication** within chains. Conveyancing was felt to be the most problematic area. There was little understanding as to why this would be the case as the process is not one that buyers and sellers understand. They know something is happening, but they do not have a firm grasp on what that is.
- > There is a widespread **distrust** of estate agents - Estate agents were bitterly complained about, and thought of as untrustworthy and self serving. There was a high level of resentment at paying what are perceived as excessive costs for poor service.
- > There is a **lack of understanding of surveys**. First time buyers have a low awareness of what they should expect from a survey or where to get information. It was felt that there should be a concerted effort to provide information to buyers as to what they should expect from each different type of survey is available to them.

There are a number of areas where there are concerns over costs. In particular:

- > **Mortgage Valuation Surveys** are seen to offer particularly poor value for money.
- > **Estate agents fees** are resented. We found some evidence that both buyers and sellers would consider removing the estate agent from the equation and using the internet to carry out their transaction independently if this was a viable alternative. 49% of respondents would consider selling their house this way and 62% would consider buying a house this way.



There are also some significant concerns about delays:

- > **Sales falling through** - one in eight people say they have had at least one sale/purchase fall through
- > **Between having an offer accepted and exchanging contracts** was the most perceived area of delay, with four in ten (38%) saying this took longer than expected. In total over a third of respondents thought the entire process took longer than they expected.

#### HIPS

- > In May 2004 a Which? survey showed that 75% of people thought that HIPS were a good idea and 47% thought they were a 'very good' idea. When this survey was repeated in 2007, the number of people thinking they were a good idea had fallen to just 42% and only 11% thought they were a 'very good' idea
- > Nearly six in ten (57%) of respondents think that HIPS would be a 'much better idea' if they included **legally accurate** information about the condition of the property - i.e. a **Home Condition Report**
- > The idea of HIPS is **better received by buyers than sellers**, but their **independence must not be in doubt** if they are to be truly accepted.

#### Other Considerations

In addition to these general findings, three key groups of consumers have also been identified as unique in their experience and these should be looked at specifically:

- > **First time buyers**: This group are particularly vulnerable because they lack confidence and experience and don't know where to get reliable information from.
- > **New Build**: People buy new builds expecting it to be less hassle than buying an existing home, due to the lack of chain and an expectation of quality, but in reality experience teething problems such as faults with the building and difficulties getting documentation from the building developer.
- > **Leasehold**: Purchases of leasehold properties raised some additional issues such as extending the term, contacting the leaseholder and management of the communal areas.



## Annex: Methodology

### Stage 1: Quantitative (September 2007)

- > Face to Face omnibus survey of 3680 UK adults
  - Eligibility:
    - Must have bought or sold a house in the last 10 years
    - Excluding Scotland
  - 771 eligible responses received

### Stage 2: Qualitative (October 2007)

- > Seven focus groups and eight depth interviews
  - Two groups & two depths with first time buyers
  - Two groups & two depths including 'New Build' purchasers
  - Two groups & two depths including 'leasehold' buyers/sellers
  - One group & two depths of mixed buyers & sellers

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