

## **Consumer Code for Home Builders**

### **Notes for Advisory Forum Members on proposed Code and Guidance revisions**

#### **Meaning of words**

A definition of 'Vulnerable customer' has been introduced. We are required by the Chartered Trading Standards Institute (CTSI) Consumer Codes Approval Scheme to include reference in our guidance in a number of places, to 'considering the needs of vulnerable customers'.

#### **1.2 Making the Code available**

It is proposed that all customers who place a reservation are given a hard copy of the Code, and that they sign for receipt in the reservation agreement. This is aimed at overcoming the survey results which identify that many customers who reserve do not receive a copy of the Code.

It is proposed that the Code is displayed in all sales offices including those of appointed agents. This again is aimed at increasing the awareness of customers of the Code.

#### **1.3 Customer Service**

Reference is introduced regarding vulnerable customers and that due respect should be given customers and their property when dealing with them in their home both before and after occupation. This acknowledges the requirements of CTSI in their Consumer Code regime.

#### **1.5 Sales and Advertising**

Guidance that Customers should not be subjected to high pressure selling techniques is introduced as required by CTSI along with reference to vulnerable customers.

#### **2.1 Pre purchase Information**

The CODE has been changed to introduce the Requirement that 'the nature and method of assessment of any transfer fees and similar liabilities' is given.

The Guidance also now includes that 'a reasonably reliable itemised breakdown of the principle items and their costs, shall be provided.....'.

This is an area where there is a large degree of failure and cause for dispute, which the changes are aimed at remedying.

Guidance is also introduced for customers' legal advisers to be provided with a copy of the Code in the legal papers supplied to them.

#### **2.5 Pre contract information**

Guidance is introduced regarding not limiting a customers' choice of financial advisor or mortgage intermediary.

## **2.6 Reservation**

The CODE has been changed to add a requirement for the customer to be given details of the nature and method of assessment of transfer fees and similar liabilities. (as in 2.1)

Guidance now indicates that a DATE should be inserted in the reservation agreement up to which the price will remain fixed. Also relating to the details of transfer fees etc. and that a copy of the Code having been given to the customer as above.

Guidance on Reservation fees and retention is now altered. It is now proposed that the builder can deduct and retain from the reservation fee 'reasonable costs genuinely incurred.....' Also the customer must be advised what the range of likely min and maximum (in figures) retention will be.

Warning is given that a Customer may challenge the sum retained if they feel it unreasonable, and the evidence to support the deduction may be required should the matter be put before an Arbiter.

This will hopefully limit the large number of disputes which have arisen over this issue, whilst giving the Home Builder the freedom to assess their own levels of deduction, which they may be challenged upon.

This also takes into account and seeks to remedy the shortcomings identified in the Audit of Reservation Agreements.

## **3.1 The Contract**

The CODE and guidance has been changed to remove reference to specific legislation and instead advise that the home builder should comply with all relevant legislation.

### **4.1 After Sales service**

Guidance is introduced re treating customers and their personal effects with due respect when working in their home, as before.

### **4.2 Health and safety for Home Buyers on developments under construction**

The guidance has been amended to remove reference to specific legislation and advises instead the need to comply with the relevant regulations – this is for consistency with Section 3.1.

**Other than minor drafting revisions for clarification and up dating, no other changes of significance are proposed to the Code or Guidance.**

## **Dispute Resolution Scheme Appendix A.**

The following changes are proposed:

3.2 The timescales for a claimant to bring complaint have been changed to comply with recent European Directives on dispute resolution schemes. The change introduced is that a customer can bring complaint up to and within 12 months from the Builders last response,

but not before 56 days have elapsed from first raising the matter with the Builder. This is compliance with the latest legislation.

4.6 Discretionary award for 'inconvenience'. The scheme has operated since inception with the Adjudicator being able to make a discretionary award for 'inconvenience' of up to £250. The Adjudicators advise that this is now significantly lower than is applied in most Dispute Resolution schemes, and they suggested that the 'norm' should be £1000. A survey of schemes and awards made by the Courts and other claims management organisations, indicate that sums from £500 to in excess of £1500 are most common.

This discretion is applied by the Adjudicators in the Code ADR service in the majority, but not all, of cases where the claim against the Builder is found entirely or partially at fault. The number of such cases runs currently at possibly 25 to 30 per annum. The sum remains to be paid within the maximum claim amount of £15000 which is not proposed for change.

It is proposed to raise the discretionary award figure to a maximum of £500.

4.8 A provision for interest to accrue and be paid by the builder to the customer on any financial award which has not been paid in accordance with the Code scheme rules, at a rate of 3% per annum, has been introduced.

A handwritten signature in black ink that reads "Mike Freshney". The signature is written in a cursive, slightly slanted style.

Mike Freshney

Chairman of Consumer Code Advisory Forum