

## Consumer Code of Practice

### Consumer Code for Home Builders

14 October 2024

#### Background information

The Consumer Code for Home Builders (CCHB) was developed in conjunction with the Office of Fair Trading and launched in 2010 to address issues identified in the Barker Report of 2008 that related to the sale and purchase of new homes. At that time only 46% of homebuyers were willing to recommend their homebuilder. Since the introduction of Code that figure has improved and been maintained at over 90%.

The Code sets the mandatory requirements that home builders must meet in their marketing and selling of new homes and their after-sales customer service. It applies to homes covered by the UK's main home warranty bodies NHBC, Checkmate, Premier Guarantee and LABC Warranty. The Code includes an independent dispute resolution scheme, members are independently audited for compliance and there is the ability to apply sanctions that include removal from the home warranty schemes if the homebuilder fails to comply with the Code.

The Code's Independent Dispute Resolution Scheme is provided by the nationally accredited organisation, the Centre for Effective Dispute Resolution. This provides home buyers with a fast, free and fully independent route for redress should something go wrong with the home buying process. The Code requires the homebuilder to comply with any Award within a set period and sanctions can be imposed if they fail to pay or delay payment.

The CCHB Management Board oversees the administration of the scheme. The Board is supported by an Advisory Forum, which includes representatives from the Chartered Trading Standards Institute and Citizens Advice.

## **Audit Process**

All aspects of the Code were considered including

- Member application process
- Monitoring

But focussed on

- Support for businesses
- Sanctions for non-compliant businesses
- Continuous improvement

## **Summary**

The Consumer Code for Home Builders has been a member of the CTSI Consumer Codes Approval Scheme since November 2018. There are currently around 10,000 builders signed up to the Code through registration with the warranty bodies, although only around 5000 are actively building.

The Building Safety Act 2022 introduced the concept of a statutory Code of Practice in the new homes sector and a statutory ombudsman. Since then, Government has very recently accepted recommendations made in the Competition & Markets Authority report into House Building in February 2024 in relation to a single mandatory consumer code and New Homes Ombudsman.

However, Government has also confirmed they are yet to decide how this will be delivered, by whom and the timescale for implementation. Given that, secondary legislation will be required, on which Government will need to consult, it is unlikely that any change will be imminent. Until then the CCHB will continue to operate as normal providing protection to buyers of new homes.

A triennial independent review was completed in 2023 and has led to a revision of the Code, which is in its fifth edition

## **Member Application Process**

Each supporting home warranty body has its own system that has been developed in conjunction with CCHB for assessing membership applications. They carry out 'due diligence' checks to assess the risk of each Homebuilder to the scheme.

Membership is renewed each year when each home warranty body performs a risk assessment of any complaints received, any claims against the warranty and obtains a reaffirmation of Code compliance before calculating the new premium.

## **Member Monitoring**

The monitoring process is the same for all warranty bodies.

The technical requirements of the build will be assessed by onsite inspections, usually six times per plot, but this may be more in the case of an inexperienced builder.

Build quality and compliance with building regulations is undertaken slightly differently by each Warranty Provider but always on site.

A random selection of builders (30) are required to submit a six-page desktop self-assessment questionnaire each month and 120 onsite to sales offices are also undertaken each year. This equates to the inspection of 10% registered home builders and in line with their audit plan.

Every decision made by the Independent Dispute Resolution Scheme is reviewed. Where a breach of the Code requirement is identified the builder is contacted and required to explain what they will do to resolve the issue.

Examples of correspondence between the CCHB and the housebuilder were provided and confirmed the process is followed.

## **Consumer Complaints Process**

All ADR rulings, where a breach of the Code has been identified, result in a letter to the CEO of the relevant company and followed up if there is no response.

The Disciplinary and Sanctions Panel (DSP) reviews all cases that go through the Independent Dispute Resolution Scheme. Non-compliant businesses are offered advice and guidance on preventing a re-occurrence.

Responses from the recipients were provided which demonstrated the value of the process. Lessons learnt from the process are published each year.

## **Non-compliant businesses**

Failure to comply can lead to the home warranty provider suspending or withdrawing the certificate of insurance. This acts as a strong deterrent as the home builder is not able to sell the property without one.

The Code's non-compliance procedure is overseen by the Disciplinary and Sanctions Panel and reported to the Management Board. The DSP raised a concern regarding the scenario where the homebuilders delayed making payment to the Homebuyer following the IDRS Award.

The issue has been considered by the Advisory Panel and subsequently led to a Board decision to introduce a further action which will compensate the home buyer for any additional inconvenience caused as a result.

## **Support for businesses**

CCHB demonstrated that it provides a wealth of information to home builders including

- Material to help them understand the changes from version 4 to version 5 of the code
- FAQ's on the website
- 6 toolkits
- Website based video blogs, and
- You tube videos

This material whilst subject to copyright is made freely available to anyone. The CCHB only ask that if used they are recognised as the author.

## **Continuous Improvement**

### **New Version**

The 5<sup>th</sup> version of the Code includes the introduction of a 14 Day Cooling off period for the Reservation Agreement and a Pre-Completion Inspection. Transition packs were provided to help homebuilders incorporated the new requirements into their processes.

The Code has been revised to align with other Codes in the sector.

### **Delays in paying IDRS Awards**

A new process has been implemented so that the IDRS notify the Administration of any delay in payment of an Award at an early stage. The CEO of the business is made aware of the problem and is required to respond.

An example of the correspondence was provided and shows that the process was followed and improved the situation for the home buyer.

### **Shared ownership**

At present houses built under a shared ownership scheme are not covered by the Code. With shared ownership increasing the Board believes that the matter needs addressing and have engaged with the Shared Ownership Council. A representative from the Shared Ownership Council presented on their new code of practice at the Advisory Forum and the joint sharing of expertise will be invaluable in progressing this issue.

## Good Practice

It was noted that the Disciplinary & Sanctions Panel meet on a regular basis rather than just to consider potential cases of non-compliance. The Panel review all manner of information and have the capacity to make suggestions to improve the Code or the process designed to ensure compliance.

## Conclusion

CCHB has developed very effective relationships with the industry, consumers and stakeholders. These relationships are key in raising and maintaining awareness of theirs and other similar Codes as well as the Consumer Codes Approval Scheme.

CCHB continually strive to attain the highest level of consumer protection for homebuyers. Their altruistic and collaborative approach has meant that the **whole sector** has benefitted from their knowledge, experience and lessons learnt. This has led to a high level of consistency across the new homes sector.

Their Board should be applauded for their exceptional leadership in making all the material generated to support business to comply with the Code and educate the home buyer freely available.

The Consumer Code for Home Builders continues to be fit for purpose and the current alliance ensures a high level of compliance with its provisions.