EXPLANATORY MEMORANDUM TO

THE HOME INFORMATION PACK (SUSPENSION) ORDER 2010

2010 No. 1455

And

THE ENERGY PERFORMANCE OF BUILDINGS (CERTIFICATES AND INSPECTIONS) (ENGLAND AND WALES) (AMENDMENT) REGULATIONS 2010

2010. 1456

1. This explanatory memorandum has been prepared by the Department for Communities and Local Government ("the Department") and is laid before Parliament by Command of Her Majesty.

2. Purpose of these instruments

2.1 The Home Information Pack (Suspension) Order ("the Order") suspends the duties imposed by sections 155 to 159 of the Housing Act 2004 in relation to Home Information Packs ("HIPs"). This means that there will be no requirement to have or provide a HIP when marketing a residential property from the date that the Order comes into force. The Home Information Pack (No.2) Regulations 2007 ("the Principal Regulations") (SI 2007/1667) concerning the content and provision of HIPs will remain in effect for the time being, but will not have any prospective operation following the suspension of the duties with respect to HIPs.

2.2 The Government's intention is to abolish HIPs altogether in due course. The HIP provisions in Part 5 of the Act can only be repealed by primary legislation and this will be done at the earliest opportunity.

2.3 The Energy Performance of Buildings (Certificates and Inspections) (England and Wales) (Amendment) Regulations 2010 ("the Amending Regulations") make amendments to the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 ("the EPB Regulations 2007") (SI 2007/991) in consequence of the suspension of the duties imposed by sections 155 and 159 of the Act in relation to HIPs.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 The Order and Amending Regulations have been made so as to come into effect less than 21 days after they are laid. The Secretary of State is aware of, and has considered the need to allow for the usual period for scrutiny by the Joint Committee.

3.2 The suspension of HIPs is a very high legislative priority for the new Government. In addition, the Government considers that it is of the utmost importance to ensure that the change is introduced swiftly (and without an extended period of prior notice), to avoid uncertainty or disruption in, or distortion of the housing market.

3.3 The Secretary of State is therefore of the view that the Order and Amending Regulations ought to take effect as soon as is feasible. He regrets the fact that this will not allow for the usual period for scrutiny by the Joint Committee.

3.4 In addition, the Secretary of State has considered whether the indefinite suspension of HIPs with a view to their eventual abolition would amount to an unusual or unexpected use of the power in section 162 of the Act.

3.5 In this respect, it is clear from the wording of the provision that a suspension may be introduced for a limited time, and may be reintroduced at a later time. In the Secretary of State's view it is clear from this that an indefinite suspension of the HIP duties was clearly contemplated as being within the power – hence the need for the express reference to time-limited suspensions.

3.6 As an indefinite suspension is clearly within the power as a matter of ordinary construction, it follows, in the Secretary of State's view that a suspension with a view to eventual abolition would not amount to an unusual or unexpected use of the power. Any indefinite suspension could clearly follow from a situation where the operation of the HIP duties had given rise to concerns about their suitability or effectiveness in general, and there was a need to consider whether they ought to be retained, modified or abolished. The Government is therefore of the view that the use of the suspension power is an appropriate response in these circumstances.

3.7 The EPB Regulations 2007 contained provisions about energy performance certificates framed by reference to the HIP duties. Therefore, suspension of the HIP duties requires some necessary amendments to the EPB Regulations 2007 as a consequence. These need to come into force at the same time as the suspension of the HIP duties or else there would be a period during which some provisions of the EPB Regulations 2007 did not work as intended, in particular regulation 6.

3.8 For these reasons relating to the suspension of HIP duties and the consequences on the EPB Regulations 2007 given in the preceding paragraphs, it is also regretted that the usual period for scrutiny of the Amending Regulations has not been given to the Joint Committee.

4. Legislative Context

4.1 Under Part 5 of the Act a "responsible person" (i.e. a seller and/or an estate agent) is required to have in their possession or control a HIP when marketing a residential property for sale with vacant possession (see sections 151 to 153 of the Act). Section 155 describes the duty to have a HIP that complies with the requirements of the Principal Regulations. Section 156 concerns the duty to provide a copy of the HIP to a potential buyer on request. Section 157 deals with the imposition of conditions on the duty under section 156. Section 158 deals with the duty to ensure the authenticity of documents in the HIP and section 159 concerns other duties that apply to a person acting as an estate agent. The Order suspends all of these duties.

4.2 The background to the Principal Regulations was covered in detail in the Explanatory Memorandum that accompanied them. These regulations deal with the content and assembly of HIPs, exceptions from the duty to provide a HIP and other matters.

4.3 The Amending Regulations make some changes as a consequence of the suspension of HIPs, in order to preserve the continuing application of and compliance with the requirements in relation to energy performance certificates in the Energy Performance of Buildings Directive (OJ No L 1, 4.1.2003, p. 65). The significant legislative changes are as follows.

4.4 A new regulation 5A is introduced so that:

- a seller of residential premises has a duty to secure that an energy performance certificate (EPC) (where no such certificate is already available) has been commissioned before marketing of the property commences,

- a duty on the person acting on behalf of the seller to be satisfied that an EPC has been commissioned before commencing marketing is introduced, and

- both the seller and a person acting on their behalf are under a duty to make reasonable efforts to secure an EPC within 28 days.

4.5 The suspension of the duties under section 155 to 159 of the Act would also have meant that the duty in regulation 6 of the EPB Regulations 2007 to provide energy performance information with written particulars would also have been, in effect, suspended. An amendment is made to regulation 6 to ensure that this duty continues to apply in relation to sales of residential property where that information is available.

4.6 As a consequence of the duties introduced in regulation 5A amendments have been made to enable the enforcement authority:

- to enforce these duties,

- to give a penalty charge notice for breach of any of the duties under that regulation.

4.7 The provision in regulation 11 of the EPB Regulations 2007 for an EPC to be valid for a period of three years in cases where a duty under section 155(1) or 159(2) of the Housing Act 2004 applies is revoked. This means that the validity period of EPCs for sales of residential property is, under regulation 11 as amended, now ten years. This is consistent with the validity period for EPCs for all other types of transactions covered by the EPB Regulations 2007.

5. Territorial Extent and Application

5.1 This Order and Amending Regulations extends to England and Wales.

6. European Convention on Human Rights

6.1 As the Order and Amending Regulations are subject to negative resolution procedure and do not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1 Both members of the new coalition Government opposed the introduction of HIPs and made their abolition a Manifesto commitment, whilst retaining the EPC. This commitment was confirmed in the coalition agreement document published on 12 May. The Government opposed the introduction of HIPs whilst in opposition and has consistently promised to abolish them.

7.2 The Government believes that HIPs are an expensive and unnecessary burden and that they have not achieved their objective to improve the home buying and selling process for consumers. The Government believes that HIPs have acted as a deterrent to people wishing to sell their homes and that their abolition will help aid the recovery of the housing market.

7.3 EPCs that would have formed part of a HIP were subject to a number of additional requirements that would not otherwise have applied under the EPB Regulations 2007. The Amending Regulations amends the EPB Regulations 2007 to ensure continuity in the provision of EPCs for homes being marketed for sale.

7.4 In particular, this instrument introduces a requirement for the seller to have commissioned an EPC before a residential property is placed on the market. There is a new duty on a person acting on behalf of the seller, which in most cases is likely to be an Estate Agent, to be satisfied that an EPC has been commissioned before they place the property on the market. These new duties on the seller and the person acting on behalf of the seller have been introduced in response to concerns about the possible impact of suspending HIPs on the level of compliance with the

requirement to make an EPC available for homes being marketed. Evidence from non-domestic buildings, where the requirement to make an EPC available falls directly to the building owner or landlord, and there is no enforceable duty on a person acting on their behalf, suggests that removing the duty that would have applied under the HIPs regulations for homes being marketed for sale may have led to similarly low levels of compliance.

7.5 This instrument also retains the existing provision that the written particulars for homes being marketed for sale must include the EPC rating or have the EPC attached, but changes the timing so that it is only required when an EPC becomes available. Including the EPC rating on or attaching the EPC to written particulars ensures that the prospective buyer is provided with energy information at a time when they are still making up their minds about whether or not to purchase.

7.6 All the new duties introduced by the Amending Regulations carry fixed penalties where somebody fails in the duty conferred on them by this instrument.

Previous scrutiny of Home Information Packs - Reports of the Select Committee on the Merits on Statutory Instruments

7.7 The Select Committee on the Merits of Statutory Instruments has reported on the policy issues raised by the HIP Regulations on six occasions:

- In its 3rd report of Session 2008-09, the Committee drew the Home Information Pack (Amendment) (No.3) Regulations 2008 (SI 2008/3107) to the special attention of the House on the ground that they give rise to issues of public policy likely to be of interest to the House. In commenting on the proposal to include a Property Information Questionnaire (PIQ) in the HIP, the Committee expressed the hope that the Department would make efforts to ensure that the distinction between the PIQ and other conveyancing documents is fully understood by those using the HIP. In commenting on the various amendments made to the principal regulations since the introduction of HIPs, the Committee said that it was important that all concerned have a full and up-to-date understanding of the elements of HIPs as now proposed.

- In its 15th report of Session 2007-08, the Committee drew the Home Information Pack (Amendment) Regulations 2008 (SI 2008/572) to the special attention of the House on the ground that they give rise to issues of public policy likely to be of interest to the House. They welcomed the publication of the final report of the trials of HIPs in pilot areas but expressed concerns that the findings in the report raised questions about the extent to which the scheme had delivered the objectives which were identified for it. Against this background, the Committee considered it important that any additional information included in HIPs, notably about sustainability, is presented in a readily understandable way.

- In its 5th Report of Session 2007-08, the Committee drew the Home Information Pack (Amendment) Regulations 2007 (SI 2007/3301) to the special attention of the House on the ground that they give rise to issues of public policy likely to be of interest to the House. They stated that practitioners in the housing market remained split in their response to HIPs and recommended that the Government kept the implementation of the policy under review, providing full information about the practical effects of its introduction.

- In its 24th Report of Session 2006-07, the Committee drew the Home Information Pack Regulations (No.2) 2007 to the special attention of the House on the ground that they may imperfectly achieve their policy objective. However, the Committee did recognise that the Department had responded to the concerns expressed both in and outside of Parliament in revoking and relaying the regulations. They also welcomed the decision to consult further on the age of the Energy Performance Certificate.

- In its 18th Report of Session 2006-07, the Committee drew the Home Information Pack Regulations 2007 to the special attention of the House on the ground that they may

- In its 39th Report of Session 2005-06, the Statutory Instruments Merits Committee drew the Home Information Pack Regulations 2006 Regulations to the special attention of the House on the ground that they gave rise to issues of public policy likely to be of interest to the House.

8. Consultation

8.1 The Government has decided to suspend the HIP duties and amend the EPB Regulations 2007 for homes being marketed for sale as soon as possible in order to avoid uncertainty in the housing market. In view of its longstanding opposition to HIPs and a clear manifesto commitment to abolish HIPs but retain EPCs if elected, the Government takes the view that no further consultation is needed. The consultation paper "Making better use of Energy Performance Certificates and data" launched by the previous administration in March 2010 is still open.

9. Guidance

9.1 The Department intends to provide guidance to consumers and the Industry on the effect of these changes.

10. Impact

10.1 One Impact Assessment relating to both the Order and Amending Regulations is attached to this memorandum.

11. Regulating small business

11.1 The Order and Amending Regulations do not impose or increase any additional regulatory burden on small businesses.

12. Monitoring & review

12.1 The evaluation of the HIPs programme that was planned for 2010 has been cancelled. The Government proposes comprehensively to review the way that EPCs have been implemented and will be publishing a consultation paper in Autumn 2010.

13. Contact

Denis Purshouse at the Department of Communities and Local Government Tel: 0303 444 1774 or e-mail: denis.purshouse@communities.gsi.gov.uk can answer queries regarding the Order or, in relation to the Amending Regulations, Mark Cousens on Tel: 0303 444 1837 or e-mail: mark.cousens@communities.gsi.gov.uk.

Title:	Impact Assessment (IA)
Suspension of Home Information Packs (HIPs) prior to repeal	**IA No:**
Lead department or agency: Department for Communities and Local Government	**Date:** 18/05/2010
Other departments or agencies: n/a	**Stage:** Enactment
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: Claire Ackroyd/ Jonathan Vickers

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

The Government has indicated that abolishing Home Information Packs (HIPs) is a top priority made in both of the Manifestos and the coalition agreement. The requirement of an Energy Performance Certificate (EPC) will remain.

The Government believes that HIPs are an additional and unnecessary hurdle in the process of buying and selling a home.

What are the policy objectives and the intended effects?

It has been suggested that the need to produce a HIP imposes an unnecessary burden on sellers from which they derive little benefit, and has restricted some sellers from listing their property and the removal of HIPs should see a rise in listings, and therefore could see a rise in transactions.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

1. Suspend HIPs without consultation pending primary legislation to abolish - To suspend HIPs without consultation is the preferred option on the grounds that the policy is a commitment in both Manifestos and swift action could prevent market uncertainty. This could mean HIPs are suspended immediately once an Order laid before Parliament comes into effect.

2. Suspend HIPs with consultation pending primary legislation to abolish - Consult on the practicalities of unwinding HIPs and to provide a period for industry and consumers to adjust. This option means it would take at least 4-6 months before suspension could take effect.

3. No changes in HIP policy until primary legislation passed (could take 12 months before Royal Assent).

4. Do nothing.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will not be reviewed
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	No

SELECT SIGNATORY Sign-off For enactment stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: Eric Pickles Date: 19 May 2010

Summary: Analysis and Evidence

Policy Option 1

Description:

Price Base Year 2008	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 546	**High:** 747	**Best Estimate: 647**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0		103	**885**
High	0		141	**1212**
Best Estimate	0		122	**1049**

Description and scale of key monetised costs by 'main affected groups'

Costs include additional costs to first time buyers (FTBs) from having to purchase searches, given as approximately £150, multiplied by the expected number of FTBs in each year. This will only affect FTBs because other buyers are typically selling a property as well.
There will be additional costs of 'wasted searches' as duplications of searches will occur where a transaction fails because the search will not stay with the property as is currently the case.

Other key non-monetised costs by 'main affected groups'

The industry that was created to compile the packs is likely to suffer losses. HIP providers will lose revenue because they will not be able to charge for bringing together information in a mandatory pack. Some HIP providers will continue to offer searches (and EPCs) so impact may be mitigated.
Domestic Energy Assessors are likely to suffer a loss as the need to provide an EPC will increase from 3 years to 10 years, so fewer EPCs will be purchased.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0		167	**1431**
High	0		228	**1959**
Best Estimate	0		197	**1695**

Description and scale of key monetised benefits by 'main affected groups'

On average, those selling and buying a property will save £78 from obtaining separate buying and selling components rather than obtaining a HIP. This will result in an overall saving of some £870m over a ten year period. In addition, sellers who are not purchasing another property will save a further £150 (as these costs shift to the buyer). Without a HIP the requirement for an EPC will be every ten years, (EU legislation) this will result in a saving of around £195m over a ten year period.

Other key non-monetised benefits by 'main affected groups'

Some estate agents can typically receive a referral fee of £50-£100 per HIP. There is no evidence to suggest what proportion of estate agents get a referral fee. There will be a lower number of duplications of searches. This is because a buyer will only purchase them when they are necessary, so no searches will go out of date.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

Projected transactions are scenarios calculated by CLG, relevant costs and benefits could alter depending on actual levels of transactions. The number of FTBs was also calculated using these projected transactions and using a long run average (ten year) figure of the proportion of mortgage completions who are FTBs. The recent downturn and tighter lending conditions haven't impacted this proportion significantly but there is a likelihood the figure could change over the next ten years. We assume the number of FTBs equal the number of sellers who are not purchasing another property so the benefits to this latter group offset the costs by FTBs. Figures for searches and savings of components are averages of a wide range of search/component prices that have been reported.

Impact on admin burden (AB) (£m):			Impact on policy cost savings (£m):	In scope
New AB:	**AB savings:** 37	**Net:** 37	**Policy cost savings:**	Yes/No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England and Wales		
From what date will the policy be implemented?			21/05/2010		
Which organisation(s) will enforce the policy?			None		
What is the annual change in enforcement cost (£m)?			0		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:**		**Non-traded:**
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			**Costs:** 100		**Benefits:** 100
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	**Micro**	**< 20**	**Small**	**Medium**	**Large**
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on…?	**Impact**	**Page ref within IA**
Statutory equality duties[1] Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes	11
Small firms Small Firms Impact Test guidance	Yes	11
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

[1] Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	2008 – The Home Information Pack (amendments) (No.3) Regulations 2008. http://www.opsi.gov.uk/si/si2008/uksi_20083107_en_1
2	2007 – The Home Information Pack (No2) Regulation 2007 (2007 No 1667) http://www.opsi.gov.uk/si/si2007/uksi_20071667_en_1
3	2006 – HIP Baseline Research: Main Report http://www.communities.gov.uk/publications/housing/hipbaselineresearch
4	2004 - The Housing Act 2004 http://www.opsi.gov.uk/acts/acts2004/ukpga_20040034_en_14#pt5

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Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y_0	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7	Y_8	Y_9
Transition costs	0	0	0	0	0	0	0	0	0	0
Annual recurring cost	117.4	118.4	119.5	120.5	121.6	122.6	123.7	124.8	125.8	126.9
Total annual costs	117.4	118.4	119.5	120.5	121.6	122.6	123.7	124.8	125.8	126.9
Transition benefits	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits	189.7	191.4	193.1	194.9	196.6	198.3	200.0	201.7	203.4	205.1
Total annual benefits	189.7	191.4	193.1	194.9	196.6	198.3	200.0	201.7	203.4	205.1

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Background

1. HIPs were introduced on a phased basis from August 2007. The decision to introduce mandatory HIPs followed research which found that the home buying and selling process in England and Wales was among the slowest in Europe, was characterised by delays and failed transactions and did not look after the interests of consumers.

2. The main problem identified by the research was that important information needed to inform buyers' decisions only became available after terms had been negotiated and agreed. HIPs were intended to address this by requiring sellers to make this key information available to potential buyers when they show interest in a property.

3. The key objectives for introducing HIPs were therefore to reduce stress, delays and wasted costs and improve consumer satisfaction overall.

4. From 6th April 2009 transitional measures were removed so a home could then only be marketed for sale if a HIP was available. These changes also introduced the new Property Information Questionnaire (PIQ). The duty to have a HIP applies to the "responsible person" which can either be the seller of the property or a person acting as an estate agent for the seller. HIPs can be assembled by specialist HIP providers, estate agents, conveyancers or individual sellers. There is no evidence which suggests what share of the market these groups make up.

5. A HIP comprises the following components:

Required HIP Document	**Position after Suspension**
Index (lists documents in HIP)	Not required
Property Information Questionnaire (prepared by seller and answers standard question about the property.	Not required
Energy Performance Certificate	Seller still required to provide this
Sale Statement (summary of property, terms of sale and seller)	Not required
Sustainability information (New homes only, Code for Sustainable Homes measures the environmental impact of a new home)	Seller – but subject to commencement of powers in Sections 279 – 293 of the Housing and Regeneration Act 2008
Standard Searches (Local Authority and Drainage and Water Search)	Will become responsibility of buyer
Land Registry evidence of title (for registered property)	Will become responsibility of buyer
Land Registry evidence of title (for unregistered property)	For seller to provide but only when requested to by buyers solicitor
Copy of lease (leasehold sales only)	Buyer can obtain copy from Land Registry or request seller to provide

6. Of all the components only the EPC will be legally mandatory. A decision on requirement for sellers of new homes to provide sustainability information will be taken in due course. It is highly likely the searches and evidence of title would still be purchased, even without the requirement of a HIP.

Objectives

7. It has been suggested that the need to produce a HIP imposes an unnecessary burden on sellers from which they derive little benefit, and has restricted some sellers from listing their property and the removal of HIPs would reverse this and there should be a rise in listings, and therefore a possible rise in transactions.

8. The policy would mean sellers only legally have to supply an Energy Performance Certificate (EPC).

Implementation

9. The Government has indicated that abolishing HIPs is a priority. The Secretary of State has decided that HIPs should be abolished and will seek primary legislation to repeal part 5 of the Housing Act at the earliest opportunity.

10. Given the importance of the policy it has been decided that suspending the HIP requirements should happen as an interim measure. This will be implemented via an Order under s162 of the 2004 Act. This enables the Secretary of State to suspend any or all of the HIP duties under Part 5 of the Act. In this instance there are two options:

- Not to consult on the grounds that the policy is a manifesto commitment and swift action is necessary. This could mean HIPs are suspended with immediate effect.
- Consult on the practicalities of unwinding HIPs and to provide a period for industry and consumers to adjust. This option means it would take at least 4-6 months before suspension could take effect. This option would raise any consequences of the policy that were not initially considered, thereby enhancing decision making.

Suspension of HIPs prior to the repeal of part 5 of the Housing Act 2004 would speed up delivery of the policy objectives. Suspending HIPs without consultation would further increase the speed in which action can be taken. Further reasons not to consult are:

- Long standing policy of new government appearing in Manifestos so policy implementation should be considered likely.
- There is a need for swift implementation of policy in order to minimise impact on the housing market. This will ensure that uncertainty in the market is kept to a minimum and should reduce disruption to the market.
- Important public interest in democratic process allowing new government to govern without being hampered unduly by actions of previous government.
- The consultation is unlikely to alter ultimate decision.

Therefore policy option 1 is the chosen policy option.

Research overview

There have been numerous studies by CLG and by external stakeholders. These are all listed in Annex 2, with key points from all. A brief overview is described in the following paragraphs.

11. Pilot schemes and initial evidence suggested opposition to HIPs amongst the industry, especially estate agents, despite buyers, sellers and professionals agreeing that more information was needed up front.

12. There was much dissatisfaction about the home buying and selling process both before HIPs were introduced and after.

13. Research suggested that a certain group of sellers, labelled “speculative or tentative sellers”, would be affected by the introduction of HIPs. Evidence explains it is this group that is likely to be affected by the need to provide a HIP, and suggests that some of this group would remove their property from the market. Europe Economics suggests this could be as much as 30% of sellers.

14. Initial evidence suggested that the introduction of HIPs has little effect on the market overall.

15. The disadvantages of HIPs were generally quoted as the HIP was not directed towards the buyer, specifically that the pack was “too full of jargon”, that the requirement to have a HIP before marketing caused an unnecessary delay, and that the pack missed vital information, e.g. the structure of the property.

16. The general advantage was cited as giving extra information to the buyer, which in some cases affected the choice of the buyer on whether to make an offer.

Sensitivity Analysis

17. Transactions forecasts used in the calculations of the costs and benefits have been arrived at by taking the latest (2007) private stock figure for England and Wales as the baseline stock figure and then assuming annual net additions of 175,000 units (based roughly on total 2008/09 net additions figures for England and Wales) to arrive at a stock figure for each year. The core figures for transactions are then arrived at by taking 6.4% (the latest England and Wales private turnover figure, taken from data in CLG Live Table 588) of the stock figure for each year. To undertake some sensitivity analysis, the low and high transactions figures are calculated in the same manner as the core transactions figures, but with an assumed turnover rate 1 percentage point below and above the core turnover rate respectively (the +/- 1ppt seemed a sensible range in light of historic turnover rates; turnover is not particularly volatile and has not strayed outside this range over the past decade).

This leads to transactions scenarios (and corresponding NPVs) as set out below:

	Transactions Scenarios '000s)		
	Low	Core	High
Y0	1,054	1,248	1,442
Y1	1,063	1,259	1,455
Y2	1,073	1,270	1,468
Y3	1,082	1,282	1,481
Y4	1,092	1,293	1,494
Y5	1,101	1,304	1,507
Y6	1,111	1,315	1,520
Y7	1,120	1,326	1,533
Y8	1,130	1,338	1,546
Y9	1,139	1,349	1,559
NPV	**£546m**	**£647m**	**£747m**

Costs and Benefits (of abolishing HIPs)

Costs

18. Removing HIPs would not lead to any significant additional overall costs, but would have distributional impacts, as the policy shifts payment from the seller to the buyer.

19. The majority of buyers are also sellers but first time buyers (FTBs) – who account for approx 38% of mortgage completions – would be adversely affected. FTBs will have to pay to conduct searches which will cost approximately £150 (between £140-160) on average for both a Local Authority or Personal search (£100-£110) and a drainage and water search (£40-£50). This is unlikely to have a significant impact on the market because it is a relatively small proportion (roughly 3%) of transaction costs, which are, on average, £5000 per transaction.

N.B. The average transactions figure of £5000 (from 2007 RIA, link above) is the average cost of transactions across all buyers, not just for FTBs. It is likely that the average cost of transactions for a FTB is cheaper than that of an average buyer due to lower stamp duty. This effect will be heightened with the recent increase in the stamp duty threshold to £250,000. This will make transactions costs lower on average for FTBs. Although this makes the extra cost a higher proportion of overall transactions costs, it means the FTB has a higher disposable income (from not having to pay stamp duty) which would allow the buyer to pay for the searches.

20. Where transactions do fail, this will result in more searches being conducted as the search will stay with the buyer whereas at present the seller conducts the search (so it stays with the property). Currently 20% of transactions fail but because the searches stay with the seller these are not wasted. If the searches became the responsibility of the buyer then they would be lost if a transaction fails. This would mean for one in every five transactions, £150 would be spent on unnecessary searches.

21. This figure is calculated given that 1 in 5 transactions fail. Given that 1 in 5 of concluded transactions results in a failure we can calculate a figure for total possible transactions (for 2010): (1,248,000/80)*100=1,560,000. This gives us 312,000 further possible transactions. Multiplying this by the cost of the average cost a buyer pays for searches gives us a figure of £46.8m paid on unnecessary searches in 2010.

22. The industry that was created to compile the packs is likely to suffer losses. HIP providers will lose revenue because they will not be able to charge for bringing together information in a mandatory pack. Some HIP providers will continue to offer searches (and EPCs) so impact may be mitigated.

Benefits

23. There are benefits to sellers who are not buying another property. This is because the policy shifts payment from the seller to the buyer. Sellers will then not be required to conduct searches which will save them approximately £150. The number of buyers who are not selling has to be equal to the number of sellers who are not buying. Given a constant stock level, for every transaction there is a buyer and a seller so the numbers are equal. When allowing stock level to change, the numbers are still equal because even if a new build property if bought by a FTB there is both a buyer who is not selling and a seller who is not buying. Because of this the costs to FTBs equal the benefits to the 'leavers'.

24. The evidence for cost of a HIP based on informal monthly HIP data collection from a representative sample of HIP providers and estate agents suggests the average cost of a HIP ranges from £200-£300 + VAT. VAT is 17.5% at the time of policy implementation. This gives the average cost of a HIP of £235-£353 with a mid-range of £294. The seller does not have to purchase a HIP from a HIP provider though; they can compile the pack themselves. Evidence suggests this would cost them £198-£226, with a mid-range of £212. We assume that the proportion of sellers who compile the pack themselves to those who purchase form a HIP provider is 5:95. This split will give an average cost of £290.

25. Without the need of a HIP it is likely that the seller will still provide evidence of title and an EPC, although only the latter is a legal requirement. The buyer will purchase the Local Authority/ Personal Search and Drainage and Water search. These will total to £198-£226 with a mid-range of £212. This gives a saving to the consumer of £78 without mandatory HIPs. Applying this to all transactions creates a consumer surplus of £870m over a ten year period (discounted figure). This is calculated as the difference between the cost of the individual components of the HIP that will be still needed after the policy is implemented and the cost of the HIP.

26. Some estate agents typically receive a referral fee of £50-£100 per HIP. Abolishing HIPs would result in the loss of this fee but estate agents remain opposed to HIPs and so clearly back the proposal.

27. Currently some buyers have to renew a search on a property that has been listed for a certain length of time. It is commonly accepted that searches have a shelf life of 6 months, based on advice in the CML handbook. Without a HIP the buyer will only purchase the searches when they need to which will prevent the duplication previously mentioned. There is no evidence on what proportion of searches currently go out of date so this benefit cannot be monetised.

For costs and benefits from changes involving EPC's see paragraphs 48-51.

Other impacts

Time on the market

28. Figures from Hometrack show that the average number of weeks to sell - time on the market - changed dramatically between early 2007 and late 2009 (from 5.8 weeks in May 07, to 12.3 in Jan 09 and back down to 8.4 weeks in Nov 09). The initial rise from August 2007 (when HIPs began to be introduced) cannot be attributed to HIPs because this coincided with the credit crunch.

29. At this time there were numerous impacts upon the market, in particular a lack of credit. This meant buyers were unable to get mortgages that they could have done previously. This would inevitably lead to an increase in average time to sell. Furthermore, around Q4 2008, when the average mortgage rate began to fall (suggesting an increasing willingness by banks to lend), there was a corresponding fall in time taken to sell. This suggests that the average time taken to sell is driven by other fundamental factors and it is unlikely the existence or otherwise of HIPs has a significant impact.

30. Although the average time on the market has since stabilised at a level above the pre-credit crunch average (6-month average to April 2010 is 8.4 weeks, 6-month average to December 2006 is 6.5 weeks) this is still likely due to tight credit restrictions, e.g. lenders requiring a large deposit to obtain a mortgage and to ongoing uncertainty in the market.

31. Another factor that affects the 'time on the market' figures is the level of transactions. In a market where there are few properties on the market and only few transactions take place (a "thin" market) time on the market would typically be shorter than that of a more active market. The removal of HIPs is likely to coincide with a continued recovery in the housing market, which means any change in the time on the market figures cannot be explicitly due to the policy.

32. Although the removal of HIPs could see an increase in sellers, a large proportion of these additional listings may only be speculative sellers. These are just 'testing the waters' and just gauging interest in their property. These are likely to reject offers on the property and so will remain on the market for an amount of time which is greater than the average. This may result in an increase in the average time on the market.

33. The conclusion is that there will not be any significant impact upon the average time on the market. If there is any effect, it may increase the average time to sell a property due to an increase in speculative sellers.

Listings

34. There may be a rise in the number of listings once HIPs are no longer mandatory but these will largely be only speculative sellers. The evidence from Europe Economics shows that roughly 8% of sellers were likely to be affected by the introduction of HIPs because they were only "testing the water" or listing for "financial gain". A further 27% could be affected who "hadn't found a property". This research was carried out in 2007 and the market has changed considerably since then. The current proportions could have changed considerably but still it remains likely there will be a rise in the number of listings. This is unlikely to have a significant impact on transactions as speculative sellers are less likely to sell than other types of seller.

35. Evidence suggests there was little effect on listings in the second half of 2007 when HIPs were introduced. There were lower levels of listings in 2008 which was likely to be due to falling houses prices. The trough in house prices occurred around February 2009. In February 2009, prices started to rise again but listings remained low for the rest of the year. This is likely to be due to a combined effect of credit rationing (not only did potential buyers struggle to finance a transaction but sellers struggled to obtain a mortgage for the house they were buying too) and still relatively low house prices.

36. Although initial signs from 2010 suggest confidence amongst sellers may be returning with higher levels of listings, they are still down on figures seen in 2006 and 2007. This is not surprising as the main house price indices suggest prices are still 8-15% down on their peak levels in 2007.

37. This suggests that it is other factors that drive levels of listings and, since the introduction of HIPs seems to have had little effect on listings, we do not think that the removal of HIPs will have a significant effect either. If there were a delay in the removal of HIPs, e.g. due to a consultation period, then there could be a slight fall in the number of listings for a few months. This could have an impact on transactions and house prices however this fall would only be transitory so would have no major impact in the medium or long run.

Buyers & Sellers

38. As previously mentioned, the abolition of HIPs will shift some costs back to the buyer, as was the situation pre-HIPs. This is unlikely to affect most people in the market as the majority of buyers are also sellers. There are two groups that will be affected: first-time buyers, and sellers who are not purchasing another property. As sellers do not have to foot the bill for searches this will benefit them. For first-time buyers, this adds another rung on the ladder to owner occupation as they will now need more savings to fund these searches as well as other transactions costs and a deposit for a mortgage.

39. However, because the additional cost is a small proportion of total transaction costs, and an even smaller proportion of the total transaction, it is unlikely there will be a significant impact upon FTBs.

40. It is worth noting that currently in the market there is a new tax exemption on stamp duty for FTBs up to a new threshold of £250,000. The savings that FTBs will see here will likely be more than the additional cost of the searches needed.

Transactions

41. The number of transactions is unlikely to be significantly affected by the removal of HIPs; although we have argued it is possible that listings may increase, these effects are likely to be small. Speculative sellers are not part of effective supply, and only a small proportion would be encouraged to sell by a better-than-expected offer.

42. There is considerable volatility in transactions but the general trend ties in closely with the credit crunch. This suggests transactions were not heavily affected by the introduction of HIPs so it is unlikely that they will be significantly affected by their removal.

House prices

43. We conclude that there will be very little impact on house prices. Prices are driven by other factors: fundamental indicators such as interest rates, the mortgage market, affordability, consumer confidence and levels of supply.

EPC requirements

44. As part of the proposal to suspend HIPs we propose to change the requirements regarding when an EPC is provided in the home buying and selling process. At the moment Regulation 5(2) of the 2007 EPBD regulations state that an EPC is required:

(a) At the earliest opportunity; and

(b) In any event before entering into a contract to sell or rent out the building or, if sooner, no later than whichever is the earlier of:

(i) In the case of a person who requests information about the building, the time at which the relevant person first makes available any information in writing about the building to the person; or

(ii) In the case of a person who makes a request to view the building the time at which the person views the building

45. The regulations will be changed to provide that a seller must prove to the person acting on behalf of the seller that an EPC has been commissioned before the property is marketed for sale. A full EPC will be required to be provided before contracts are exchanged. This proposal aims to speed up the transaction by enabling sellers to market their properties more quickly without a full EPC in place.

46. This proposal will not have a substantial impact in terms of changes to costs because the seller will still have to provide an EPC but will have more time to do so.

47. The benefits of the proposal are that sellers will be able to market their property for sale without having a full EPC in place; this should speed up the home buying and selling process.

Changes to the EPC validity period

48. Regulations require that an EPC included in a HIP must be no more than three years old at the first point of marketing. When HIPs are suspended this regulation will no longer apply and the validity period of an EPC for a property marketed for sale will revert to ten years which is the amount of time that EPCs are valid for other transactions and a requirement under the Energy Performance of Buildings Directive.

49. It is estimated that the impact of the change in validity period from three years to ten years will have the following costs and benefits:

Costs

50. Foregone revenue to Domestic Energy Assessors (DEAs) who will have fewer EPCs to produce/ less business.

Benefits

51. EPCs will be valid for a longer period of time which will mean that they do not have to be updated as often; this will result in a financial saving for sellers. On the basis of average turnover rates and the distribution of turnover rates, it has been calculated that EPC savings will be realised on around 35% of transactions if HIPs are abolished. At a saving of £50 per EPC, this comes to a saving of around £195m over a ten year period (discounted figure). This is derived from multiplying through the number of transactions by the average cost of an EPC (£50) by 35% (the rough percentage of transactions on which additional EPCs will not be needed when HIPs are abolished). This 35% is calculated from analysis on the average length of residence by tenure from the Survey of English Housing.

Greenhouse Gases

52. The validity period of an EPC changing from three years to ten years for properties marketed for sale will not have a substantial impact on the assessment of changes to greenhouse gas emissions. If it were to be estimated as having an effect, this would be on the premise that consumers are more likely to act on energy efficiency information that is more up to date. We do not have the evidence to provide that this is the case.

53. We are currently planning research into the effects of EPCs on consumer behaviour and the extent to which EPCs result in behaviour change. As part of this research we will be investigating views on the EPC validity period. It is expected that this research will provide an evidence base for determining the appropriate validity period for EPCs.

Admin Burdens

54. Administrative burden savings will be realised by developers who no longer need to pay for HIPs. These savings are calculated here by multiplying the cost of a HIP by the number of new builds (it is assumed here that all new builds are undertaken by a developer) that are then sold to an owner-occupier (those directly rented do not require a HIP). This is done by taking an approximate figure of England and Wales new build, and then assuming that some 85% of these go straight to owner-occupiers (proxied through the owner-occupation/ private rented sector split of private stock). The cost of a HIP is assumed to be £290. In total this comes to an administrative burden saving of around £41m pa (£37m in 2005 prices).

Specific Impact Tests

Competition Impact Test

55. According to the OFT's competition filter questions, the policy will have an adverse effect on competition if

- it directly or indirectly limits the number of suppliers;
- limits the ability of suppliers to compete or reduce suppliers' incentives to compete vigorously.

56. Abolishing HIPs will eliminate a source of revenue for those businesses which provide HIPs. If any of these go out of business, this may indirectly limit the number of suppliers in related markets where HIPs providers are active (such as estate agents and EPC providers). However, the suppliers that are most likely to go out of business will be those for whom HIPs are the main source of revenue, suggesting that the competition impact on other markets will be limited.

57. The removal of government regulation making HIPs compulsory may mean that providers of similar products will have to compete more vigorously to provide better quality, value-add products to homebuyers, which include similar information.

58. Suspending HIPs may lead to solicitors re-establishing their links with local authority search departments and to LAs securing a greater share of the property search market, with the market share of private companies reducing; however we cannot be sure when or by how much. However this does not necessarily mean that competition in the market will be reduced, but rather that remaining players will have to compete more vigorously for market share by adding value to LA information.

Small Firms Impact

59. There are a variety of organisations currently providing HIPs including specialist providers, conveyancers, estate agents and individuals. 161 currently subscribe to the HIP Code (voluntary industry code)[2]. The majority of these providers will be SMEs but some will be large national estate agents. According to the Association of Home Information Pack Providers (AHIPP)[3] there are around 35 medium to large HIP providers, in addition to a number of smaller independent providers, but these numbers are difficult to gauge as is the number of jobs they support. AHIPP estimate that there are between 3,000 and 10,000 individuals whose livelihoods are either directly or indirectly dependent on HIPs[4].

60. Some HIP providers were created solely for the introduction of mandatory HIPs, while others evolved from within existing companies such as estate agents. While there maybe providers who only bring together documents to compile HIPs, most will also offer additional services such as preparing Energy Performance Certificates (EPCs) or local searches.

61. A suspension of HIPs is likely to rapidly reduce their business and in some cases may lead to job losses. Some providers are self-employed and could potentially lose their livelihood. We expect that some HIP providers will mitigate the effects of suspension by continuing to offer EPCs (which will stay mandatory once HIPs are abolished) and local searches (which will still be used as part of the conveyancing process) and domestic energy assessors (DEAs) will continue to prepare EPCs.

62. It may be that some HIP providers will try and adapt to the abolition of HIPs by providing similar products on a voluntary basis, but take-up is unlikely to be high and so they will have to compete more vigorously to provide better quality, value added products to homebuyers.

63. The change in the validity period of EPCs from three years to ten years will mean that fewer EPCs are produced and therefore less work created for Domestic Energy Assessors (DEAs). It has been estimated in the analysis that over a ten year period the consumer will save £195 million on EPCs that would have had to be produced under the shorter validity period. This figure can be translated into the approximate amount of income over a ten year period that DEAs will forgo.

Other Impact Tests

An equality duties assessment is currently being considered.

We have considered a greenhouse gas assessment and have deemed the policy to have no impact.

We have considered a wider environmental issues assessment and have deemed the policy to have no impact.

We have considered a health and well-being assessment and have deemed the policy to have no impact.

[2] http://www.hipassociation.co.uk/hip_code
[3] http://www.hipassociation.co.uk/
[4] http://www.wedlakebell.com/Default.aspx?sID=752&cID=476&ctID=43&lID=0

We have considered a human rights assessment and have deemed the policy to have no impact.

We have considered a justice system assessment and have deemed the policy to have no impact.

We have considered a rural proofing assessment and have deemed the policy to have no impact.

We have considered a sustainable guidance assessment and have deemed the policy to have no impact.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added to provide further information about non-monetary costs and benefits from Specific Impact Tests, if relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

It was felt that in this case a PIR is not appropriate and not value for money as the suspension of HIPs is a deregulatory measure. The Government's view, and a clear commitment in the manifestos, is that HIPs are a costly and unnecessary burden and have not delivered clear benefits for consumers and should therefore be removed.

The Office of Fair Trading published a market study of home buying and selling on 18th February and the Government will consider the need to review its policy objectives and the rationale for intervention in the home buying and selling market when setting out its response to this report.

Annex 2: Research and Evidence

This section outlines relevant findings from particular studies commissioned by CLG and external organisations. All links provided unless not published.

Research commissioned by CLG

1. Home buying and selling in Denmark and New South Wales & Housing market transactions: international comparisons (1997/1998)

- Early evidence of effectiveness of a housing pack in other countries.
- Danish evidence most influential in policy development.

2. Key research on home buying and selling (1998) [Martin Hamblin, now part of GHK]

http://www.communities.gov.uk/archived/publications/housing/keyresearch

- Report found that buyers, sellers and the professionals (estate agents, solicitors and lenders) all agree that sellers should provide surveys/ valuations on the property or offer more information up front.

3. Evaluation of the Bristol Scheme (1999/2000) [Martin Hamblin]

http://www.communities.gov.uk/publications/housing/evaluation

- Industry quickly became opposed to the Home Condition Report.
- Low level of awareness among professionals led to mixed outcomes of pilot.

4. The Potential Impact of HIPs in Low Demand Areas (2002/2003) [University of Stirling]

http://www.communities.gov.uk/publications/housing/potentialimpact

- Evidence accepted not to red line low demand areas or low value properties from HIPs.

5. Piloting the Home Condition Report (2004)

http://www.communities.gov.uk/publications/housing/pilotinghome

- Defined the professional competences required to be trained as a Home Inspector.

6. HIPs Research (Consumers) (2004/2005)

http://www.communities.gov.uk/documents/housing/pdf/138160.pdf

- Continued evidence of consumer dissatisfaction with transaction failures.
- Very little awareness of the proposed legislation.

7. Baseline for evaluation (2006) [Ipsos MORI, Building Research Establishment]

http://www.communities.gov.uk/publications/housing/hipbaselineresearch

- 21% of buyers and sellers were dissatisfied with the overall buying/selling process. More than 35% of buyers and sellers were dissatisfied with the length of time it took. However, 82% of solicitors were satisfied with the efficiency of the current system.
- 23% of 'concluded' purchases (i.e. those that either completed or failed) were failures. This means just over one in five individual transactions break down.

8. Area Trials (2006/2007) [Ipsos MORI]

http://www.communities.gov.uk/publications/housing/hipareatrials

- Highlighted process issues regarding estate agent handling of HIPs. No specific outcomes.
- Transaction times much the same as the baseline given dependency on the chain.

9. Home Information Packs: Housing Market analysis [Europe Economics] (2007)

- Report investigated which sellers would be affected by the introduction of HIPs. It found that 27% of sellers had "not found a property", 4% were "testing the market" and 4% had listed for "purely financial motives". This 35% is labelled as "speculative or tentative sellers". Of this, the latter two (8%) were likely to be affected by the introduction of HIPs. The additional cost would deter them from listing without a real motive. Whether the group that hadn't found a property would see a fall in numbers remains unknown.
- The expected scenarios show there would be no change in the time on the market and any change in listings are "not so dramatic as to be outside the normal noise found within the number of listings and which is already well tolerated by the housing market." In a few scenarios, listings were affected by no

more than 10% and these were just transitory so were predicted not to have any lasting effect on the market.

- The main conclusion from the report was that although prices would rise or fall over the next year, this could not be attributed to the impact of HIPs. It is the fundamental drivers of supply and demand that determine house prices.

10. Consumer focus groups (2008) [Ipsos MORI]

- Research found that few participants had read through a HIP for their property in any level of detail.
- The majority were optimistic about the future of HIPs saying that "it is a step in the right direction to making the buying and selling process more transparent".
- The most commonly cited advantage was that the requirement for a HIP would ensure greater commitment from sellers and would prevent those who were not serious about selling their property from putting it on the market.
- Both buyers and sellers agreed that having all the necessary information up front meant it was less likely that sales would fall through.
- The fact that the HIP is put together by an independent party was also seen as an advantage, with the caveat that the HIPs should be properly regulated by the Government.
- The additional cost involved in acquiring a HIP was not, in itself, a particularly strong concern for most participants. However, most felt that currently the cost was not sufficiently balanced out by the benefits.
- Overall, it was felt that HIPs were too complicated to understand, too full of "jargon".
- Some buyers felt the HIP does not provide a complete overview of the property and that some vital elements are missing from its contents, e.g. information about the structure of the property, building regulations and local amenities.

Other evidence by CLG

11. Regulatory Impact Assessment (IA) (2007)

http://www.opsi.gov.uk/si/si2007/em/uksiem_20071667_en.pdf

- The cost of producing a HIP is unlikely to deter those who are seriously intent on selling so analysis assumes that there is no reduction in transactions. The RIA assumes that around a third of those who currently list but do not sell are deterred from marketing and that as a consequence the number of listings falls by 10%.
- Assumes that the introduction of HIPs would reduce listings, by 10% but that there would be no impact on the number of transactions. These figures were derived from research by Countrywide Estate Agents into the motivations of sellers which suggest that up to 30% of sellers may be marketing their homes without necessarily having a firm intention to sell.

Research commissioned outside of CLG

12. The Office of Fair Trading – Home buying and selling: A Market Study (2010)

http://www.oft.gov.uk/advice_and_resources/resource_base/market-studies/current/buyingandselling;jsessionid=9386CF278E5D501BC791436A408D3B8F#named5

- About 20% of transactions fail between offer and exchange.
- 56% of sellers and 76% of buyers in the survey with delayed transactions said that they had experienced 'general stress/worry' as a result.
- When asked the main reason for a failed transaction, the individual on the other side of the transaction was most likely to be blamed. This includes sellers reporting buyers withdrawing their offers, buyers reported being gazumped etc.
- Buyers are more likely than sellers to lose money as a result of a failed transaction. 67% of buyers with failed transactions had incurred costs, whereas only 37% of sellers had incurred costs.

- Criticism about HIPs tends to focus on the cost imposed on sellers and the requirement to have a HIP in place before a home is marketed, which is said to create delay. Some said the HIP contents are not helpful.
- On the positive side, there is some indication that HIPs help buyers make decisions about a property. 33% of buyers said that the HIP had some influence or a lot of influence over their decision to put an offer on the property.
- Report concludes that there is no significant positive or negative impact of HIPs in their current form. Nevertheless, HIPs make information available to prospective buyers early in the process, and some buyers' say they find the information useful and that it influenced their decision so could be argued that HIPs in their current form have a positive impact.