

Consumer Code of Practice

Consumer Code for Home Builders

13 September 2023

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. In 2010 46% of homebuyers were willing to recommend their homebuilder that figure is now 90%.

The Code aims to make the home buying process fairer and more transparent. It sets the mandatory requirements that home builders must meet in their marketing and selling of new homes and their after-sales customer service. The Code applies to homes covered by the UK's main home warranty bodies NHBC, Checkmate, Premier Guarantee and LABC Warranty about 95% of the new homes market. The Code includes an independent dispute resolution scheme, an independently audited compliance regime and the power to apply sanctions including removing builders from home warranty schemes if they do not 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.

A Management Board, independently chaired by Noel Hunter OBE oversees the administration of the scheme. The Board is supported by an Advisory Forum which, along with industry stakeholders, includes representatives from the Chartered Trading Standards Institute and Citizens Advice.

Audit Process

The focus of the audit was on

- Member Application processes
- Member Auditing
- Sanctions for non-compliant businesses
- Marketing and Advertising by Member businesses
- Customer service provisions (including support for vulnerable consumers)
- Consumer complaints process
- Customer Satisfaction, information/complaints from enforcement agencies and consultation with consumer groups

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 12,000 builders signed up to the Code through registration with the warranty bodies, although only around 5000 are actively building. The Code's supporting warranty bodies are NHBC, Premier Guarantee, LABC Warranty and Checkmate.

The Building Safety Act 2022 provides for the Secretary of State to approve a statutory Code of Practice in the new homes sector and a statutory ombudsman but at this stage no approval has been given.

The Code's Board carried out an independent review, overseen by John Bridgeman CBE and which has now been completed. The primary purpose of the review was to plug the gaps in consumer protection that have been identified in recent years.

Good Practice

The Review has recommended that the CCHB should be aligned with others in the marketplace. This decision is to be applauded as it provides for a higher level of consistency but also collaboration between the Codes.

CCHB assisted the New Homes Quality Board Code in the drafting of its New Homes Quality Code that has attempted to plug some of the gaps in consumer protection issues. The revised CCHB Code follows a similar format.

Member Application Process

The Code has three supporting home warranty providers, NHBC, MD Insurance Services (Premier Guarantee and LABC Warranty) and Checkmate who require their registered developers to comply with the Code. It is estimated that between these warranty providers there are around 12,000 registered builders but only around 5,000 actively building accounting for approximately 95% of the new homes market.

Each new home warranty provider has its own system that has developed in conjunction with CCHB for assessing membership applications. They carry out various checks to assess the solvency and capability of the builder before accepting them into their scheme. The checks include finance checks, covering insurance risks, directors' checks, and the members use external credit reference agencies e.g., Credit Safe; D&B Credit.

All the warranty providers require the registered developers/builders to renew their membership of their warranty scheme each year for future developments. Before agreeing to a builder renewing their registration, the new home warranty providers will carry out a risk assessment, which takes into account the builder's financial strength, the data gathered from issues dealt with under the Resolution service and any claims made.

Member Monitoring

To encourage all home builders to comply with the Code, and to measure its effectiveness and to establish whether any additions or improvements are necessary, several monitoring activities are carried out by the supporting home warranty bodies and the Code.

The construction of new homes will be inspected at certain stages of the build by the supporting new home warranty body for compliance with their relevant technical requirements. This is generally six times per plot, though this can be more in the case of an inexperienced builder.

In addition, each month the Code randomly selects 30 builders who are required to complete a six-page desktop self-assessment questionnaire. Approximately 200 site visits are also arranged on behalf of the Code each year. Recently these site visits were performed remotely but on-site visits to sales offices have restarted. These audits equate to about 10% of those home builders who are registered and actively building in the year and, therefore, in accordance with the agreed audit plan. The Code provided an example of correspondence sent to a developer following a site visit. The response to this letter was also provided which detailed what the developer intends to do, to address any identified non-compliance.

Every decision made by the Independent Dispute Resolution Scheme is reviewed. Where a breach of a Code requirement is identified, the builder is contacted and required to explain the steps they will take to remedy the situation.

Withdrawal from membership and non-compliant businesses

In 2023 there are two cases so far where a member has failed to comply with the Code. Both failed to honour the Adjudicator's award under the Independent Dispute Resolution Scheme which is a breach of the Code Rules.

The first case had been treated as an early settlement but the homebuilders had stopped communication with the IDRS administrators. Following a review the Administrators were told to escalate the case and go to Adjudication.

The second case concerned an issue regarding compliance with an Award made by an Adjudicator. In this instance there was disagreement between the parties as to whether the home builder had fully complied with the Adjudicator's directions and the matter was therefore escalated to the home warranty provider.

Due to the nature of the allegations neither case would have met the criteria to invoke the formal non-compliance procedure.

For the purposes of the Audit, documents were produced to show the steps required to be taken by the home warranty provider against a company that clearly breached the Code rules.

It is clear that a failure to comply can lead to the home warranty provider removing the builder from their Register or suspending or withdrawing the certificate of insurance. This acts as a strong deterrent as the home builder is not able to sell future properties.

The Code's non-compliance procedure is overseen by the Disciplinary and Sanctions Panel and which reports to the Management Board.

Marketing and Advertising by Member Business

Home builders are required to display the Code logo in their site sales offices and on their sales brochures. Many developers have moved to on-line interactions with their customers and are now required to display details of the Code on their websites.

Home builders are provided with the Code logo in a variety of formats (free to download from website), along with the branding guidelines. They are also able to obtain, free of charge, window clings to use in their site sales offices.

The promotion of the Code is audited both in the desktop self-assessment audits and during site visits. CCHB were able to demonstrate a reasonable level of compliance with the Code and the steps they take to advise the home builder of their obligations.

Terms and Conditions and other Pre-Contractual Information

The CCHB website gives the homebuilder access to template reservation agreements and other material that would help them comply with the Code. The Code does not provide standard Terms and Conditions but indicates what should be included

Their 'Right First Time' and 'Lessons Learned' section are particularly useful to consumers and homebuilders as they stem from the assessment of ADR rulings and other feedback.

Customer Service Provisions

During the year, there were 2676 general enquiries made to the Code representing a 3.5% increase on the previous year. The helpline is provided by an established and independent contact centre that has recently achieved the Cabinet Office Customer Service Excellence Award.

The team provide help with general queries about what the scope of the Code and how its requirements apply in the purchasing process but do not advise consumers or builders on whether a builder would or would not be compliant, Code breaches or individual cases. They will though, advise on how to raise a complaint to the Independent Dispute Resolution Scheme IDRS.

There is no fee for bringing a complaint to the IDRS so home buyers have easy access to redress should they believe the builder has not complied with the Code's requirements. Builders pay a fee when a complaint is raised against them as an incentive to provide a good service and encourage them to resolve issues expediently.

Consumer Complaints Process

In 2022 there was a total of 324 cases referred to the IDRS an increase of 5.5 compared to 2021. The increase demonstrates that the consumer is recognising the usefulness of the service and should continue to increase as the profile of the Code is raised.

All ADR rulings result in a letter to the CEO of the relevant company with a follow up when needed. Lessons learnt from the findings of the ADR process are published each year.

Disciplinary and Sanctions Panel

The Disciplinary and Sanctions Panel review all cases that go through the Independent Dispute Resolution Scheme and consider trends which may need to be addressed more generally across the industry. If a breach of the Code is identified a letter is issued to the relevant company as referenced above. They are offered advice and guidance on preventing a re-occurrence as necessary. Most home builders are keen to learn lessons from the Adjudications and improve their customer service where they can.

Responses from the recipients were provided which demonstrated the value of the process.

Customer Satisfaction and Feedback

The Consumer Code for Home Builders has one of the most extensive customer satisfaction surveys in this sector. Every home buyer in its scheme receives a customer satisfaction survey six weeks after they have moved into their new home. The last survey was sent to 99,726 homes and the response rate was 60%.

IPSOS and MORI input to the survey but the responses are analysed by Reading University. Their results including the ratings of the builders are provided to the Home Builders Federation which publishes them in March each year.

Conclusion

CCHB continues to strive for even higher standards. Armed with the recommendations of the Independent Review they are a driving force for change and improvement.

Their willingness to collaborate and share their knowledge and experience to improve consumer protection in the new homes sector is to be commended.

CCHB maintains effective and regular communication with the industry, consumers and stakeholders. This is essential to enhance awareness and therefore the impact of the Code and particularly important given the number of Codes currently operating in the new homes market.