

RICS view: HIPs and Energy Performance Certificates

RICS has consistently supported improvements to the home buying process and has worked with the Government over a number of years to achieve this including providing support and advice on the development of HIPs.

However, as Department of Communities and Local Government (DCLG) plans for implementing the policy have emerged in the last year, our concerns have grown.

DCLG has continued to over-regulate elements of the remaining HIP package leaving what we now view as a poor and expensive product.

In addition we consider the 1 June implementation date to be unworkable.

We note that, although the original purpose of the HIP was to improve the home buying and selling process, the government's stated intention is now "introducing HIPs as part of wider reforms to cut carbon emissions from homes".

The government's own independent regulation watchdog, The Better Regulation Commission, has recently suggested that the 'greening' of the HIP in this way has led to poor regulatory proposals and insufficient consultation and scrutiny.

RICS supports this view whilst also emphasising that its full commitment to improving the energy efficiency of homes.

RICS, with other leading industry bodies, has consistently attempted to cooperate and collaborate with government on this initiative, offering its expertise and constructive comment, whilst cautioning against what we believe are ill-advised aspects of the implementation proposals.

RICS is uniquely placed to offer its perspective as the leading property professional body, required by its Royal Charter to place the public interest at the core of all its activities and ahead of its members' own interests.

In this paper we set out the key issues as we see them and propose industry and market led solutions which will deliver all the Government's policy objectives at a much reduced cost to consumers.

Content of the HIP

In July 2006 government decided to remove the requirement to provide a Home Condition Report as a component part of the HIP.

In January 2007, government announced that, at least until January 2008, two other key components of the HIP, local authority searches and leasehold information, need not be included in the pack as long as they have been requested.

This means that the HIP now contains only the Energy Performance Certificate (EPC), the title deeds (if the property is registered), a sales statement and the pack index. It is essentially an empty pack.

RICS solution: delay introduction of the HIP until all the documents that a buyer will need can be obtained quickly and easily by the seller, producing clear improvements to the conveyancing process.

Energy Performance Certificate (EPC)

Government has decided that the EPC must be available, up front in the HIP, every time a property is marketed. It believes that prospective purchasers will make decisions to view property on the strength of a favourable EPC but has provided no evidence to support this.

RICS supports the government's aim of reducing carbon emissions from homes and improving the energy efficiency of homes but has identified three reasons why the government's approach is not the best solution.

1. Causing an additional car journey to each marketed home (for instance on top of a survey or valuation visit), purely for the purposes of producing an EPC, will cancel out the benefits of providing the EPC up front.
2. The government's approach will cost consumers considerably more than RICS' alternative.
3. The requirement to produce a new HIP every time a property is marketed represents a gold plating of EU legislation which only requires a new EPC every ten years. It is contrary to government policy to gold plate EU legislation without having demonstrated any beneficial effect.

RICS solution

Adopt a flexible approach that allows the provision of the EPC at any stage in the transaction, for example when a mortgage valuation is prepared.

This would enable the EPC to be supplied at a competitive cost to the consumer and would reduce the number of journeys to properties, with a consequential reduction in carbon emissions compared with government's approach.

This flexible solution should be coupled with incentives and consumer education on the benefits of improving energy efficiency in homes, including to home owners who are not selling their home.

Supply and quality of Domestic Energy Assessors

RICS notes that, to supply EPCs at the rate required to meet market demand, an estimated 1600-4300 Domestic Energy Assessors (DEAs) will be needed from 1 June 2007.

The unnecessarily complicated training and qualification regime government has adopted for Domestic Energy Inspectors makes this unlikely: so far we believe there are fewer than 300.

What is more, the approach contrasts strongly with the government's complete lack of qualification requirement for fire risk assessors whose work deals with considerably higher risk than that of an energy assessor.

Furthermore, through its 'open access' approach, government is encouraging new entrants, with no previous property experience, to enter this market.

There is no requirement under the legislation government proposes, for these new entrants to be vetted through the Criminal Records Bureau and yet these individuals will have regular and compulsory access to people's homes.

RICS solution: RICS believes that it is essential for all those entering people's homes by compulsion to be subject to a CRB check. Government should wait until it has legislated for this before introducing the requirement for an EPC.

In order to keep consumer cost down, RICS also encourages government to use the existing supply of practising property professionals who are already trained for this work under DEFRA approved schemes and will produce reports to a high standard and in which the consumer can have full confidence.

Evidence for this policy approach

It is normal government policy to gather evidence before introducing major new policy initiatives of this magnitude. In this case, government has limited evidence based on area trials led by companies with a vested interest in making this policy work.

Government has funded these trials and consumer participants have received free HIPs and free Home Condition Reports.

We do not believe that the evidence from these trials is robust and government has not yet published a Regulatory Impact Assessment to support their decision to take these reforms, in their current form, forward. Neither has it consulted on the details of the legislation through which it proposes to adopt these changes.

RICS solution: RICS urges government to carry out a full and robust assessment of properly conducted trials and consult on the detail with key industry stakeholders before making the HIP compulsory.

Market Effect

A number of serious stakeholders in the property sector, including RICS and the Council of Mortgage Lenders (CML), have warned government of the high risks of this approach to the housing market and therefore the economy.

In July 2006 the government's decision to withdraw the Home Condition Report from the HIP was a recognition that there would be a lack of qualified Home Inspectors with a consequential risk of market disruption.

RICS believes that, taking into account the wide range of problems highlighted in this statement, a similar risk is attached to this policy, which coupled with interest rate rises and insufficient housing supply, is likely to have a negative effect on the housing market.

In particular we envisage a detrimental effect on first-time buyers from rising prices, shortage of supply and abortive cost with little discernible benefit if the policy is introduced in its present form.

RICS solution: RICS urges government to talk to responsible stakeholders, including RICS, to address concerns about the environment and the real problems in the buying and selling process. Our solutions include:

- A flexible, market led approach to Energy Performance Certificates to bring real environmental benefit, reduce inspection visits to homes and save consumers money
- Non-transactional EPCs to produce substantial reductions in carbon emissions across the housing stock
- Proactive regulation of estate agents to improve service to consumers
- Helping local authorities to solve problems with searches
- Reform of the way leasehold information is obtained during conveyancing.

Finally, we urge government to recognise that the world has moved on since the HIP was born 8 years ago – e-conveyancing, land registry changes and competition in the market for conveyancing services should achieve many of the improvements government, the consumer and the industry seek.

Let the market build on these improvements at minimal cost to the consumer and maximum benefit to the environment.