

Code for Home Builders Scheme

The Code for Home Builders Scheme (the Code) came into force on 1 April 2010 and applies in England, Wales and Scotland. It does not apply retrospectively.

Why has the Code been introduced?

The Code was introduced to provide buyers with more protection when acquiring a new flat or house or a newly converted flat or house. The Code aims to ensure that buyers:

- Are treated fairly.
- Know what service levels to expect.
- Are given reliable information on which to make their decisions.
- Know how to access low-cost dispute resolution arrangements if they are not satisfied.

Which builders and developers must comply with the Code?

Builders or developers that are registered with one of the home warranty providers that is participating in the Code must comply with the Code. You can check which home warranty providers are participating in the Code here: <http://www.consumercodeforhomebuilders.com>. They are currently:

- NHBC (<http://www.nhbc.co.uk>).
- Premier Guarantee (<http://www.premierguarantee.co.uk/home.aspx>).
- LABC New Home Warranty (<http://www.labcnewhomewarranty.co.uk/home.aspx>).

Which type of properties does the Code cover?

The Code does not apply to:

- New houses or flats that are purchased from builders or developers that are not registered with one of the participating home warranty providers.
- Second-hand properties that a participating builder or developer takes in part exchange and then resells.
- Properties built by self-builders for their own occupation.
- Properties built under architects' certificates.

What should builders and developers do to comply with the Code?

- Review standard sales brochures and supporting literature to make sure that they comply with the Code.
- Make sure that the terms of any businesses reservation agreements comply with the Code.
- Ensure that sales contracts are Code compliant.

Reservation agreements

A reservation agreement is an agreement between a buyer and seller of land which involves a written statement of intent to buy and sell a property. The terms of your reservation agreement must comply with the Code. The agreement should clearly set out the terms and include:

- The amount of the reservation fee.
- What is being sold.
- The purchase price.
- How and when the reservation agreement will end.
- How long the price remains valid.
- The estimated cost and nature of any management services the buyer must pay for.

The reservation fee must be reimbursed if the reservation agreement is cancelled. The buyer must be told of any deductions that may be made. You must not enter into a new reservation or sale agreement with another customer on the same property while the reservation agreement is in force.

What happens if there is a dispute?

Disputes are resolved using an adjudication process. If the adjudicator does not reject the claim, the adjudicator may issue:

- A performance award - where your business has to do something.
- A financial award - where your business has to pay money to the buyer.
- A combined award – a combination of a performance award and a financial award.

The **maximum value** of the combined award under the Code is **£15,000 (including VAT)**.

Penalties for non-compliance

If your business is found to be in breach of the Code, the home warranty provider can apply a range of sanctions, including:

- Removal from the relevant home warranty provider's register; and
- Exclusion from all registers run by other participating home warranty providers.

If your business is removed from the home warranty provider's register you will have to obtain home warranty insurance cover from another provider to satisfy those buyers purchasing a property with a mortgage. Your business will also remain liable for an award, even if it has been removed from the home warranty provider's register.