

Home Information Packs

The Housing Bill was passed in November 2004 and suddenly all the arguments for and against the principle of Home Information Packs became redundant. After 7 years of at times passionate debate, the new Housing Act provides the legislative framework for the introduction of Home Information Packs. The debate now is not whether or not HIPs should be introduced but when, how and by whom?

The when is fairly straightforward – a voluntary dry run from June 2006 and a mandatory requirement from January 2007. Although sceptics point to:

- the lack of progress with the Government Databank project which will hold all the Home Condition Reports.
- the perceived lack of Home Inspectors.
- the Government's reserved right to delay implementation if all the building blocks are not in place.

In truth, none of these is likely to delay matters other than by a few months.

The how? and the by whom? questions are much more taxing. The answers are going to depend on what the market does. Depending on your standpoint this can either be seen as a heaven-sent business opportunity or the sounding of a death knell.

Visualfiles is building a solution that will power the HIP 'engine' of First Title, one of the industry's leading players and which will be separately available, white labelled, for all other prospective HIP providers, be they estate agents, lenders, lawyers, surveyors or new ventures. Currently in development, the application will be available for pilot from Q4 2005.

What is a HIP?

A property cannot be marketed until a Home Information Pack is in place. It will contain a Home Condition Report giving detail of the property's physical condition; the standard searches and title information that paint a picture of the property's legal status and the usual disclosures made by sellers. Its compilation represents the interaction of estate agents, surveyors, lawyers, search providers and the government. This interaction together with the initial instruction and the subsequent HIP delivery will require a robust yet flexible, scalable technological infrastructure. Such a requirement plays to the strengths of Visualfiles.

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What are the early differentiators?

Cost

The Government estimates the cost at £635. The market thinks this is a minimum and talks about £700 - £1,000. The more important issue is whether anyone is going to offer a no move no fee service (almost certainly not) or a deferred payment option (all the large players will). Providers who need to charge up front will be severely disadvantaged.

Speed

Leading benchmark target is 5 working days from instruction to delivery. It's what we are targeting. There will be a lot of cases that fall outside this – eg. can't book the Home Inspector's visit – leasehold properties etc. If a Pack takes much longer than this, then again a proposition will look weak.

Route to market

There is something of a gold rush on at the moment as players try to tie up potential introducers – First Title have bought the Live Organisation for this very reason. Potential pack suppliers are courting the estate agents who will be the principal source of instructions, but also the lenders and mortgage intermediaries.

Impact on Solicitors

On the one hand, the legal content of a Pack doesn't need a lawyer – it's a collection of forms and documents that anyone can assemble. On the other, they have good PI insurance in place and an intimate understanding of the process and of handling clients. Also, some Pack suppliers will differentiate themselves by adding some legal advice which obviously needs a lawyer.

Some operations will try to dispense with solicitors altogether, others will contract with large direct operations and some might supply an interface to their HIPs application which will allow pretty much any solicitor to hook up to it. Once a Pack has been commissioned, the Pack provider will endeavour to persuade the seller to instruct one of their panel firms to act for them once the sale is agreed and also therefore on any purchase they might be making. This is a real threat to solicitors as clients are diverted.



Scenario One – Denial

Law firm does nothing. If requested by an existing client or an estate agent contact to prepare a Pack, they obtain constituent elements as they would today, writing out to client with Fixtures and Fittings and SPIF forms, applies for searches and title information. Delivers file to estate agent two weeks later as hard copy and presents their bill.

Comment

For the first time, doing nothing won't do. Producing HIPs quickly and accurately is now a key selling point for estate agents. They can't compromise. Law firms in denial will see their business disappear.

Scenario Two – The Self Help Group

Estate agency and Conveyancing are two of the last cottage industries – 70% of estate agency and 85% of conveyancing is in the hands of small independents. HIPs is as much of a threat to the independent estate agent as it is to the high street conveyancer.

Local alliances are formed where either estate agents or conveyancers source some HIPs software and produce good quality Packs between themselves – with the conveyancer handling the legal documentation and the estate agent supplying the Home Condition Report.

Comment

This scenario leaves business dynamics unchanged. The relationship between agent and conveyancer isn't changed and therefore it could be the easiest model to introduce. The danger is that costings and performance fall short of Scenario Three below, and consequently the estate agent breaks the link to the local conveyancer.

Scenario Three – The Impenetrable Outsourced Service

The market starts to fill up with seductive propositions that offer a turn key solution. "Send us your HIP instruction and we'll have an all singing, all dancing Pack back to you in any format you want within 5 days with nothing to pay up front". These operations will have nationally negotiated component supplier contracts in place with search providers, Home Inspectors and Conveyancers. Much of their efficiencies will flow from the economies of scale these contracts introduce.



A law firm's best option is either to step up to be one of the panel supplying the legal dimension (difficult for any but the largest – e.g. My Home Move) or to sit as a panel member waiting for the conveyancing referral off the back of the Pack production.

Comment

Law firms could either gear themselves up as volume providers (cost, business risk etc make this an option only for today's large direct operations) or possibly as specialist providers (e.g. leasehold cases, buy to let, developer plot sales) and secure a panel appointment in this way.

It won't be an option for many. Joining a local or regional panel for conveyancing referrals falling out from HIPs production may be the limit of their options. The fees are going to be suppressed (less work required acting for seller, negotiating strength of Pack provider).

Counting against it, many independent agents are likely to be reluctant to instruct any such model that have links to the large corporate estate agencies (eg Rightmove).

Summary

The market and the profession will be split across these three generalised scenarios. The nature of the fragmented, inertia riddled, estate agency and conveyancing industries means that Scenario 1, however intellectually unattractive, will to begin with, be a dominant model.

Beyond that, it is really only Scenario 2 that offers conveyancers a lifeline. Our HIPs solution will allow people to 'plug and play' their component suppliers so will fit this model (as well as Scenario 3). This should be the thrust of our advice to the majority of our clients – build the local and regional relationships now in the expectation of overlaying them with our technology next year.

