



Minister changes rules on HIPs again

Housing Minister, The Right Hon. Margaret Beckett MP, announced on 8 December 2008 that new rules are to be implemented affecting HIPs.

From 1 January 2009, the temporary change whereby a copy of a lease was the only mandatory requirement for a leasehold sale is now to be made permanent. Previously the Government's rules required more detailed leasehold information to become mandatory, to include management and service charge information. Such information is surely more useful to a buyer in deciding whether to put an offer on a property. The Government's argument for having just the lease is to simplify the process. This may be the case, but HIPs were introduced to give a buyer as much information about a property as early possible!

Under current rules sellers have 28 days from the first point of marketing to provide a HIP. The Housing Minister believes the new changes are required to make buyers better protected. From 6 April 2009 sellers will not be allowed to market a property until a required HIP is available. There is, however, a caveat, allowing sellers 28 days to produce searches, the most complex part of the HIP being the local authority search.

For all properties marketed after 6 April 2009, a new required component for a HIP will be the Property Information Questionnaire which will have to be completed by the seller. The Government's website has indicated that this is intended such forms will be completed by sellers without help from professionals. However there are certain questions such as whether a seller is aware if the property is a flood risk, whether the property is listed or in a conservation area, and for leasehold properties about the running costs of the building the flat is situated in, which most sellers are unlikely to know or may not have access to up to date information to answer the questions fully or accurately. For example, for leasehold properties a seller may not know what the budgets are for future expenditure. A prudent buyer would surely want confirmation from a property professional such as managing agents or have audited accounts for the last three years. The questionnaire otherwise provides basic information about the property including a leasehold summary, gas and electricity safety agreements and planning arrangements.

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From the 6 April 2009 personal searches, including an element of insurance, will not be allowed. This at least forces sellers to include full searches from either a local authority or an uninsured personal search. This addresses the current position where many HIPS only include personal searches with insurance which do not provide full replies to such questions as whether the property is on contaminated land or whether there have been any infringements of building regulations. This means the current practice of buyers having to request a full local authority search in addition to the insured search in a HIP will reduce. Often this was required where a buyer needed a mortgage to assist with a purchase, in order to comply with the Council of Mortgage Lenders requirements. However, the issue still remains that most lenders require searches not to be more than 3 months old at the point of an exchange and six months old at the point of completion. The practice will still stand if the search in a HIP is more than 3 months old a fresh search will be required to satisfy most lenders prior to any exchange.

It will be interesting in practice to see how the changes will affect the buying process. Many commentators believe these changes will not assist the property market, and they will only prove to make it more difficult and more expensive to sell your home. Grant Shapps MP, the Shadow Housing Minister has suggested that emergency powers to suspend HIPs should be implemented to provide a shot in the arm to the ailing property market!

If you require or any help or assistance with regards HIPs please do not hesitate to contact Jason Eades.



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