



A QUICK GUIDE FOR ESTATE AGENTS, LAWYERS AND OTHER PROFESSIONALS ADVISING SELLERS

SECOND EDITION (APRIL 2007)

Home Information Packs (HIPs) will be a legal requirement for all marketed residential property from **1 June 2007**.



Handling Home Information Packs (HIPs)

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PREFACE

This Second Edition of the Handling HIPS Quick Guide provides updated advice and information to assist those preparing to handle HIPs on behalf of sellers from 1 June 2007 (or before).

This edition reflects the law and practice set to become effective on 1 June 2007 as available at the date of publication (April 2007). The Guide is not intended to provide detailed advice and those wishing to obtain further guidance are invited to obtain the Handling Home Information Packs Guidance Note available from the Association of Home Information Pack Providers. Full details of the legal obligations can be found in the Home Information Pack Regulations 2007, the Home Information Pack Regulations Procedural Guidance 2007 and the explanatory note to Part 5 of the Housing Act 2004.



WHAT ARE THE BENEFITS TO BUSINESSES HANDLING HIPS ON BEHALF OF SELLERS?

HIPs will:

- Cut the number of sales that fall through leading to lower overheads and improved staff efficiency
- Speed up the sales process, and ensure fees are received sooner thereby also improving cash flow
- Provide information up front for buyers and reduce the need for enquiries of solicitors, planners, Building Control, Government agencies all of which take up staff time.
- Increase profits due to cost and time savings
- Improve client service leading to increased referrals and repeat business
- Allow a contribution to be made to slowing climate change and saving home owners significant fuel costs

SIMPLER SELLING + BETTER BUYING = BETTER BUSINESS

AND THE BENEFITS TO SELLERS?

There are many advantages to sellers in providing a HIP for their home and the ideas in the box below may help you to promote these:

SELLING THE ADVANTAGES OF HIPs TO SELLERS

- Having a HIP will speed up the sale of your home.
- Offers will be based on the facts of your home and therefore your sale will be less likely to fall through.
- The up front information will enable you to solve any potential problems and thus strengthen your negotiating position at the same time as saving your buyer money.
- Buyers will ask for them!

RESPONSIBILITY FOR PROVIDING A HIP

From 1 June 2007 where a residential property is placed on the market, the person undertaking such marketing will be responsible for ensuring a HIP is available from the first point of marketing. This may be the seller for private sales or more usually the estate agent acting on the seller's behalf. There are some properties for which HIPs will not be required and a checklist to determine whether a property requires a HIP is included at Appendix 3. A transitional period will apply for properties genuinely marketed prior to 1 June whereby no HIP will be required until after 31 December 2007.

It should be noted that properties used or likely to be used for rental will require a HIP (e.g. student accommodation, buy to let etc).

FINDING A HIP PROVIDER

It may be that you have an in house team to provide HIPs for your clients, however, if not you will be seeking to procure a HIP from an external source. There are a wide range of HIP providers who are already established many of whom have significant experience of providing HIPs. The Association of Home Information Pack Providers (AHIPP) can provide details of their Members and also of those who have signed up to the Code of Practice for HIP Providers (HIP Code). Details of AHIPP Members can be obtained from www.hipassociation.co.uk. You can check whether a HIP provider has signed up to the HIP Code via the Property Codes Compliance Board at www.propertycodes.co.uk. The Board independently monitors compliance with the Code by property search and HIP providers.

PROCURING A HIP

Because you will be responsible for the availability of the HIP if you commence marketing a property for a client it is crucial when using an external HIP provider you are assured of their ability to deliver a quality service. To help you make this judgement those who have signed up to the HIP Code are required to:

- Provide HIPs promptly.
- Train staff to provide HIPs with thoroughness and diligence.
- Respond promptly to queries raised on a HIP.
- Handle complaints speedily and fairly and have a written complaints handling procedure in place.
- Maintain adequate and appropriate indemnity insurance.
- Act with integrity and ensure that all HIP services comply with relevant laws, regulations and industry standards.

Only HIP providers who have subscribed to the Code will be able to use the associated logo allowing you to easily recognise them.

A quick checklist of issues to clarify with a potential provider is included at Appendix 1.

Certain documents (detailed later in this Guide) are required to be included in the HIP, others are recommended (authorised). It is strongly recommended that authorised documents are included where these are available, relevant and likely to be of interest to a potential purchaser. In particular it is recommended that a Home Condition Report and environmental searches are included. You should check with the HIP provider that they are able to provide any additional documents the seller requires.

INCLUDING A HOME CONDITION REPORT

Whilst Home Condition Reports are not a required item of the HIP they are strongly recommended as an authorised document. The Home Condition Report provides a comprehensive assessment of the condition of the property thereby helping buyers to make informed offers and preventing the failure of sales at mortgage valuation or survey stage. If remedial works are required sellers can consider dealing with these prior to the commencement of marketing.

CHECKING A HIP

If you are marketing a property on behalf of a client you should check that all the required items are available (but see details below regarding a transitional period from 1 June 2007). A checklist is provided in Appendix 1 for use in making this check and also checking other items as required by the seller. The Regulations require that the HIP is presented so that the index is the first document followed by the Energy Performance Certificate. The remaining documents may be presented in any order.

If other documents are included you should check that these are authorised documents. These are also listed in the checklist in Appendix 1. If anything else is added either by yourself or your HIP Provider these should be separated and clearly distinguished from the Pack. A space is available in the checklist to add these items in. The index should be used to check that all items that should be included are there.

For a transitional period from 1 June 2007 marketing may commence immediately with a HIP that contains:

- Index.
- Energy Performance Certificate.
- Sale statement.
- Evidence of title.
- Evidence that searches and any necessary leasehold or commonhold documents have been commissioned.¹

If an Energy Performance Certificate (EPC) has not been provided after 14 days the property may be marketed if evidence that the EPC has been commissioned and is expected within 28 days is included in the HIP.

Other things to check are the dates of certain documentation. The Energy Performance Certificate, evidence of title and standard searches should be no more than 3 months old at the commencement of marketing.

¹This evidence could be a letter from the HIP provider or organisation providing the document(s) confirming that an agreement has been made to provide the documents as soon as practicable and within 28 days other than in exceptional circumstances

Further detailed guidance on the documentation which must and can be included in HIPs can be obtained from the Government's website www.homeinformationpacks.gov.uk.

MAKING HIPs AVAILABLE

HIPs should be made available to sellers for their information.

The HIP must be provided to potential buyers within a period of 14 days from the request being made or (if later) payment being received for copying or posting of a paper copy. This may be by way of a copy of the HIP so long as you are sure this is authentic.

You are not required to send a HIP to a buyer if the buyer:

- (a) is unlikely to have sufficient means to buy the property in question;

- (b) is not genuinely interested in buying a property of a general description which applies to the property; or

- (c) is not a person to whom the seller is likely to be prepared to sell the property (non discriminatory).²

It is recommended that a process should be introduced to assess the status of potential buyers against the above criteria. Detailed records of all potential buyers should be kept to record this information and to justify why HIPs were or were not provided.

There is no requirement for documents to be updated during the period of marketing. If the property is taken off the market the original HIP may be used where the property is remarketed by the same seller within one year of the original marketing date.

²Any preferences should be agreed with the seller and confirmed in writing. These should only relate to factual issues such as the existence of chains, the need for a mortgage, etc.

PREPARING FOR HIPs AND DEALING WITH QUERIES

All those who act as estate agents for sellers of residential properties for which a HIP is required must be members of a Government approved redress scheme. This will give consumers access to independent redress. The Ombudsman for Estate Agents (OEA) has been approved to run such a scheme. Initially, only matters relating to HIPs can be the subject of a complaint to the Ombudsman. However, from April 2008 it is expected that estate agents will be required to belong to a redress scheme covering all residential estate agency complaints.

The process for applying to join the OEA scheme is set out at the dedicated HIPs Information Zone pages of their website at www.oea.co.uk/HIP.htm

The introduction of HIPs will require those advising sellers to arrange training for staff to understand the requirements and contents of the Packs. Most HIP providers will offer training for you and the AHIPP will also be able to arrange independent training (details at www.hipassociation.co.uk).

It will no doubt be inevitable that queries will be received from buyers regarding the contents of HIPs. If you have procured an external HIP answers to some of the more detailed queries could be sought from the HIP provider or organisation providing the relevant HIP document. But the following suggestions may help you to prepare for queries:

Ensure all staff dealing with clients are:

- (a) Aware of the documents required to be in the HIP.
- (b) Aware of the purpose of each of the documents contained within the HIP.
- (c) Aware of the extent to which buyers can rely on contents of the HIP.
- (d) Acknowledge that the rule of caveat emptor (buyer beware) continues.
- (e) Aware of redress and complaints handling procedures.

PROPERTY PARTICULARS AND THE HIP

It will be important to ensure that there are no discrepancies between the information provided in the HIP and the marketing information prepared for the property. In addition, the two graphs from the Energy Performance Certificate must be contained in or provided with property particulars. Agents are also encouraged to include the energy ratings from the Certificate on advertisements.

HIPS ARE HAPPENING

Communities and Local Government and the AHIPP have been rolling HIPs out since November 2006. Feedback from this early roll out was extremely positive.

Revised Regulations were laid before Parliament at the end of March 2007. These regulations take on board the outcomes from a detailed consultation by Government, extensive discussions with stakeholders, results from baseline research and feedback from the area trials.

The scene is set for 1 June 2007.

Further information, marketing material and updates about the HIP are available from the Government's website www.homeinformationpacks.gov.uk

APPENDIX 1 PROCURING A HIP CHECKLIST

CHECKLIST	ANSWERS/TICKS
1 Has written clarification of seller's requirements been received (eg requirements for inclusion of authorised documentation including Home Condition Report)?	<input type="checkbox"/> YES <input type="checkbox"/> NO
2 Does the proposed HIP Provider subscribe to the HIP Code? Note this can be checked with the Property Codes Compliance Board at www.propertycodes.org.uk	<input type="checkbox"/> YES <input type="checkbox"/> NO
IF YES:	
Is the time it will take for a HIP to be provided following confirmation of instructions acceptable?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Can the Seller's requirements for authorised documents be provided?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Does the proposed "after HIP" service meet the requirements of yourself and your client?	<input type="checkbox"/> YES <input type="checkbox"/> NO
IF NO:	
All the above questions and:	
Is the time it will take for a HIP to be provided following confirmation of instructions acceptable?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Has a copy of the Provider's complaints handling procedures been seen?	<input type="checkbox"/> YES <input type="checkbox"/> NO
How long are copies of HIPs kept on file by the Provider? <i>(Note: this should be a minimum of 6 years)</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
Is the level of indemnity insurance held by the Provider sufficient?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Has a copy of the terms and conditions of engagement been seen?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Has written confirmation of terms and fees been received?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Is the response time for queries raised on HIPs acceptable?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Other questions to be added to meet your individual needs:	

APPENDIX 2

CHECKING THE HIP CHECKLIST

ITEMS IN HIP	PROVIDED (Tick as appropriate)	ITEMS IN HIP	PROVIDED (Tick as appropriate)
<p>Note: Please see the Home Information Pack Regulations 2007 and the Home Information Pack Procedural Guidance 2007 for detailed advice and clarification – www.homeinformationpacks.gov.uk</p>		<p>Standard searches (to be no older than 3 months at first point of marketing)</p>	
<h3>REQUIRED/ COMPULSORY ITEMS</h3>		<ul style="list-style-type: none"> > Official Search Certificate or Personal Search 	
<p>For all properties:</p> <p>An index (i.e. a list of the contents of the Pack)</p>		<ul style="list-style-type: none"> > Local Authority enquiries > Drainage Search > Water Search 	
<p>An Energy Performance Certificate or where applicable (for off plan sales) an Interim Energy Assessment or Predicted Energy Assessment (to be no older than three months at the first point of marketing)</p> <p><i>Note: the Energy Performance Certificate must be provided by a Domestic Energy Assessor who is a member of a government approved accreditation body or a Home Inspector who is a member of a government approved certification scheme.</i></p>		<p>For Commonhold properties:</p> <p>Commonhold information (including a copy of the commonhold community statement)</p>	
<p>Evidence of title (to be no older than three months at the first point of marketing)</p>		<p>For leasehold properties:</p> <p>Copy of the lease</p>	
<p>A sale statement (summarising terms of sale)</p>		<p>Service charge information/accounts</p>	
<p>Evidence of title (to be no older than three months at the first point of marketing)</p>		<p>Insurance</p>	
<p>For registered land:</p>		<h3>AUTHORISED DOCUMENTS</h3>	
<p>Official copies of:</p> <ul style="list-style-type: none"> > Individual register – Property register <li style="padding-left: 20px;">Proprietorship register <li style="padding-left: 20px;">Charges register 		<p>A Home Condition Report</p> <p><i>Note: The Home Condition Report must be provided by a Home Inspector who is a member of a government approved certification scheme.</i></p>	
<ul style="list-style-type: none"> > Title plan <p><i>Note: for Commonhold properties the above should be for the individual unit and the common parts</i></p>		<p>A Home Use Form</p>	
<p>For unregistered land: Official search of the index map, and:</p> <p>Either:</p> <ul style="list-style-type: none"> > Good Root of Title > Abstract of Title 		<p>Home Contents Forms</p> <p>Summary/explanation of any Pack document</p> <p>Translated documents</p> <p>Information identifying the property:</p> <p>Information about the source of pack documents and redress procedures.</p>	
<p>OR</p> <ul style="list-style-type: none"> > Good Root of Title > Abstract of Title > Copies of every subsequent transaction 		<p>Additional documents for leasehold and commonhold property interests <i>(see Home Information Pack Regulations Procedural Guidance 2007 for details)</i></p> <p>Evidence of repair work subsequent to a Home Condition Report</p> <p>Guarantees and warranties:</p> <p>Guarantees or warranties relating to the design, building or completion of the property may be included.</p> <p>Information about the design or standards to which the property has been or is being built.</p> <p>Extra title information</p>	

APPENDIX 3

SHOULD A HIP BE PROVIDED? CHECKLIST

ITEMS IN HIP	PROVIDED (Tick as appropriate)	DETAILS OF PROPERTY	HIP REQUIRED
<p>Other searches (the searches that will be relevant here will be location specific, for example, for areas where coal mining has taken place a mining search would be appropriate and for areas subject to flooding a flood risk search would be useful. Many buyers now also routinely commission an environmental search no matter where they live.</p>		Residential property marketed for sale with vacant possession	
<p>OTHER DOCUMENTS (NOT FORMALLY PART OF HIP)</p>		Residential investment properties marketed for sale with vacant possession	
<p>List here:</p>		Private sales or properties not marketed to the public or a section of the public (although it is likely that an estate agent will be involved in these circumstances)	
		Residential properties sold without full vacant possession	
		Properties where the most recent use was non-residential and there will be no conversion to residential use prior to sale	
		Properties where the primary use is not residential	
		Properties where conversion to non-residential use is expected prior to sale (planning and building consents must be in place and marketing must reflect this change of use)	
		Properties where the use is restricted by planning conditions to seasonal or holiday accommodation	
		Mixed use property (marketed for sale as one lot)	
		Dwellings with dual use (if primary use is not residential)	
		Sales of portfolios of properties	
		Unsafe properties	
		Property due to be demolished (all relevant permissions granted).	

Note: You should refer to the Home Information Pack Regulations 2007 and the Home Information Pack Procedural Guidance 2007 for further advice. Both can be accessed from: www.homeinformationpacks.gov.uk



**COMMUNITIES AND
LOCAL GOVERNMENT**

Helpline: 020 7944 4400
(08:30-17:30 Mon-Fri)

Fax: 020 7944 9645

Email:

Contactus@communities.gsi.gov.uk (general enquiries)
press.office@communities.gsi.gov.uk (media enquiries)
webmasterDCLG@communities.gsi.gov.uk (web enquiries)

Address:

Department for Communities and Local Government
Eland House, Bressenden Place
London SW1E 5DU

**ASSOCIATION OF
HOME INFORMATION
PACK PROVIDERS**

E-mail: info@hipassociation.co.uk

Tel: 0870 950 7739

Fax: 01858 445823

Address:

Association of Home Information Pack Providers
3 Savile Row, London W1S 3PB

STRATIFY/YORK PLACE,
Freepost NEA 1234, Leeds LS1 1YY

DX 26436 Leeds Park Square

Tel: 0845 116 2244

Fax: 0845 2991309

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