

MAKING SENSE OF THE HIP & HYPE

Camberley 4th September – Herrington & Carmichael is advising sellers to take care when purchasing the new Home Information Packs (HIPs). Whilst one of the reasons for introducing HIPs was to speed up the conveyancing process, the firm is advising that sellers could unintentionally prolong the process by either choosing the wrong HIP or purchasing it at the wrong time.

Since 1st August 2007 sellers of properties with four or more bedrooms have had to have a HIP in place before putting their property on the market for sale. A recent Government announcement has stated that from 10th September 2007, HIPs will be extended to properties with three bedrooms or more with the probability of it being extended further to all homes by the end of the year.

The original intention of the Government was to introduce HIPs for all properties on 1st June 2007, but a shortage of approved domestic energy assessors able to provide the energy efficiency assessment within the HIP meant that full implementation had to be delayed. The Government has confirmed that there will now be enough energy assessors to cope with the extra work.

What is a Home Information Pack?

A pack for a freehold property comprises searches, an energy report, a copy of the title deeds and a summary of the terms of sale. Some other documents can also be added on a voluntary basis.

For a leasehold or shared ownership property, the pack includes all of the above plus a copy of the lease, previous year's maintenance accounts and other information relating to the maintenance of the property and the lease.

All of these documents, with the exception of the energy report, were used in conveyancing prior to the introduction of HIPs. However, in some cases documents previously paid for by the buyer are now to be paid for by the seller.

The energy report is aimed at addressing new EEC regulations relating to the contribution that housing makes to global warming. In its basic form the energy

report resembles the sort of sticker you will have seen on fridges and other domestic appliances. The hope is that a buyer will see the benefits of addressing energy saving measures when buying a new home.

Although not yet compulsory the pack can also contain a Home Condition Report. This is intended to enable a buyer to see if there are any defects with the structure of the property before deciding to make an offer to buy. This report may in time be used by mortgage lenders and avoid the need for them to carry out their own valuation.

David Keighley, Head of Residential Conveyancing, Herrington & Carmichael believes sellers need to be more fully informed about the HIPs they are purchasing, and in fact when to purchase HIPs:

“There are some HIPs which may contain searches that are not acceptable to a mortgage lender. A HIP that is endorsed by the Law Society is guaranteed to be acceptable to both the buyer’s solicitor and the mortgage lender. Sellers should check with their solicitor whether the HIP they offer is endorsed by the Law Society. Whether or not the HIP is endorsed there are additional reasons why a solicitor’s HIP may be the better choice over an estate agent’s HIP.” Explains David

“If a HIP is prepared by an agent, then the seller is more likely to be tied to that agent for some time, particularly if it is offered at a low or reduced rate. An agent preparing a HIP might also be inflexible on commission rates. If the HIP is prepared by a solicitor then the seller will find it easier to take that HIP to any agent they choose and therefore might be able to negotiate a better deal on the commission.”

David believes the Government’s best intentions in speeding up the conveyancing process by the use of HIPs could be lost if the seller fails to synchronise the instructions to sale and preparation of the HIP:

“There can often be delays when a seller first instructs a solicitor, whilst the formalities surrounding the appointment are finalised. If the HIP has already been prepared by an agent then any time saved may be lost. This could easily be avoided if the seller instructs the solicitor to prepare the HIP first, as there are fewer formalities to deal with, and then once the work on the HIP has begun the solicitor can take instructions to act on the sale.”

“There is a further advantage here for the seller, that whilst preparing the HIP the solicitor may come across issues that might need to be addressed during the

conveyancing. The advantage is that these issues could be addressed at this earlier stage whilst the house is still on the market.”

Herrington & Carmichael are able to offer clients a HIP endorsed by the Law Society, offering them peace of mind knowing that their buyer and estate agent will accept their HIP. If you would like further information then please contact David Keighley on 01276 451451 or email dgk@herrington-carmichael.com

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About Herrington & Carmichael LLP - www.herrington-carmichael.com

Established over 70 years ago and with heritage of 120 years, Herrington & Carmichael LLP have a staff of 80 with over 25 highly qualified legal staff based in offices in Surrey, Hampshire and Berkshire. Herrington & Carmichael work with both commercial and private clients offering a wide range of services from commercial and business law through to residential, family and matrimonial and wills.

The firm is also a patron of Surrey Chambers of Commerce. www.surrey-chambers.co.uk

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