



HANDLING HIPs

A QUICK GUIDE FOR ESTATE AGENTS AND OTHER PROFESSIONALS ADVISING SELLERS

FIFTH EDITION (APRIL 2009)

Home Information Packs (HIPs) are a legal requirement for residential properties marketed for sale. If you are marketing a home on behalf of a seller you will be responsible for making sure this is available.

This edition incorporates important changes to the HIP requirements introduced on 6 April 2009

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PREFACE

This fifth edition of the Handling HIPS Quick Guide provides advice and information to assist those handling HIPs on behalf of sellers. It is based on information available at the date of publication (April 2009).

The Guide should be supplemented by ongoing use of the Government's www.businesslink.gov.uk/homeinformationpacks website and reference should also be made to the relevant Home Information Pack Regulations and Procedural Guidance available from <http://www.communities.gov.uk/housing/buyingselling/homeinformation/>.

WHAT ARE THE BENEFITS OF HIPS FOR 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:

THE ADVANTAGES OF HIPS TO SELLERS

- Having a HIP should speed up the sale of your home. The speed of the sale can be further improved by the use of an 'exchange ready' HIP
- Offers will be based on the facts of your home and therefore your sale will be less likely to fall through than it may have been before the introduction of HIPs
- Buyers will use the information in the HIP to make informed offers
- 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 unnecessary expense.

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

HIPs:

- ✓ 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. The use of an 'exchange ready' HIP can further speed up this process.
- ✓ 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

RESPONSIBILITY FOR PROVIDING A HIP

Where a residential property is placed on the market, the person undertaking such marketing is responsible for ensuring a HIP is available. This responsibility may be on the seller for private sales or more usually the estate agent acting on the seller's behalf.

There are some properties for which HIPs are not required, however, and a checklist to determine whether a property requires a HIP is included at Appendix 3. It should be noted that properties used or likely to be used for rental will require a HIP (eg student accommodation, buy to let etc) if sold with or with the prospect of vacant possession.

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 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

It is crucial that if 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. There is not any defined form of procurement for a HIP and the charges made and the timing of payments may differ between providers. You should, of course, satisfy yourself of the ability of any external provider to meet the necessary timescales and importantly to provide complete and timely searches. Insurance may not be used to substitute for missing information in searches.

You should ensure that the method of procurement to be used for the HIP is clearly set out in the terms of engagement with the seller. When procuring a HIP you should be aware of the effect of the Cancellation of Contracts made in a Consumer's Home or Place of Work etc Regulations 2008. These Regulations could mean that where a HIP is ordered during the cancellation period if the seller then cancels the contract during this period, the seller can only be charged for any costs incurred up to the cancellation date.

ITEMS TO BE INCLUDED IN A HIP

Certain documents are required to be included in the HIP, others are recommended (authorised). Both are set out in the checklist in Appendix 2 of this Guide. It is strongly recommended that authorised documents are included where these are available and relevant and likely to be of interest to a potential buyer. In particular it is recommended that a Home Condition Report and Environmental Searches are included. You should also consider use of an 'exchange ready' HIP which will provide all the information that a seller and their conveyancer would routinely provide to a buyer and their conveyancer in the buying and selling process. You should check with the HIP Provider that they are able to provide this or the additional documents the seller requires.

Required items shown in bold in Appendix 2 must be available at the first point of marketing. All other required documents must have been requested and should be added to the HIP as soon as they are available and must be included within 28 days of the first point of marketing. Reasonable efforts must be made and continue to be made to obtain the remaining required documents and the Index must indicate which documents are missing. Proof that the outstanding documents have been requested must be included in the HIP.

NOTES ON SPECIFIC REQUIRED ITEMS

a) Property Information Questionnaire (PIQ)

When you are marketing a property for a seller you are responsible for ensuring that a completed PIQ is included in the HIP. A PIQ must be prepared by the seller and is a checklist of information for potential buyers including gas and electricity safety, flood risk information, any previous structural damage, parking arrangements and a leasehold summary if appropriate. You should give sellers access to the PIQ form and encourage them to complete it as soon as possible after you receive their instructions to sell a property on their behalf. The PIQ form is available for download from www.businesslink.gov.uk/homeselling. You will not have any liability for the information contained within the PIQ provided that the form is completed solely by the seller and you have no reason to believe the answers to be incorrect.

Where marketing of a property commenced before 6 April 2009 there is no requirement for a PIQ to be included in the HIP.

b) Energy Performance Certificates (EPC) or Predicted Energy Assessments (PEA)

If an EPC or PEA (for off plan sales or sales of partially built homes) has not been obtained within 14 days after it was requested marketing may commence without this so long as all other required items shown in bold in Appendix 2 are included in the HIP. Reasonable efforts must also have been and continue to be made to obtain the EPC or PEA. As soon as the EPC has been obtained the energy rating graphs from the Energy Performance Certificate should be included in the written marketing particulars. Exchange of contracts must not take place until the EPC or PEA has been obtained.

Where a PEA is provided initially and the construction of the property is completed after commencement of marketing an EPC must be obtained and added to the HIP as soon as is reasonably possible.

c) Sustainability Certificate

A Sustainability Certificate must be provided in the HIP for a new home. The Certificate can be either;

- A Code Sustainability Certificate where a property complies with the standards under the Code for Sustainable Homes ('Code') ;
- An Interim Code Certificate if the property has been designed to meet the Code standards but is still under construction. If the property is completed after commencement of marketing, then the post assessment certificate must be inserted into the HIP or;

- A nil-rated certificate if the property has not been designed and built to the Code

Sustainability Certificates will be obtained from the developer.

The index must be the first document in the HIP followed by the Property Information Questionnaire, the EPC or PEA and the Sustainability Certificate. The other documents can be in any order.

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. Home Condition Reports provide a comprehensive assessment of the condition of the property which will help buyers to make informed, offers and prevent the failure of sales at mortgage valuation or survey stage. If works are required sellers can consider options to deal with these prior to the commencement of marketing or while marketing is taking place.

CHECKING A HIP

When the HIP is received you should check that at least all the required items shown in bold in the checklist in Appendix 2 are provided.

If other documents are included you should check that these are either required items or items that may be included as authorised documents. These are also listed in the checklist in Appendix 2. 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. You should also check that

the HIP Index is correct and identifies any allowable missing documents and the steps being taken to obtain these.

If a document is missing you should request this of your HIP Provider or if you are providing your own HIPs the relevant organisation (Land Registry, Local Authority etc).

If allowable required documents are missing at the commencement of marketing you must ensure that these are made available within 28 days. If these are still not available you must ensure that all reasonable steps are being taken to obtain these.

Other things to check are the dates of documentation. Many documents should be no more than 3 months old at the first point of marketing. The Energy Performance Certificate must be no older than 3 years at the commencement of marketing. Appendix 2 gives further advice on the age requirements for documents.

For more detailed guidance on the documentation which must and can be included in HIPs and details of time sensitive documents see the Home Information Pack Regulations and relevant Procedural Guidance accessed from www.communities.gov.uk/housing/buyingselling/homeinformation.

MAKING HIPS AVAILABLE

Once you receive the HIP this should be made available to sellers for checking and for their information.

The HIP should also be made available to serious potential buyers within a period of 14 days from the request being made or any payment being received. This may be by way of a copy of the HIP so long as you are sure this is authentic.

A cost may be charged for the making of a paper copy and sending a HIP but not for an electronic copy.

You are not required to provide a HIP to any person who:

- (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)

It is recommended that a process should be introduced to qualify the status of potential buyers against the above criteria. If any required documents were missing when the HIP was provided to a potential buyer and are subsequently received these should be provided to the buyer.

DEALING WITH QUERIES

Estate agents marketing homes for sale with HIPs are required to belong to an approved redress scheme for HIP-related complaints. This will guarantee home buyers and sellers access to redress for HIP-related complaints against estate agents. If you have not done so already you must join such a Scheme prior to marketing homes for which HIPs are required. Details of approved schemes can be obtained from www.businesslink.gov.uk/homeinformationpacks.

The provision of HIPs will require those advising sellers to arrange ongoing training for staff. Most HIP Providers will offer training for you.

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 it is likely that many of these can be referred back to your Provider and staff should, of course, be advised that they should not seek to answer questions about matters which they are not qualified or competent to deal with. 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 exemptions from HIP requirements
- c) Aware of the purpose of each of the documents contained within the HIP
- d) Aware of the extent to which buyers can rely on contents of the HIP
- e) Acknowledge that the rule of caveat emptor (buyer beware) continues
- f) Aware of redress and complaints handling procedures

FUTURE UPDATES

Further information and updates about HIPs are available from the Government's website

www.businesslink.gov.uk/homeinformationpacks

Advice for buyers and sellers is available on the Government's website

<http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/Homeinformationpacks/index.htm>.

See also the Contact Details section in this Guide.

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