

# Response:

## Redress for Purchasers of New Build Homes and the New Homes Ombudsman

### Technical consultation from MHCLG

14 August 2019

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#### Summary of key points:

- This consultation concerns proposed mechanisms for improving redress for buyers of new build homes, including via a proposed New Homes Ombudsman. This response focuses on ensuring that the specific situation of housing associations is recognised.
- Housing associations completed over 4,500 homes for market sale in 2018/19 and are committed to building high quality homes. Nonetheless we agree with the need for a New Homes Ombudsman to provide redress where necessary for new build home buyers across the market.
- Housing associations are already required to be members of the Housing Ombudsman. It is important there is clarity over which customers can access which ombudsman, to avoid duplication. The proposed Housing Complaints Resolution Service will be vital in helping customers know who to approach.
- The fee structure for the New Homes Ombudsman should reflect the number of homes developed which fall within the scope of the Ombudsman, as well as possibly the number of complaints upheld.

## **1. Introduction**

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This is the Federation's response to the Government's technical consultation into Redress for Purchasers of New Build Homes and the New Homes Ombudsman.

The National Housing Federation is the voice of housing associations in England. Our members are united by a common purpose – to ensure everyone has access to a quality home that they can afford.

In 2018/19 our members completed over 45,000 homes across a range of tenures, including 4,500 for market sale - representing 10% of housing associations' total output. They also started over 6,500 homes for market sale.

Not all developing housing associations will build homes for market sale, but for those that do it's an important part of delivering mixed tenure communities. Housing associations are not-for-profit organisations, so all the surplus from market sale homes is reinvested in building new social homes.

## **2. Background to the consultation**

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This technical consultation concerns mechanisms for redress for purchasers of new build homes from any developer, and particularly the introduction of a New Homes Ombudsman.

Housing associations are committed to delivering high quality homes and excellent customer service across all tenures. Nonetheless we support the proposal for a single New Homes Ombudsman to ensure that purchasers of new build homes across the market have access to redress should they experience issues which cannot be resolved directly with the developer.

Our response focuses on those questions most likely to impact specifically on housing associations.

## **3. Responses to selected questions**

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### **Q5. Should a New Homes Ombudsman only cover complaints in relation to a purchaser's new build home where redress cannot be sought elsewhere?**

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Yes.

Housing associations are required to be members of the Housing Ombudsman and therefore the vast majority of housing associations customers can access redress through this route. This includes tenants, purchasers of Shared Ownership homes, and purchasers of leasehold homes. To avoid duplication it will be important that it is clear that for housing associations the remit of the New Homes Ombudsman only extends to purchasers of new build **freehold** homes which are brought directly from the housing association.

### **3.1 Q7. Should anyone or anything be excluded from a New Homes Ombudsman's remit??**

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Yes.

Homes already covered by existing Ombudsmen should not be subject to another.

**Q8. How can the Government best ensure that organisations are aware of the requirement to belong to a New Homes Ombudsman?**

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Housing associations are required to register with the Regulator of Social Housing. The Regulator could communicate with housing associations the conditions for joining the New Homes Ombudsman.

**Q17. What would be the most appropriate way for a New Homes Ombudsman to charge property developers?**

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A mixture of the options suggested.

Many housing associations will only deliver a small number of market sale homes per year. Therefore we think a flat rate fee would unfairly penalise small developers of market sale homes, including housing associations.

If the charge for a New Homes Ombudsman is based on a price per unit, it will be important that this is linked to the number of units built which fall under the remit of the scheme (i.e. new build freehold homes for market sale) rather than the output of homes for other tenures.

We suggest the fairest mechanism would combine a price per unit with a pay per complaint system, to ensure that all developers contribute relative to their output, but that there is some reward for delivering to a high quality and resolving complaints quickly.

**Q18. Would any of these models have an adverse impact on smaller housebuilders?**

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Yes.

A flat membership rate would disproportionately impact smaller providers including housing associations who develop small numbers of market sale homes. It could act as a disincentive or financial barrier to developing freehold homes for market sale at all.

A pay per complaint approach could also have this effect, depending on the level of the fee.

**Q19a. Should smaller housebuilders pay a smaller fee than larger housebuilders?**

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Yes.

Smaller housebuilders should, at the very least, pay a fee commensurate with their output. In a blended model like that suggested in our answer to Q17 there may be a case for exempting the smallest housebuilders completely from the price per unit element, leaving them only liable for the additional pay per complaint fee.

**Q30a and b. How should failure to belong to a New Homes Ombudsman be enforced?**

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For housing associations, enforcement could be via the Regulator of Social Housing. If membership was a regulatory requirement in order to develop new homes, then separate enforcement arrangements would not be necessary.

**More information**

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