

ANNEX A

Option	Cost to Business	Benefit to Business	Affect on Consumers
(i) Do nothing.	Nil	Nil	Consumers continue to suffer from the stress, delays and wasted costs, which are associated with the current system.
(ii) Voluntary arrangements backed by codes of practice.	- Costs of publishing and monitoring codes of practice etc, but these likely to be minimal.	- Additional £60 million from home condition reports (assuming 10% of sellers provide them on a voluntary basis). But this likely to diminish over time if not 100% take up by <u>all</u> sellers.	Some reduction in problems associated with current process but voluntary changes are unlikely to succeed in the long run.
(iii) Compulsory seller's pack for professionals only, including home condition report	- On the assumption that 5% of sellers would not use an estate agent or other intermediary, costs and benefits would be 95% of those listed under option (v). But see paragraph 16 above.		If individuals marketing their own homes were exempted from the legal duty to provide a seller's pack, many more might be tempted to do so. Because of the chain effect, this might cancel out the benefits achieved by those marketing with a seller's pack.
Totals	£301.86 million	£345.33 million	
(iv) Compulsory seller's pack for everyone, but exclude home condition report	- Extra costs for estate agents of retraining staff, assembling the packs and compliance measures could be in the region of £60 million . But offsetting savings from reduction in failed transactions.	- - Potential savings to agents from reduction in number of failed transactions and time wasting sellers £144 million . (But savings likely to be less than option (v)).	Some savings to consumers from reduction in aborted sales (where problems not due to condition of property). Some improvements in timescales and reduction in stress associated with current system, but less than option (v).
Totals	£60 million	£144 million	
(v) Compulsory seller's pack for all including a home condition report (HCR)	The total cost to consumers of failed transactions could be in the region of £327 million. Research suggests that 43% of failed transactions are due to problems revealed by condition or valuation surveys. The proportion of total costs attributable to this cause could therefore be around £140 million . This "benefit" to business would be much reduced if the seller provided a HCR. Research findings suggest that around £83.5 million out of this represents	- £219.5 million in additional survey fees. This assumes a cost of £300 for each of the 2 million properties marketed each year, less the value of all types of survey commissioned under the current system (£380.5 million). - Potential savings to agents from reduction in number of failed transactions and time wasting sellers £144 million .	Consumers will bear the cost of the additional survey fees associated with the requirement for all sellers to provide a home condition report. However, the additional costs (about £220 million) are offset by the anticipated reduction of the cost of wasted expenditure associated with the current system. This is estimated to amount to some £327 million in total, with about £140 million of this being

	<p>expenditure on wasted surveys (£31million in mortgage valuation survey fees and £52.5 million from independent surveys).</p> <p>- If the home condition report is acceptable to lenders, most of the cost of their valuation surveys (£193 million in total) would be lost to the surveying industry. If lenders continue to insist on a separate valuation inspection in cases where the loan to value ratio is high (80% plus, for example), this might result in 425,000 valuation surveys per annum at a total cost to consumers of £76.5 million. This would reduce the total cost to the industry in lost business to £116.5 million.</p> <p>- Extra costs for estate agents of retraining staff, assembling the packs and compliance measures could be in the region of £60 million. But offsetting savings from reduction in failed transactions.</p> <p>- Costs associated with accreditation scheme (apart from initial set up costs) are an annual fee of about £125 from each accredited HCR inspector. If 9,000 inspectors are required, the total cost of annual subscriptions would be £1.25 million</p>		<p>directly attributable to problems arising from surveys commissioned by buyers themselves or by their lenders. Borrowers could save a further £116.5 million if lenders accept the HCR for their own valuation purposes in majority of cases.</p> <p>A more transparent system where <u>all</u> the relevant information is made available at the beginning of the process is the best way to maximise the benefits of improved efficiency and less waste we want to achieve.</p>
Totals (underlined figures only)	£317.75 million	£363.5 million	£36.5 million (saving to consumers)