



AUTHOR / KEY CONTACT

# New Homes Quality Board



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## What is the New Homes Quality Board?

As of last year, housebuilders and developers who build new homes are expected to register with the New Homes Quality Board (“NHBQ”).

Registered developers agree to follow the New Homes Quality Code (“the Code”) and to be subject to the New Homes Ombudsman Scheme (“NHOS”), including complying with the decisions of a New Homes Ombudsman in relation to dealings with a customer. The Code establishes mandatory requirements which must be adopted and complied with by registered developers.

Once activated, developers will be expected to adhere to the requirements of the new Code and the remit of the NHOS, and all reservations taken from that point will be subject to the new arrangements. Registration is still ongoing, so homebuyers are advised to check on the NHBQ website to ascertain if the relevant developer has been registered under this Code.

## Statement of Fundamental Principles

This sets out the fundamental and overriding obligations which registered developers agree to follow for their customers of new homes, namely fairness, safety, quality, service, responsiveness, transparency, independence, inclusivity, security and compliance.

## Practical Steps Part One – Selling a New Home

Registered developers must do the following:

- Be fair and complete in the information they provide to a customer.
- Avoid mis-selling, misleading information and high-pressure sales tactics.

- Have procedures in place to identify vulnerable customers.
- Make customers aware that they should seek and appoint independent legal advice when carrying out the lease formalities of buying the new home.

## **Practical Steps Part Two – Legal Documents, Information, Inspection and Completion**

### **Early Bird arrangements**

- If you offer early bird arrangements, ensure that any fee you charge is in line with the fees set from time to time by NHBQ.
- Ensure that there is a clear period of time for which such an arrangement will be open for acceptance.

### **Reservation Agreement**

- You will need a formal reservation agreement in place, and this should not be entered into until all material facts relevant to the purchase/sale are available to all parties.
- Ensure that the reservation agreement terms and conditions are clear, fair and written in plain language and comply with all relevant legislation.
- A copy of the reservation agreement must be given to the customer.

### **Cooling off period**

- The reservation agreement must contain a minimum cooling-off period of 14 days.

- Any reservation fee must be refunded in full if a customer wishes to cancel the reservation for any reason.

### **Cancellation**

- The reservation agreement may set out deductions which will apply where a cancellation occurs after the cooling-off period.
- As long as a reservation agreement remains valid, a developer does not have a right to terminate it and must not enter into a new reservation agreement or sale contract with another customer for the same property.

### **Before exchange**

The developer must give a customer's legal adviser suitable and relevant information to help the customer to make fully informed purchasing decisions and take appropriate advice. This should include the following:

- information in relation to the property and planning matters; and
- the actual and anticipated costs associated with the property.

### **Sale contract**

The developer must ensure that the contract:

- defines the legal completion notice period;
- clearly states the termination provisions;
- clearly states what happens if there is a delay in the construction of the property;
- clearly explains how contract deposits are to be protected; and

- makes suitable provisions to include a two-year builders liability period for a customer.

### **Repayment of financial deposits**

The developer must have in place adequate arrangements to protect the following:

- contract deposits;
- reservation fees; and
- any other fees.

### **Pre-Completion Inspection Checks**

- Prior to completion (and from 5 days after a notice to complete has been served), provide an opportunity for the customers to visit the new home and/or appoint a suitably qualified inspector to complete a pre-completion inspection checklist (template provided by NHBQ).
- The legal completion notice period will usually be expected to be a period of no less than 14 days.

### **Changes and Termination**

- Developers must advise customers of their rights relating to the termination of the reservation agreement and contract of sale and the specific circumstances when they could exercise these.
- Major changes should be notified to the customer in writing – this is a change that alters the size, appearance or value of the new home. If these changes are unacceptable to the customer, they have the right to terminate the reservation agreement or sale contract and be refunded their contract deposit and reservation fee and any other prepayments.
- Customers must be kept informed of changes to the design, construction or materials of the new home.

These changes do not give the customer the right to cancel, but the customer retains all rights with respect to snags and complaints in respect of such changes where these have not been agreed upon by them.

### **Completion**

- Legal completion can only take place on a home that has a new home warranty cover note issued in relation to it and which complies with building regulations.
- The developer must not offer a customer any incentive to move into or complete the purchase of a property that is not a completely new home.

## **Practical Steps Part Three – After-Sales, Complaints Management and a New Homes Ombudsman**

### **After Sales Service**

- Customers must be provided with a comprehensive and accessible after-sales service for a minimum of two years following completion.
- The service, provided by the developer, will deal with any emergency issues, snags, defects or complaints during the first two years following completion.

### **Snagging Period**

- Developers need to work collaboratively with customers around identification, access and resolution of snagging following completion.

- It is expected that in most situations, a developer should be able to resolve any after-sales issue or problem within 30 days.

## **Complaints Process**

- A customer complaints process must be put in place, which includes the following mandated minimum steps:
  - Written acknowledgement: no later than five days from the first business day after receiving the complaint (the complaint start date);
  - Path to resolution letter: no later than 10 days from the complaint start date;
  - Complaint assessment and response letter: no later than 30 days from the complaint start date;
  - the developer will send the customer a complaint assessment and response letter;
  - Eight-week letter: if the complaint is not closed, and no later than 56 days from the complaint start date;
  - Closure letter: the developer can send a closure letter to the customer at any stage after the complaint start date.
- If defects complained of or snags reported are not resolved in accordance with the timetables and procedure required by the complaints process, then a customer may refer a dispute to the NHOS.

## **Practical Steps Part 4 – Solvency, Legal and Jurisdiction**

- Developers must ensure that the contractual party as developer and seller (if different) is financially adequately established or insured so as to provide reasonable protection against insolvency and the capacity to meet its obligations under the Code, including timely repayment of financial deposits when

due and any financial awards made by the Ombudsman.

If you need any help or assistance with regard to the Code, then please contact [Allison Fuller](#).