Homes England

Making homes happen

Meg Hillier MP
House of Commons
London
SW1A 0AA

12 October 2020

Dear Meg

One Hundred and Fourteenth Report of Session 2017 – 2019
Ministry of Housing, Communities and Local Government & Homes England
Help to Buy: Equity Loan Scheme

Further to the letter dated 3 January 2020, I am writing to provide further context around the work Homes England have completed in response to recommendation 3c "developer behaviour" and 5a "consumer protection arrangements" in the Public Accounts Committee's report into the Help to Buy: Equity Loan Scheme.

> ***3c: PAC Recommendation:*** *The Department should report back to the Committee in Spring 2020 on how it is working with developers to plan the new scheme from 2021, so that it addresses concerns about developers' behaviour and achieves at least as much value.*

To meet the Help to Buy: Equity Loan Scheme's objective of ensuring that all homes sold through it meet expected quality standards, and that customers are treated fairly, Homes England has created a Funding Administration Agreement. This includes new provisions focused on driving better quality and customer care from participating developers, these include:

- Homes built from May 2020 must comply as a minimum with the 2013 energy efficiency requirements of the Building Regulations (Part L).

- Builders must sign up to the Building Safety Charter (when launched), if selling residential units under Help to Buy in blocks above 18m (or 6 floors). We are working with the Building Safety Charter to determine measures to ensure adherence to the charter and the potential roll-out of the Charter across all developers.

- All buyers will be entitled to view the actual home being purchased at least once (with their own surveyor if desired) before legal completion of sale.

- Any ground rent on the sale of leasehold properties through the scheme must be restricted to a peppercorn rent.

- The sale of leasehold houses is prohibited except in the circumstances set out in the Government's June 2019 response to its consultation on Implementing Reforms to the Leasehold System in England. Incidents of leasehold house sales shall not exceed [1%] of total house sales.

- Use of section 121 of the Law of Property Act 1925 or other express provisions for repossession for an Estate Rent Charge debt will be prohibited.

- Developers must be subject to adjudication provided by voluntary New Homes Ombudsman scheme (when established).

- Developers with a Home Builders Federation star rating must clearly communicate that rating on Help to Buy related communications and advertisements. Should this rating decline Homes England will review the issues and how standards will be improved.

In line with these provisions and the ongoing work with the Building Safety Charter and New Home Ombudsman, Homes England will continue to review our internal monitoring controls to ensure standards are continually reviewed once the new scheme is live and customers purchase a quality home.

> **5a: PAC recommendation:** *The Department should write to the Committee by the end of December 2019 to explain how it intends to put in place better consumer protection arrangements for similar products in the future.*

In addition to the points raised previously, Homes England has worked at great length to ensure the customer is at the heart of everything we do within Help to Buy. Whilst the product itself is a non-regulated product, we strive to deliver a customer journey, control and assurance framework to protect and support our customers in line with the principles, outcomes and behaviours afforded to customers by regulated entities / products. The transformation programme currently progressing at Homes England will help to ensure our services are working to their fullest potential.

We also recruit skilled, specialist personnel, including those with financial services, customer excellence, conduct and compliance experience, all of which are passionate about doing the right thing for our customers. Some of the key improvements made within Help to Buy include:

- End to end core customer conduct programme and control framework supporting consumer protection throughout the product lifecycle and customer journey (see specific points below).

- Dedicated resource within Equity Loan / Customer Experience team to provide oversight on Mortgage Administration and Agent contractual and operational requirements (FCA regulated and non-regulated third-party service providers).

- Dedicated specialist resource in assurance, compliance and conduct risk within Help to Buy Business Control Team assessing controls, customer outcomes (fair and unfair, treating customers fairly) and a driver for continuous improvement in consumer protection across the whole of Help to Buy and its business partners (Agents/ Mortgage Administrator etc).

Below are some of the specific customer journey / core conduct control examples that have been embedded within Help to Buy during 2020:

Developer Onboarding

- Onboarding developer requirements – (i) including financial stability / sustainability / due diligence checks, (ii) quality and customer / conduct requirements embedded within contracts (this includes misleading advertising).

- Help to Buy Communications team site visit and content checks including misleading advertising / financial promotions (which are regulated and not exempt).

- Dedicated relationship management resource.

Sales / Applications Stage

- Customer Eligibility and Sustainability checks as part of the application stage (including an understanding of customer income / ability to meet the financial commitments of the product) – includes sustainability calculator / agent assessment in line with lending requirements / customer demands and needs.

- Monthly control checks / assurance activity on the application process and agent compliance / contractual requirements.

- Robust contractual requirements regarding assurance, controls, risk management, reporting (KPIs etc), BCP/DR, data / information security, training and competency – to support the delivery of 'treating customer fairly' requirements throughout the end to end customer journey.

Customer Service / Administration

- FCA Regulated third party with dedicated compliance specialist and senior managers appointed persons.

- Call recording, monitoring and outcomes testing to ensure the customer has received a fair outcome.

- Vulnerable customers policy with system and competency capability to identify, record and manage customer vulnerability throughout the customer journey.

- Digital transformation underway – move to automated, digital solutions designed to improve the efficiency and transparency of the customer journey.

- Redemptions monitoring / trend analysis.

- Arrears strategy, policies and current arrears project (to consider data, root cause / reporting, resource allocation and customer treatment strategies – including vulnerable customers).

- Monthly control and validation checks / assurance activity.

- Robust contractual requirements regarding assurance, controls, risk management, reporting (KPIs etc), data / information security, training and competency – to support the delivery of 'treating customer fairly' requirements throughout the end to end customer journey.

Complaints

- Dedicated customer complaints/ relations resource within third party service provider and within Help to Buy team at Homes England.

- Complaints monitoring, root cause identification and trend analysis to feed into continuous improvement requirements.

- Customer insight strategy / activity evolving and mobilising to better understand our demographics, trends and opportunities for improvement.

Communications

- Content and collateral development (including Financial promotions) to consider FCA, ASA requirements to safeguard customers against mis-selling and misleading information.

- Validation checks of websites, development site checks (when able to do so) and investigations, where required.

- Buyers guide / application documentation review and improvement.

Conduct Risk and Assurance

- Robust, systematic risk and control management policy / process including monthly programme of control testing throughout the customer journey.

- Issues and event processes; including action tracking, impact assessments (including customer impact) – resolution activity, root cause identification, trend analysis and reporting.

- Horizon scanning (industry, customer trends, economic, legal and regulatory).

- Annual plan of assurance activity (internal operations and third-party suppliers) with risk exposure, customer impact and control effectiveness at the heart of this work.

- Conduct and compliance call monitoring and assessment, reporting and feedback.

- Conduct Risk Strategy / Compliance Monitoring Plan / Compliance checks – customer centric.

Recruitment

- Robust recruitment and vetting processes to ensure that the right people are in the right role at the right time.

- Aligned Agency and Help to Buy induction to ensure personnel understand the product, our customers, our values and the part they play to support our customers it homes.

- Mandatory training / competency training to ensure we have competent personnel working for our customers.

As part of Homes England's transformation commitment to further redesign Help to Buy and its underlying technology platform, we will endeavour to continuously improve the service our customers receive to deliver an industry-leading product.

I trust that the activity that has been outlined demonstrates the considerable effort Homes England is making to ensure that developers produce a quality product to the market and that consumers have faith in the guidance and support they receive throughout their journey with Help to Buy.

Yours sincerely,

Nick Walkley
Chief Executive Officer, Homes England