



Llywodraeth Cymru  
Welsh Government

PUBLICATION

# New Homes Ombudsman: summary integrated impact assessment

A summary of how the New Homes Ombudsman will impact on a number of areas.

First published: 19 January 2022

Last updated: 19 January 2022

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## Section 1. What action is the Welsh Government considering and why?

The current routes to access redress in the new-build home sector can be confusing and complex. Depending on the specific issue with the new build property, the main course of redress, if a complaint to the developer is not satisfactorily addressed, is the courts. Owners of new homes should have an effective route to redress so that problems are put right when things go wrong.

In October 2018, the UK Government announced its proposals to ensure that a New Homes Ombudsman (NHO) is established, working with industry and others. The UK Government also announced that it would introduce legislation that requires developers of new build homes to belong to a NHO. In June 2019, the consultation: **Redress for Purchasers of New Build Homes and the New Homes Ombudsman** was published, which explored the detail of the proposed legislation and how a NHO will be delivered. The **UK Government response** to this consultation was set out in a note to the Minister for Housing and Local Government on 21 February 2020.

The NHO is being designed following criticism of the house building industry; in particular its build quality and customer service record. There are currently a number of industry codes of practice in place, which makes it difficult for consumers to navigate.

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A condition of a developer receiving a new build warranty, is that they must belong to the consumer code the warranty provider is aligned with, this is effectively how redress operates now.

The intention, through legislation, is to introduce a single agreed code of practice which all developers will be required to sign up to. The new code will build on the protections in the existing codes and place stricter requirements on developers covering the sale and aftercare of new homes, particularly post occupation. It will also set out how developers will have to deal with issues consumers have with their new homes in the first two years.

Consumers will also have the option to go to a new independent Ombudsman to help resolve a dispute if they are not satisfied.

The Building Safety Bill will require the Secretary of State to arrange for there to be a redress scheme, to be known as the “*new homes ombudsman scheme*”. This will place a statutory requirement on developers to belong to a single independent NHO scheme. The UK Government will legislate for the Secretary of State to approve an existing Code of Practice or create one and provide that the Secretary of State must consult Welsh Ministers before doing so.

The housebuilding industry will meet the costs of the NHO and, once established, the NHO service will be free to consumers.

## Integration

The proposal fits within the [Programme for Government 2021 to 2026](#), as part of the work to *Make our cities, towns and villages even better places in which to live and work*, as it will look to hold new build developers to account, improve industry practices and increase consumer satisfaction.

## Collaboration and Involvement

Through the call to evidence for the proposed UK wide Bill, engagement has

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taken place with key sector representatives including the Home Builders Federation (HBF), UK Finance and others.

Welsh Government will ensure views will be represented through the NHO Cross Government Working Group, which will provide a vehicle for meaningful and timely engagement, discussion, and consultation between the UK Government and the devolved nations, on the NHO scheme.

In advance of legislation being introduced, the New Homes Quality Board (NHQB) has also been established, initially led by the HBF. The NHQB will create a new industry code of practice that will place more stringent requirements on those involved in the construction, inspection, sale and aftercare of new homes in the UK. They have also appointed a partner to deliver the Ombudsman service in order to tackle quality issues identified until the passage of the Building Safety Bill is complete, and an appointment is made to provide the long term statutory NHO service. Whilst the NHQB is a voluntary scheme, it is expected that warranty providers will make it a requirement for developers to register with the NHQB.

The NHQB is made up of representatives from across the sector including consumer bodies, developers, providers of new home warranties, the lending industry, Homes England and independent members. Membership includes representatives from; UK Finance, Citizens Advice, NHBC, Taylor Wimpey, Storey Homes, Mactaggart and Mickel, Conveyancers Association and Create Streets. There are also representative non-voting members from Homes England and HBF. Underneath the NHQB will sit advisory committees which will include consumer, technical, public authorities and financial services specialists and a code council.

A Welsh Government representative will have observer status on the Board where relevant agenda items are presented. A Welsh Government official will also sit on a government / public authority sub-committee with officials from UK Government, other devolved nations etc.

Welsh Government officials have had positive engagement with both the UK Government on NHO provisions within the Bill and the New Homes Quality Board on the interim measures.

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## Impact, Costs and Savings

An initial Economic **Impact Assessment** has been undertaken as part of the UK-wide bill. This covers the costs and benefits in more detail and applies to Wales.

## Mechanism

In order for the New Homes Ombudsman to apply to Wales, a Legislative Consent Motion will be laid for consideration by the Senedd.

## Section 8. Conclusion

### 8.1 How have people most likely to be affected by the proposal been involved in developing it?

The UK Government have committed to “continuing to work with industry and consumer groups towards establishing a voluntary code of practice and improve consumer redress for purchasers of new build homes whilst a NHO is established”.

The Home Builders Federation (HBF) have been actively involved and initially led the setting up of the New Homes Quality Board (NHQB) which will provide the interim voluntary scheme with a new single code of practice and Ombudsman service ahead of legislation.

The Federation of Master Builders (FMB) have also provided their views, with Brian Berry, chief executive saying: “this... is a step in the right direction for consumers and house builders alike. As the FMB had demanded, it is correct that the new homes ombudsman will be backed up by law”.

The NHO will have a positive impact on individuals and families who have purchased their own homes and who are having disputes with the developer

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they've purchased off (e.g. completion of snagging lists). This will take place through the implementation of the agreed Code of Practice. The Ombudsman will have a positive impact on individuals and families, but the impact is likely to be moderate in most instances. It will provide a service that will be equally available to those with protected characteristics.

The Ombudsman will support people who have been able to purchase a new build home. It will be available across Wales and so this positive impact will, in theory, not be restricted to certain geographical areas or certain groups.

## **8.2 What are the most significant impacts, positive and negative?**

The NHO scheme will have a positive impact on individuals and families who have purchased a home and who are having disputes with the developer they have purchased off. The Ombudsman service would be available across Wales and so would not be restricted to certain geographical areas or groups.

The housebuilding industry will meet the costs of the NHO and, once established, the NHO service will be free to consumers.

An **Impact Assessment** undertaken as part of the Bill process by the UK Government, identified that the NHO will likely benefit consumers of new build homes, developers, warranty providers, the Government and the courts in the following ways:

- Consumers may have greater confidence when purchasing a new build home, a decrease in risk of defects in their new home and, through a standardised code and increased minimum warranty standards, increased protection. [They] would be better able to resolve problems if they arise sooner – without having to wait for two years to approach the provider of the new build warranty.
- Developers will likely benefit from a fairer rating system in which, due to this assurance, smaller developers become more equal to larger developers. Developers will also have a clear set of transparent guidelines to be held accountable to and benefit from the potential increase in demand for new build housing ....[as a result of] improved customer satisfaction which could

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improve their reputation.

- Raising minimum warranty standards will lead to greater consistency across the warranty industry, a reduction in complaints/claims and improved reputation from consumers. The scheme will embed better practice, so that developers will rectify snagging issues promptly, avoiding a call on the warranty, and it should lead to a decrease in defects in new homes as developers will be incentivised to improve the quality of new build homes.
- This Government intervention will likely lead to higher quality new housing and a more sustainable and resilient housing market.
- Finally, this could benefit the courts with less disputes between developers and new build home owners being taken through litigation.

### **8.3 In light of the impacts identified, how will the proposal:**

- maximise contribution to our well-being objectives and the seven well-being goals; and/or,
- avoid, reduce or mitigate any negative impacts?

The NHO scheme is being designed to ensure owners of new homes have an effective route to redress so that problems are put right when things go wrong. This in turn will contribute to the well-being objectives and seven well-being goals in the following way:

- a prosperous Wales;

Building new homes contributes to local economies, creating and supporting jobs and training opportunities. However, according to the Home Builders Federation (HBF) and National House-Building Council's consumer satisfaction [survey](#), there is a high proportion of consumers that have reported defects after completion and "the percentage of those dissatisfied with the service provided by their builder both during the buying process and after they moved in has also risen between 2011-12 and 2017-18, from 6% to 10% and 12% to 14% respectively". There is currently little incentive for industry to drive up standards – the NHO service intends to provide better redress for purchasers of new build homes and increase overall confidence in the build sector. It will also have a role in driving up quality overall as it will hold developers to account.

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- a resilient Wales;

The NHO service will allow new home owners to more effectively challenge developers when things go wrong and ensure that issues are addressed in a timely manner. The simplified redress method consisting of a single code of practice and access to an Ombudsman service, free to consumers, will assist with disputes.

- a healthier Wales;

There are clear health benefits of having a good quality home. It is expected that the NHO will result in reductions in negative impacts on the mental health of home owners when things aren't right, through the greater protections extended under the new arrangements. The intention being to place stricter requirements and responsibility on developers, through a single industry code of practice and Ombudsman service which will hold developers to account through legislation.

- a more equal Wales;

The scheme is designed to ensure home owners have access to effective and straightforward redress when action is required to remedy an issue. This is designed to take the complexity out of the process through the introduction of a single code of practice which standardises the approach across the industry together with free access to an Ombudsman service.

- a Wales of cohesive communities;

Ensuring any issues with a new build home are addressed in a timely manner, will allow owners the opportunity to enjoy their new home and focus on being part of a cohesive community.

- a Wales of vibrant culture and thriving Welsh language;

Whilst there are no legal requirements that could be applied in relation to Welsh Language Standards as the NHO will be exercising functions on behalf of the Secretary of State, we will continue to explore Welsh Language provision through the NHO.

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A scheme of this nature will have more value if it is a UK scheme, particularly as many of the house builders who operate here in Wales work cross-border. This will ensure a standard approach, implemented at a single point in time, which will reduce confusion and complexity both for consumers and developers. Joining the scheme will also be beneficial in terms of cost and timing, ensuring that complainants in Wales have access to effective redress as soon as possible.

The housebuilding industry will meet the costs of the NHO and, once established, the NHO service will be free to consumers. If the scheme is procured and is not self-financing there is provision to allow the Secretary of State to pay for the service. There are no financial obligations to Wales (or other devolved nations).

As developers often work across different parts of the UK, they are likely to prefer to have one system to work with so they do not have to navigate separate schemes in different parts of the UK. As the new code of practice under the NHO will replace existing codes, warranty providers may make it a requirement to belong to a single code anyway, even if the NHO provisions were not extended to Wales. The risk, as now, would be that developers would not be bound by law as they would under the NHO provisions. Alternatively, Wales could develop an alternative scheme and approach, at its own cost.

If the NHO provisions apply in relation to Wales the Senedd would still have the legislative competence in this area to create legislation and a redress mechanism instead of the NHO (if it was felt that it wasn't working for Wales for example). However, as the NHO will be a reserved authority, we would need the consent of the appropriate UK Government Minister to remove functions from the NHO. Having to seek such consent would restrict the Senedd's future competence, to avoid this a new clause has been tabled. The new clause allows for the functions of the NHO to be removed or modified by the Senedd without the need for consent of a UK Government Minister.

## **8.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?**

Welsh Government will ensure views will be represented through the New Homes Ombudsman - Cross Government Working Group, which will provide a vehicle for meaningful and timely engagement, discussion, and consultation between the UK Government and the devolved nations, on the main aspects of the NHO scheme including initially, but not limited to, discussions on legislative provisions and the arrangements for the scheme.

Furthermore, Welsh Government will also be presented on a number of the New Homes Quality Board (NHQB) sub-groups, which will provide the interim voluntary solution in terms of a single code and Ombudsman service until the legislation is complete. The sub groups include: a Government officials group, a Code of Practice group and a group the development of the Ombudsman service.

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