

New Homes Ombudsman Case Study: **Price reductions on neighbouring plots**



Issue

The customer complained to the New Homes Ombudsman Service (NHOS) after learning that the developer lowered prices for neighbouring plots, without letting them know, before they exchanged contracts with the developer.



Relevant sections of the New Homes Quality Code

Part 1

Selling a new home

Part 2

**Legal documents,
information, inspection
and completion**

Circumstances

- In early June 2023, a customer reserved a property with a contract exchange deadline of 4 August 2023. However, due to unforeseen delays, exchange of contracts occurred on 25 August 2023.
- On 7 August 2023, the developer reduced the price of neighbouring plots of the same house type. The customer learned about this reduction later, after they had moved in, and believed it was timed to ensure that they paid the full price they previously agreed.
- The customer asserted that this was a breach of the New Homes Quality Code (the Code), as the developer had changed the “value” of the property without telling them; the customer was claiming the value of the reduction by way of compensation. The developer stated that nearby reductions were listed on their website, and they were also accessible in their sales offices.
- The customer could also have received an email about the price reductions, but they opted out of receiving marketing emails from the developer on 25 July 2023.

Ombudsman decision

In the Code, developers are required to notify a customer if there is a major change that alters the size, appearance or value of their new home.

The Ombudsman clarified that the “value” of a property in the Code is not intended to cover the fluctuations in sale prices of other properties.

This is because house prices are generally influenced by many variables.

Therefore, the price reduction to nearby properties was not considered a major change under the Code.

No evidence was found either to suggest that the timing of the price reduction was influenced by the customer’s transaction. Therefore, the NHOS concluded that the developer did not breach any requirements of the Code.

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Outcome

The complaint was **not upheld**.

Learnings



- **Market conditions:** Customers won't always be aware of all the factors that affect property prices such as market conditions, construction costs or even the property's location within a site. Developers can boost transparency and build trust with customers by discussing these factors.
- **Be clear on the impact of 'opting out' of developer customer communications:** Even if customers have all of the information they need, communicating with them directly can avoid any misunderstandings. If customers choose not to receive marketing messages, remind them that they could be missing out on important information, including price changes.
- **Always keep a record of information given to customers:** It is important to document and keep a record of all information that is given to customers. In this case, the developer was able to show that they followed the Code as it had all been properly documented.

Key takeaways for developers

New home prices may increase or decrease over time. It is important that any price changes on a development are published as quickly as possible.



Recognise the impact on customers when price reductions on neighbouring plots are made available. Consider plot swaps for customers who have not yet exchanged, if the customer decides they would like to purchase a different plot.



Often, developers will opt customers out of marketing communications once they have reserved a home. Consider whether this is the right course of action if it limits a customer's awareness of information such as price changes.