

New Homes Ombudsman Case Study: **Provision of Affordable Housing**



Issue

In four separate complaints raised with the New Homes Ombudsman Service (NHOS), customers expressed dissatisfaction with their developer's lack of transparency regarding multi-unit sales of properties to affordable housing providers on developments.

Relevant sections of the New Homes Quality Code

Part 1

Selling a new home

Part 2

Legal documents, information, inspection and completion



Circumstances

- Although each complaint was slightly different, all four complaints shared common themes related to inadequate disclosure of multi-unit sales for affordable housing, beyond what was already shown to the customer as part of the Section 106/75 planning consent.
- The customers expressed concerns about the impact of multi-unit sales on the tenure mix of the development and/or their property value.
- They felt misled by the developers, as they had specifically enquired about the location of affordable housing during the sales process, and only after completion learned that multi-unit sales of properties to affordable housing providers were taking place.
- In response to the complaints, the developers said that because these sales were private, they did not disclose the nature of them to other homebuyers due to confidentiality reasons.
- Had the customers known about these sales prior to completion, they said they may have reconsidered their purchase.

Ombudsman's decision

The Ombudsman acknowledged that properties which are available for private sale on the open market, can include a variety of purchasers.

However, all four cases were considered to have breached the transparency requirements of the Code. This was due to shortcomings in how the potential tenure mix was described to customers during the reservation process.

While there was no evidence of deliberate misselling or misrepresentation, the complaints highlighted deficiencies in the clarity and accuracy of the information provided by the developers. The Ombudsman concluded that the developers should look again at the content of their sales and marketing material to reduce confusion.

Some of the customers argued that the value of their homes had been affected, suggesting this qualified as a 'major change' under the Code. However, no compensation was awarded, as there was no evidence of financial loss to the customers and no evidence that proximity to another type of tenure had an impact on property prices.

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Outcome

Each complaint was **upheld in part**

Learnings



- These cases highlight the importance for developers to provide clear information in their communications about the tenure mix of properties within developments.
- It was clear that there was a significant gap between the customers' understanding of the term "affordable housing" and the definition applied by the developers. Developers should not assume a greater level of understanding by customers, and sales staff should address customer concerns by being transparent about tenure mixes and the potential for this to change over time.
- Developers can reduce confusion and complaints by proactively informing customers about possible changes to the tenure mix on the development at or before reservation. This includes providing information about the potential for multi-unit sales to all types of buyers, including housing associations, local authorities or investors, within the Reservation Agreement.

Recommendations for developers

Developers should consider adding an annotation to site plans to say the location of affordable homes is indicative and may change.

Clear information should be provided within Reservation Agreements to help customers understand that the tenure mix on the development is always subject to change.

Train sales advisers to actively acknowledge customers who have concerns about property location and tenure mix, and effectively communicate about potential changes in tenure, while living on the development.

