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Dear Jamie

### **Consultation on Single HomeBuy Agent for England**

Thank you for the opportunity to comment on this important subject.

The Home Builders Federation (HBF) is the principal trade association representing the interests of private home builders in England and Wales. Our membership, which includes companies ranging from major national firms, through regional companies to smaller local firms, is responsible for more than 80% of the new homes built every year.

HBF members have had a major involvement with HBD and will no doubt be heavily involved with FirstBuy.

While there is no single view among HBF members about whether a single national agent is a desirable long-term idea, **there is unanimous agreement that there must not be any change during the life of FirstBuy – i.e. before April 2013.** Any change during this period is very likely to be highly disruptive as the existing HBAs run down their businesses and the new National HomeBuy Agent gears up. This is not a criticism of either approach, but a practical view based on previous experience.

The Discussion Paper says the HCA has considered various options, but it then considers the single option of a National HomeBuy Agent.

Because there are pros and cons for this option, and for any of the alternatives (including the current system), and because HBF members do not have a single view, we would suggest that the HCA undertakes a further, less restrictive consultation on a range of different alternatives, rather than limit the discussion only to (a) the current system or (b) a National HomeBuy Agent. Because we are firmly against any change before April 2013, there is time to hold this broader consultation.

The advantages of a single national agent are outlined in the Discussion Paper. However there are also disadvantages.

From an economic perspective, monopolies almost always have highly undesirable consequences (e.g. higher costs, inefficiency, poor responsiveness to customers).

At present, where a local HBA is performing poorly, the adverse consequences are limited to the area covered by the HBA and these can be resolved either by bilateral discussions between home builders and the HBA, or via our regular meetings between HBF, home builders and the HCA. Were a national agent to perform poorly, home builders' whole national business could suffer and it could be much more difficult, and take longer, to resolve performance problems.

Members put a high value on the local contacts they have developed with local HBAs. While the national agent would try to replicate this structure, a national body may not be able to achieve the same level of local knowledge and depth of local engagement with developers.

However, as the Discussion Paper makes clear, there are potential economies of scale from a single national agent, some functions could benefit from a centralised body, not least liaising with mortgage lenders who are critical to the success of FirstBuy and Kickstart HBD, and branding and consumer awareness may benefit.

The HCA is aware that home builders believe major cost savings could be made by giving most of the responsibilities of the HBAs to the developers themselves, and then perhaps using either HBAs or IFAs as a simple third part check.

While a national agent offers potential benefits for issues such as consumer awareness, branding and liaison with mortgage providers, it should be possible to devise ways to achieve these benefits in parallel with a locally-based system.

I hope our comments are helpful and look forward to working with you further on this important issue. Perhaps I could suggest HBF, the HCA and HBF members involved in HBD and FirstBuy hold a round-table discussion, perhaps after one of our regular meetings, to agree on the objectives of the HCA and developers, and then consider the full range of options that might meet this range of objectives.

Yours sincerely

John Stewart  
Director of Economic Affairs