



# New Homes Quality Board Code of Practice



# THE REGISTER OF DEVELOPERS

From early 2022, housebuilders and developers who build new homes will be expected to register with us, the **New Homes Quality Board (NHQB)**. As long as a housebuilder or developer has followed the correct registration process, including completing the necessary training, introducing a complaints procedure, and following other processes and procedures that are needed to meet the requirements of this **New Homes Quality Code** (the code), they will become a **registered developer**.

Registered developers agree to follow the code and the New Homes Ombudsman Service, including accepting the decisions of the New Homes Ombudsman in relation to dealings with customers. If a registered developer does not meet the required standards, or fails to accept and act in line with the decisions of the New Homes Ombudsman, they may have action taken against them, including being removed from the register of registered developers.

The code sets out the requirements that registered developers must meet. We may update the code from time to time to reflect changes to industry best practice as well as the decisions of the New Homes Ombudsman Service. We will decide how and when each amended or updated code will come into force.

All homes built by registered developers must meet building-safety and other regulations. All registered developers should aim to make sure there are no snags or defects in their properties before the keys are handed over to a customer. If there are any snags or defects, these should be put right within the agreed timescales.

## **What the code covers**

For the purposes of this code, 'customer' means a person who is buying or intends to buy a new home which they will live in or give to another person. (If a new home is being bought in joint names, 'the customer' includes all the joint customers.) However, we have also started work to consider other groups of customers and what they should be able to expect from a new home. This includes shared owners and people who are buying a new home to let to other people. Any changes we make to the code to reflect the needs of other groups of customers will be developed through consultation, and we will continually assess and review the effectiveness of the code, and any new laws or regulations that apply. Other areas which are not covered by the code are claims for loss of property value or blight (where a property falls in value or becomes difficult to sell because of major public work in the area), personal injury or claims that are not covered by the scheme rules of the New Homes Ombudsman Service.

The code has two parts.

1. **Statement of principles** a statement of the core principles that registered developers agree to apply to their business and their dealings with customers.
2. **The practical steps** – a statement of what is expected at each stage of the process.

We may sometimes provide (and amend or add to) **developer guidance** to help registered developers meet the requirements of the code. The guidance may include training materials and example documents.

We may sometimes provide (and amend or add to) **customer guidance** to help customers in matters such as how to make a complaint under the code and what to expect from their registered developer.

There is a **glossary of terms** at the end of this document which explains some of the terms used in the code.

To avoid doubt, the developer guidance and customer guidance do not take priority over or replace the statement of principles or the practical steps, which registered developers must keep to.

#### **The transition period**

Developers should apply to register with us no later than 31 December 2022 (the final registration date).

Following their application, developers will have time to confirm they are ready to move to arrangements under the code, including arrangements for training, branding and

so on. This is called the 'transition period'. Developers may choose to introduce their new arrangements at different times for different regional businesses or subsidiaries (if this applies).

#### **The application process**

Our work initially covers Great Britain (England, Wales and Scotland). The code and the New Homes Ombudsman Service are intended to apply in each of these nations.

There are some legal differences between the laws of England and Wales, and the laws of Scotland. Registered developers should get professional advice to make sure they are keeping to all laws that apply to them.

We are working with representatives of the Northern Ireland Assembly and stakeholders in the house-building industry to extend the area covered by our work, including the New Homes Ombudsman Service and the New Homes Quality Code, to benefit customers in Northern Ireland as soon as possible.

**Issued by resolution of the New Homes Quality Board, April 2022.**





# THE NEW HOMES QUALITY CODE: **STATEMENT OF PRINCIPLES**

This **statement of principles** (the core principles) sets out the main principles which registered developers agree to follow to benefit their customers.

- 1. Fairness:** treat customers fairly throughout the buying and after-sales process.
- 2. Safety:** carry out and complete work in line with all regulations and requirements that apply to the new home, as set out by the Government, and have the necessary certificates from an appropriately approved body to show they have done this.
- 3. Quality:** complete all work to a high standard in line with all building and other standards and regulations that apply, as well as to the specification for the new home, and make sure that completion does not take place until the new home is complete (see section 2 of this code).
- 4. Service:** have in place systems, processes and staff training to meet the customer-service requirements of the code, and not use high-pressure selling techniques to influence a customer's decision to buy a new home.
- 5. Responsiveness:** have in place a reliable after-sales service and effective complaints procedure to make sure responses to customer queries are clear, thorough and provided in good time.
- 6. Transparency:** provide clear and accurate information about buying the new home, including tenure and any costs the customer may have to pay in the future, such as ground rents and service charges.
- 7. Independence:** make sure that customers know they should appoint independent legal advisers when buying a new home and that they have the right to ask for an independent pre-completion inspection before completion takes place.
- 8. Inclusivity:** take steps to identify and provide appropriate support to vulnerable customers and make sure the code is available to all customers, including in appropriate formats and languages.
- 9. Security:** make sure there are reasonable financial arrangements in place, through insurance or otherwise, to meet all their obligations under the code, including repaying deposits when they are due and any financial awards made by the New Homes Ombudsman Service.
- 10. Compliance:** meet the requirements of the code and the New Homes Ombudsman Service.

## The 10 guiding principles



## The practical steps

This part of the code has four parts.



### Part 1:

Selling a new home



### Part 2:

Legal documents,  
information, inspection and  
completion



### Part 3:

After-sales service,  
complaints and the New  
Homes Ombudsman



### Part 4:

Solvency, legal rights  
and jurisdiction





# Part 1:

Selling a new home



**When selling a new home, developers should give customers fair and complete information about the property. They must not give misleading information or use high-pressure sales tactics.**

Customers must be able to choose their own legal or other advisers to guide them through the buying process. Developers must be clear about any fees or benefits that they will receive if they recommend a particular professional adviser to a customer.

### **1.1 Sales information and marketing**

Developers must make sure that the content of any sales and marketing material relating to the new home is not misleading. It must be clear, fair and written in plain language, and it must keep to all relevant codes of advertising and laws.

Developers must state in their sales and marketing literature that they are on our register of registered developers.

Developers must prominently display the code logo in public areas related to the process of selling new homes, including areas such as the sales office and selling agents' offices, as well as in their sales brochures and on their websites.

The code must be available, free of charge, to any customer who is interested in buying a new home and must be made available in appropriate formats and languages.

Developers must consider the needs of vulnerable customers in all their sales and marketing literature.

### **1.2 Describing the new home**

Developers must properly inform and not mislead customers, taking into account their obligations set out in part 2, including those relating to the following.

- (a) Size of property (room and plot dimensions)
- (b) Tenure (including the formula for calculating any ground rent and the time left on the lease)
- (c) Specification of the property
- (d) Indicative energy performance ratings
- (e) The price of the property
- (f) Mobility adaptations
- (g) Completion dates
- (h) The warranty that applies to the new home
- (i) Management services
- (j) Service charges
- (k) Future phases of the development
- (l) Any agreements or restrictions that may affect the customer if they want to sell the property in the future
- (m) Costs and benefits of, and the cover provided by, any additional products such as insurances or warranties and guarantees that are provided
- (n) Which Council Tax band the new home is expected to be placed in

### 1.3 No high-pressure selling techniques

Developers must not use high-pressure selling techniques to influence a customer's decision. This includes:

- a) encouraging a customer to reserve or buy a new home by suggesting there are other people interested in the property or that the price will soon increase (if this is not true);
- b) offering a financial incentive in return for an immediate decision to reserve or buy a new home;
- c) encouraging a customer to reserve a new home by telling them they will lose the opportunity to personalise it, when the stage of construction would still allow this;
- d) encouraging a customer to buy any unnecessary or inappropriate additional insurance products, warranties or guarantees; or
- e) suggesting that a sale may not go ahead unless a customer uses a specific third-party professional adviser, such as conveyancer or mortgage broker.

### 1.4 Part-exchange and assisted-move schemes

When a developer offers a part-exchange or assisted-move scheme to a customer, the terms must be clear, fair and not misleading, and must not be used to pressurise the customer into a sale. The developer must give the customer enough time to consider the information they have been given.

**The terms of the part-exchange scheme must be explained in plain language and must include the following details.**

- a) The full terms and conditions that apply, including any leasehold or tenure conditions. The terms and conditions should include the price offered for the part-exchange property and how long the offer is valid for.
- b) How a fair market valuation has been decided on. This should be independent and come from more than one suitably qualified source.
- c) Any deductions that will be applied to the market valuation.
- d) How the customer can qualify for the part-exchange scheme.
- e) The date the customer needs to accept the offer by.
- f) What will happen if the customer doesn't accept the offer by the date they were given.
- g) The date (or dates) the part exchange and purchase of the new home are expected to complete by, and what will happen if they do not occur on the same date.

### **1.5 Considering vulnerable customers**

Developers must consider whether a customer is vulnerable and, if so, take any appropriate steps to help them make informed decisions.

Developers should take all reasonable steps to provide vulnerable customers with appropriate advice and help that is suitable to their needs, and must make sure that their employees do not make assumptions about the degree of knowledge that a customer has.

If a customer does not tell a developer they are vulnerable but it becomes clear that they may be, the developer must ask the customer or their representative for confirmation. Developers must be considerate and make sure they do not offend or discriminate against the customer when doing this.

### **1.6 Customer service standards and training**

Developers must make sure they have in place all systems, procedures and permissions they need, including permission to share customers' information (if this applies), to be able to accurately and reliably meet the requirements of the code.

Our Compliance and Data Team may ask developers for information about how they are keeping to the code, and the developer must provide this as soon as possible.

We will provide online training on keeping to the code, and developers must make sure that all employees who deal with customers complete this. Also, any agents a developer uses must make sure they are familiar with and meet the requirements of the code.

### **1.7 Legal and other advisers, commission and incentives for goods and services**

Developers must make customers aware that they should get independent legal advice when buying a new home.

Developers may recommend professional advisers to a customer. This includes legal representatives, pre-completion inspectors, financial advisers or mortgage intermediaries. However, developers must make it clear to the customer that they are free to choose their own advisers and do not have to use one they recommended. Developers cannot offer incentives when recommending a professional adviser.

If a customer is dealing with a developer online (for example, through a website), through an app or by email, and the site, app or email includes a link to the services of a specific professional adviser (such as a legal representative, financial adviser or mortgage intermediary), the developer must clearly identify the specific third-party provider and ask the customer to confirm that they want to continue before leaving the main page by following the link.

If a developer will receive any fee, commission or any other reward or advantage for introducing a professional adviser or recommending certain products or services to a customer, they must tell the customer this when they refer the customer to the professional adviser or when the customer buys or reserves the goods or services.



## **Part 2:**

Legal documents, information,  
inspection and completion

**There are a number of stages to buying a new home. These can include the following.**

- a) An opportunity for the customer to reserve a particular plot early. This is sometimes called an early bird or plot-option arrangement (see section 2.1).
- b) Entering into a reservation agreement. This is a contract between a customer and the developer, where a home is reserved (see sections 2.2 to 2.5).
- c) The developer makes specific information about the proposed purchase (pre-completion information) available to the customer or their legal adviser (see section 2.6).
- d) The developer and customer enter into a contract of sale. This is the formal legal document committing both parties to complete the sale unless exceptional circumstances apply (see section 2.7).
- e) Notice of the completion date is issued. This is the formal notice which tells the customer that their new home will be ready for completion (and for them to move into) from a specific date (see section 2.7a).
- f) An opportunity for the customer to visit their new home before completion. They can also arrange for a suitably qualified inspector to carry out a pre-completion inspection, using the template pre-completion inspection checklist, before the completion date (see section 2.8).
- g) Completion. This is when ownership of the new home transfers from the developer to the customer and the customer can move into their new home (see section 2.11).

This part of the code sets out the requirements and expectations that relate to these stages.

## **2.1 Early bird arrangements**

Developers may offer customers an option to be told when a plot (or plots) on a development is available to buy, before it goes on general sale. This is sometimes known as an early bird or plot-option arrangement.

**Developers can charge a fee for these arrangements but must meet the following conditions.**

- a) They must not charge more than £150 (or any future maximum amount that we may set).
- b) They must make it clear to the customer, before the customer pays the fee, how long they have to accept the early bird offer and how long they will have to change their mind and still receive a full refund of the fee they have paid (see below).

If a developer charges a fee, they must refund this in full if the customer tells them, within 24 hours of being told the plot is being released for sale (or within a longer period that the developer tells the customer before they pay the fee), that they do not want to go ahead with the purchase. If the customer tells the developer they do not want to go ahead with the purchase after this time, the developer may deduct administration costs from the refund they pay, as long as they explained this to the customer when they paid the fee.

If there is any difference between the rights and expectations customers have regarding early bird arrangements and the information given in this code, this code will take priority.

## 2.2 Reservation agreements

If a customer wants to reserve a new home, they must enter into a formal reservation agreement with the developer.

The customer and the developer should not enter into a reservation agreement until they both have all the relevant facts about the purchase and sale.

The developer must make sure that the terms of the reservation agreement are clear, fair and written in plain language, and that they keep to all relevant legislation.

The developer and the customer must sign the reservation agreement (digitally or in person), and the developer must give the customer a copy.

The terms of the reservation agreement must include the following details.

- a) Who the customer is buying their new home from.
- b) The amount of the reservation fee.
- c) The customer's right to cancel within the reservation period.
- d) The terms under which the reservation fee can be refunded, and any administration fees or similar costs that the developer may deduct from the refund.
- e) That there is a 14-day cooling-off period, during which the customer can cancel the agreement and receive a refund of the full reservation fee.
- f) How the customer can cancel the reservation agreement, including as a result of a major change (as set out in part 2.9).
- g) That the sale is 'subject to contract' (England and Wales only). This means that although the sale has been agreed, it is not legally binding until the contract has been signed.
- h) Details of the new home, including the type of property, plot number, development name, postal address (if available) and parking arrangements.
- i) The purchase price of the new home.
- j) How long the price and the reservation agreement are valid for.
- k) How and when the reservation agreement will end.
- l) Contact details for the provider of any warranty for the new home, together with a summary document of the warranty cover provided.
- m) The date by which exchange of contracts (conclusion of missives in Scotland) must take place. This date should be reasonable in the circumstances of the transaction, taking account of when all the information listed in part 2.6 is provided, and in any case should not be less than six weeks after the reservation date unless the customer asks for an earlier date.
- n) Any matters that the sale depends on, for example details of the part exchange (if this applies).
- o) Details of how the customer can include in the contract of sale any spoken statement that is to be relied on.
- p) The estimated yearly cost of any management services (factoring costs in Scotland), together with other costs the customer will have to pay.

- q) The tenure of the new home (for example, leasehold, freehold, commonhold and so on) and all costs associated with this, including how these costs may change in the future.
- r) Any event fees that might apply and how these will be assessed.
- s) The process for asking for changes to the new home, and the type of changes the customer can ask for (for example, paint colour, design changes, specification changes).

The developer must also provide an affordability schedule for any expected costs. This is a list of any costs that are likely to be directly associated with the tenure and management of the new home over the 10 years following the sale, and which the developer can reasonably be expected to be aware of.

The affordability schedule must include the following details.

- a) Details of any ground rent, including the amount, the payment dates and the formula used to calculate it.
- b) Estimated amounts of any additional costs that the developer knows or expects will arise directly from the sale. This includes management fees (for example, to maintain the landscaping, highways that the local authority is not responsible for, and so on), event fees and other charges. This information should bring to the customer's attention any service charges that may increase or be charged in the future as more facilities become available or sinking fund charges that may be introduced for repairs or maintenance. If the developer does not know the actual value of costs or charges, they should give the customer a schedule of costs without including the values.
- c) Details of known or expected costs or charges for regular maintenance of built-in equipment at the development, such as the shared heating system, equipment which collects grey water (water from sinks, baths, showers and washing machines), air-source heat pumps and so on, if these are not already included in the management fees or event fees (for example, following a change of circumstances). If the developer does not know the actual value of costs or charges, they should give the customer a schedule of costs without including the values.
- d) Estimated costs for maintaining the property (for example, painting render and so on) and repairing or replacing any fixtures or appliances as necessary during the first 10 years.

### **2.3 Cooling-off period**

All reservation agreements must include a cooling-off period of at least 14 days. If the customer wants to cancel the reservation, for any reason, during the cooling-off period, the developer must refund the full reservation fee.

### **2.4 If the customer cancels the reservation after the cooling-off period**

The reservation agreement may set out deductions that will be taken from the refund the customer will receive if they cancel the reservation after the cooling-off period.

The developer must refund the reservation fee, less any deductions set out in the reservation agreement, within 14 days of the date of the customer's notice of cancellation (see section 2.2f).

## 2.5 No right for the developer to cancel the reservation

While the reservation agreement remains valid, the developer does not have the right to cancel the reservation and must not enter into a new reservation agreement or sale agreement with another customer for the same new home.

At the end of the reservation agreement, the developer must give the provider of any home warranty full details of the customer and the property they have reserved.

## 2.6 Pre-contract of sale

The developer must give the customer's legal adviser suitable and relevant information to help the customer get appropriate advice and make fully informed decisions relating to buying the new home.

In all cases, this information must include the following.

### Information about the property and planning matters

- a) A written reservation agreement.
- b) A summary of the cover provided by the home warranty and contact details of the relevant warranty provider.
- c) The tenure of the new home (for example, leasehold, freehold, commonhold).
- d) The reference number of the planning consent which applies to the new home and details of any future building phases that the developer has planning consent for, and any facilities which the developer may build or pay for on the development.
- e) A list of contents in the new home that are included in the price (for example, cooker, fridge, washing machine, curtains, carpets, wall tiles, door-entry systems, plug sockets and bathroom fittings).
- f) Confirmation that the specification of the new home will be as advertised, including the type of materials used for the main structural frame of the building (masonry, timber, steel frame or other).
- g) Information relating to the standards the new home is being built to, including confirmation that it will meet the building regulations, the relevant home warranty provider's standards and the manufacturer's and supplier's performance and installation standards.
- h) Any exceptional restrictions relating to using, living in or the appearance of the new home and its grounds. This does not include standard terms covered in the title deeds, plot transfer of ownership or equivalent document. The developer must recommend that the customer asks their legal adviser about any exceptional restrictions that apply.
- i) Details of any services, facilities and responsibilities which may not immediately transfer from the developer to the customer on the completion date (for example, responsibility for the water and drainage systems and utilities). If these will transfer to the customer on a later date, the developer must explain this in full and give the customer written details.

### Information about actual and expected costs

- a) A description of any management services (and the organisations that will provide them) which the customer will be committed to.



- b) An indicative costs schedule. This is a reasonable indication of the costs that are likely to be directly associated with the tenure and management of the new home over the next 10 years, and which the developer can reasonably be expected to be aware of. This includes any obligation to contribute towards the costs of maintaining or replacing services and facilities. It does not include everyday maintenance and replacement costs for things such as systems, equipment and appliances inside the new home, or utilities. The indicative costs schedule must include the following.
- Details of any ground rent, including the amount, the payment dates and the formula used to calculate it.
  - Estimated amounts of any additional costs that the developer knows or expects will arise directly from the sale, such as management fees, event fees and other charges. This information should bring to the customer's attention any service charges that may increase or be charged in the future as more facilities become available or sinking fund charges that may be introduced for repairs or maintenance. If the developer does not know the actual value of costs or charges, they should give the customer an indicative costs schedule without including the values.
  - Details of known or expected costs or charges for regular maintenance of built-in equipment at the development, such as the shared heating system, equipment which collects grey water, air-source heat pumps and so on if these are not already included in the management fees or event fees (for example, following a change of circumstances). If the developer does not know the actual value of costs or charges, they should give the customer an indicative costs schedule without including the values.

The developer does not have to tell the customer about the normal costs and charges associated with owning the new home (for example, the cost of utilities, energy bills, Council Tax and home insurance). The customer should make separate enquiries to find out about these and take steps to consider whether they can afford the new home, taking account of information about additional and expected costs relating to the new home.

The indicative costs schedule does not need to set out estimated possible costs which will depend on decisions made by a management or service company and which are not necessary costs associated with maintaining the new home and its facilities. However, it must clearly show who owns and is responsible for the surrounding land, services and facilities (for example, street lighting, parks, landscaping and so on).

**If the new home is not yet completed, the developer must also give the customer:**

- a) the expected completion date (the developer's estimate of when the new home will be ready for the customer to move into); and
- b) a brochure or plan showing the size, specification, general layout, plot position and facing direction of the new home. This must include details of any steep slopes in the garden and grounds of the new home and information on how the surfaces and any fences and or boundary walls will be finished. All outbuildings and garages should be clearly marked and include details of finishes and construction if this will be different to the structure of the new home.

The developer must tell the customer (and their legal advisers), in writing, who to contact (with names and contact numbers) if they have any questions before ownership of the new home transfers to them, and how their questions will be answered.

The developer must keep the customer informed about any additional costs that they know or expect will arise for the new home (as far as is reasonably possible) as well as any restrictions that apply to services (for example, gas, electricity, broadband, water, sewerage or other standard services) and the service providers.

## 2.7 Contract of sale

The developer must make sure that the terms of the contract of sale are clear, fair and written in plain language, and that they keep to all relevant legislation. The contract of sale must do the following.

- a) Define the completion notice period (that is, the period from the date the notice to complete is served to the completion date).
- b) Clearly set out the circumstances in which the customer can cancel the contract of sale. This might include, for example, if there is:
  - a change to the new home that the customer has not agreed to and which affects the size, value or appearance of the new home (including, the size and layout of the rooms); or
  - an excessive or unreasonable delay in completing the construction of the new home and serving the notice to complete.
- c) Clearly explain what will happen if the new home will not be ready for the sale to complete by the date the developer said it would be ready.
- d) Clearly explain how deposits will be protected.
- e) Make suitable arrangements to provide a two-year builders' liability period for the customer. This also applies to special purpose vehicles (SPVs) and other short-term trading arrangements which may be formed to build a specific new home or development.

To avoid disputes over spoken statements, immediately before contracts are exchanged, the developer should make sure that the customer, through their legal representative, states in writing any spoken statements they are relying on when entering into the contract of sale.

## 2.8 Keeping the customer informed and pre-completion inspection checks

The developer must give the customer an opportunity to visit the new home, and appoint a suitably qualified inspector to carry out the pre-completion inspection on their behalf, before the completion date and within the five days after the notice to complete has been served (or earlier if the developer and the customer both agree to this).

The inspection should be carried out and recorded in line with the template pre-completion inspection checklist. Inspectors can reproduce the checklist in an electronic or digital format. However, they must carry out the checks shown on the original template.

The completion notice period is usually expected to be at least 14 calendar days (unless the developer and the customer agree otherwise). This is to make sure there is enough time for all the necessary legal requirements to be met and for the pre-completion inspection to be carried out. To avoid doubt, the pre-completion inspection checklist is not intended to delay or prevent completion happening in line with the notice to complete, but the developer must respond to the results of the inspection in line with the conditions set out in part 3.

The developer should explain the process for keeping the customer up to date on the timetable for when the new home is likely to be ready and give them updates at appropriate times.

The developer must make sure that their sites meet all relevant health and safety legislation and give appropriate guidance to visitors.

The developer must tell the customer about the health and safety precautions they must take if they are allowed to visit a construction site before the work is finished. The developer can refuse to give the customer (or any representative, inspector or professional acting on their behalf) access if they do not take any health and safety precautions the developer has told them they must take.

## 2.9 Changes, agreeing to major changes, and the customer's right to cancel

The developer must tell the customer about their right to cancel the reservation agreement and contract of sale and the specific circumstances when they can exercise this right.

The developer must tell the customer in writing if there is a major change to the details shown in the reservation agreement or contract of sale after the customer enters into the reservation agreement. A major change is a change that alters the size, appearance or value of the new home (including the layout inside the home).

The developer should tell the customer that they should ask their professional adviser for advice.

If the customer finds the major changes unacceptable, they have the right to cancel the reservation agreement or contract of sale and receive a full refund of their contract deposit, reservation fee and any other payments they have made, as long as they cancel within 14 days of receiving written details of the major change. The notice to complete cannot be served during the 14-day cancellation period.

The developer must keep the customer informed of changes to the design, construction or materials of the new home which are not major changes. The customer does not have the right to cancel the reservation agreement or contract of sale following changes such as these, and they do not have to formally agree to them. However, they do have the right to complain about any snags if they haven't agreed to the changes.

If the developer has agreed to do extra work for the customer which will change the timescale for finishing the new home, the anticipated completion date may need to be delayed and other amendments may need to be made to the reservation agreement or contract of sale (or both). The developer should tell the customer they should get legal advice about the extra work and any changes this may lead to.

In Scotland, if the developer changes the materials that will be used in the new home, they must make sure that the new materials still meet the relevant building warrant. Nothing in this section relating to discussions with the customer takes away this legal obligation.

## 2.10 Complete new home

Completion can only take place on a complete new home which meets the building regulations and all building safety requirements that apply. Completion must not take place on a new home that is not a complete new home, and the developer must not offer the customer an incentive (financial or otherwise) to move into, or complete the purchase of, a new home that is not a complete new home.

A complete new home is one that has proof of new home warranty insurance issued for it and meets the following further conditions.

### Further conditions for houses

If the new home is a house, it is a complete new home if all rooms, spaces and facilities are in a finished condition for the purpose they were designed and intended for, the property has a safe entrance and emergency exit routes, and any further work needed:

- a) is just decorative or to correct any faults;
- b) relates to shared areas; or
- c) relates to moving from temporary to permanent utilities and services; and this does not affect the owner's ability to live safely in the house and will not cause significant disruption or inconvenience.

#### **Further conditions for apartment and flats**

If the new home is an apartment or a flat, it is a complete new home if all rooms, spaces and facilities within the specific apartment or flat are in a finished condition for the purpose they were designed and intended for, the building has a safe entrance and emergency exit routes, and any further work needed:

- a) is just decorative or to correct any faults;
- b) relates to shared areas and facilities; or
- c) relates to moving from temporary to permanent utilities and services; and this does not affect the owner's ability to live safely in the apartment or flat and will not cause significant disruption or inconvenience.

#### **Further conditions for all new homes in Scotland**

In Scotland only, a new home is a complete new home if the local authority (Building Control) has confirmed the property is ready to be lived in.

### **2.11 Completion**

At the point of completion, the developer must have done the following.

- a) Completed the construction of the new home to the standards agreed.
- b) Carried out a developer's final quality assurance inspection of the new home and given the customer a schedule of any incomplete work or defects, and a statement explaining the timescales for completing the work or putting right the defects and that they will need access to the home at suitable times to do the work (England and Wales only).
- c) Confirmed that the relevant local authority has inspected the new home and issued a habitation certificate to confirm it is ready to be lived in (Scotland only).
- d) Given the customer the opportunity to inspect the new home or appoint a suitably qualified inspector to carry out a pre-completion inspection (see 2.8 above).
- e) Provided an appointment for a home demonstration, including an explanation of how to use any appliances that are included with the new home. This can take place at the same time as the pre-completion inspection.
- f) Provided full details of any guarantees and warranties that apply to the new home and any appliances.
- g) Provided, or arranged for the home warranty provider to provide, clear details of the cover provided by the new home warranty, and given the customer details of any exceptions, exclusions, limits, excesses or conditions that apply to the new home warranty cover.
- h) Given the customer a copy of their complaints procedure.
- i) Provided a health and safety file for the new home in line with relevant legislation. For apartments, the health and safety file should be given to the managing agent or management company.
- j) Given the customer:

- a copy of the building regulation control inspection records if they ask for this (England and Wales); or
  - confirmation that the relevant local authority has inspected the new home and confirmed it is ready to be lived in (Scotland).
- k) Provided the building regulation completion certificate (or habitation certificate in Scotland) if this is available. If the certificate is not yet available, the developer must tell the customer that it will not be available until after completion (for example, if the new home is an apartment, the certificate may not be issued until the whole apartment block is completed).

## 2.12 Incomplete and additional work

At the point of completion, the developer must give the customer a statement of incomplete work on the development under the relevant planning consent, and timescales for when the work is expected to be completed. This applies to, for example, roads, open spaces, recreational areas and landscaping. The developer should make sure that the customer is kept informed of the progress in fulfilling commitments in the relevant planning consent.

The developer must tell the customer of any future phases of work on the development that they are committed to do. As construction work is carried out, the developer should identify and consider reasonable steps to reduce any significant negative effect on the customer.

The developer should try to keep the customer informed of the design and impact of any utility boxes or other estate infrastructure (such as lamp posts, bins and bike shelters) that will be installed after completion and could have a significant effect on the new home.

## 2.13 Repaying deposits and fees

The developer must have in place adequate arrangements to protect deposits, reservation fees and other fees. This may include:

- a) insuring the full contract deposit through the new home warranty;
- b) putting the contract deposit, the reservation fee and any other payments the customer has made in a suitable client account designed for holding customers' money (the money must be held in a separate account from the one used for the developer's cash flow and assets, and the developer must not be able to withdraw it until the completion date); or
- c) any other legal arrangement within the developer's course of business which they can reasonably use to repay the above amounts if necessary. This must apply to the whole of the contract deposit or any uninsured amounts (if the developer has arranged insurance in line with a above).

If the customer has paid extra money for adaptations or upgrades but then cancels the contract, the developer should refund the payments less any costs they have had to pay in connection with the adaptations or upgrades.

If the developer changes or cancels the contract of sale, they must give the customer and the New Homes Ombudsman Service (if this applies) accurate information so that they can assess whether the customer is entitled to any compensation.

The developer must refund the contract deposit and pay any other amounts due to the customer within 28 days of the contract being cancelled.



## Part 3:

After-sales service, complaints  
and the New Homes  
Ombudsman

**A developer's obligations do not end when a customer becomes the owner of a new home. Developers must provide an after-sales service and a complaints procedure.**

Customers have two years from the date of the reservation or completion (whichever is later) to make a complaint under the complaints procedure and to refer the complaint to the Ombudsman if they are not happy with the outcome. If developers arrange for a third party to provide their after-sales service, the developer will still be responsible for providing the complaints procedure and keeping to this code.

### 3.1 After-sales service

When a developer sells a new home, they must give the customer a full and accessible after-sales service for at least two years following the date of completion.

To make sure the customer understands how to access the after-sales service, the developer must give them suitable information about the service, including the following.

- a) A clear written statement of their after-sales service procedures.
- b) An explanation of the developer's responsibility for putting right any issues or problems (including snags and defects) that arise in the property during the first two years. The customer should identify any issues or problems (including snags and defects) and report them to the developer as soon as possible so that the developer can meet their responsibilities.
- c) An explanation of how the developer will manage any issues or problems and service calls. This explanation should include timescales for dealing with problems, details of how the customer should report any problems and the names and contact information of the people they should report them to.
- d) Details of how the customer can make a formal complaint about any issue or problem (including snags and defects) if they are not happy with how the developer proposes to deal with it.
- e) An explanation of the process for reporting and dealing with emergency issues, including details of what qualifies as an emergency issue and how the developer will deal with them. (Emergency issues include matters relating to health and safety that could seriously affect a person's health and well-being or cause injury or loss of life.)
- f) Clear guidance on what is considered to be normal maintenance which the customer is responsible for.

If building work will continue on the development after the customer buys the new home, the developer must tell the customer about the health and safety precautions they must take while living there and the measures the developer has put in place to protect them.

### 3.2 After-sales issues and complaints

The developer must have a system and procedures for receiving and dealing with any issues or problems the customer raises about the after-sales service. This applies in addition to the customer's right to make a formal complaint under the code.

The developer must give the customer a written statement of the process for raising an issue or problem they have with the after-sales service, as well as the process for making a formal complaint. The developer can provide the written statement in a letter, brochure or leaflet or by email, or they can provide it clearly on their website.

The information the customer receives must include details of how to refer the complaint or dispute to the New Homes Ombudsman Service if they cannot reach an agreement with the developer as to how to resolve the matter.

Customers have two years from the date of the reservation or completion (whichever is later) to make a complaint under the complaints procedure and to refer the complaint to the Ombudsman if they are not happy with the outcome.

The developer must co-operate with any appropriately qualified professional adviser the customer appoints to help settle a complaint before it becomes a dispute. The developer must provide the same level of co-operation to anyone authorised by the customer to represent them (for example, a family member, friend or professional adviser) as they would to the customer, as long as they keep to their data-protection, confidentiality and health and safety processes.

### 3.3 Snags

It is widely acknowledged that there are usually some finishing or other issues which need putting right after moving into a new home, and these are commonly known as 'snags' or 'snagging issues'.

After completion, developers are expected to work with their customers to identify and put right any snags.

The developer must make sure that snags are covered by the after-sales service and are dealt with as soon as possible.

The developer must acknowledge any snags, issues or problems raised through the after-sales service as soon as possible. In most situations the developer should be able to settle an after-sales issue or problem within 30 days, unless there is a significant reason for a delay. If there is a delay, the developer should explain clearly to the customer the reasons for this, and should give them updates at least once a month until the matter is settled. If the customer is not satisfied with the after-sales service, they can make a formal complaint under the developer's complaints procedure.

To avoid doubt, emergency issues are not snags and if the customer is not satisfied with how these are dealt with, they can make a formal complaint from the date of completion.



### 3.4 Complaints procedure

The customer can make a formal complaint under the developer's complaints procedure if they are not satisfied with the outcome of an issue or problem they have raised in connection with the obligations under:

**Part 1: Selling a new home;**

**Part 2: Legal documents, information, inspection and completion; or**

**Part 3: After-sales service, complaints and the New Homes Ombudsman.**

The developer's complaints procedure must include the following steps (as a minimum).

- a) **Written acknowledgement:** no later than five days from the first business day after receiving the complaint (the complaint start date), the developer will send the customer a written acknowledgement of the complaint.
- b) **Path to resolution letter:** no later than 10 days from the complaint start date, the developer will send the customer a written 'path to resolution' which outlines how they will investigate the complaint. This will include telling the customer whether they can refer the complaint to a dispute resolution service that is offered by their warranty provider, if they are not satisfied with the outcome of the complaints procedure.
- c) **Complaint assessment and response letter:** no later than 30 days from the complaint start date, the developer will send the customer a complaint assessment and response letter.

The complaint assessment and response letter must include the following information.

- Details of and a separate report on each complaint.
  - If a complaint has been settled, what action has been taken to do this.
  - If a complaint has not been settled, and the developer needs more time to look into the matter, an estimate of how long they will need to reach a decision and a brief explanation as to what further steps are needed and why.
  - If a complaint has not been settled but the developer accepts that they need to carry out correction work, details of what that work will be and an estimate of when it will be completed.
  - If further investigation or correction work is needed, when the developer will give the customer an update (which must be within 28 days).
  - If the developer does not accept a complaint, a clear explanation of the reasons for the decision.
  - Information about any dispute resolution service, offered by the warranty provider, that the customer can refer the complaint to.
  - How the customer can refer the complaint to the New Homes Ombudsman Service.
- d) **Eight-week (56-day) letter:** if the complaint is not closed, and no later than 56 calendar days from the complaint start date, the developer will send the customer an eight-week letter.

The eight-week letter must include the following information.

- A clear summary of what action has been taken to date.
- Clear details of what is still outstanding, a reason why and the actions to be taken.
- An idea of when the complaint will be settled.
- How often the developer will give the customer updates (which must be at least every 28 days).

**e) Closure letter:** the developer can send a closure letter to the customer at any stage after the complaint start date.

The closure letter must include the following.

- A list of the items agreed in the complaint assessment and response letter and confirmation that each item has been resolved.
- Information about how to refer matters to the New Homes Ombudsman Service if the customer is not satisfied.

To avoid doubt, the developer can choose to combine a number of complaints into a single complaint, but the timetable will apply from the date they received the first complaint.

### 3.5 Referrals to the New Homes Ombudsman Service

If any defects or snags are not dealt with in line with the developer's complaints procedure, the customer can refer a dispute to the New Homes Ombudsman Service.

In line with established best practice, a complaint that arose within the first two years after the date of completion can be referred to the New Homes Ombudsman Service after 56 days of the complaint start date, whether or not the date the customer refers the complaint to the New Homes Ombudsman Service is within the first two years after completion.

However, the customer should refer the complaint to the New Homes Ombudsman Service as soon as possible. The New Homes Ombudsman Service will follow its scheme rules when deciding whether to look into the complaint.

The developer must co-operate with any request from the New Homes Ombudsman Service to provide all relevant information about a complaint a customer has asked them to review.

### 3.6 Resale

If the customer sells the new home, the after-sales service provided by the developer applies only to after-sales matters reported within two years of the completion date of the original purchase of the new home. Any potential future owners should get legal advice about this.





## **Part 4:**

Solvency, legal rights and  
jurisdiction

**The developer must make sure that the developer (and seller, if different from the developer) has the necessary finances or insurance cover to provide reasonable protection against insolvency and can meet its obligations under this code, including repaying deposits when these become due and any financial awards made by the Ombudsman.**

Nothing in this code affects any other rights the customer has by law and does not replace any legislation that applies to the new home. Customers do not have to make a complaint to the New Homes Ombudsman Service if they are not satisfied with a matter that is covered by the code. They may decide to take other action, such as through the civil courts or other ombudsman or regulator.



## GLOSSARY

| Term                        | Meaning   |
|-----------------------------|---|
| <b>Activation</b>           | The final stage of a developer's registration with us. From the activation date, all reservations are covered by the New Homes Quality Code and the New Homes Ombudsman Service.  |
| <b>After-Sales Service</b>  | The service, provided by the developer, to deal with any emergency issues, snags, defects or complaints during the first two years following completion.  |
| <b>Agent</b>                | A person, firm or company (for example, an estate agent or contractor) used by a developer to deal with any matter on their behalf.   |
| <b>Builder</b>              | The firm or person who is responsible for constructing or converting the new home. This may or may not be the same person or firm as the developer.   |
| <b>Building regulations</b> | The building regulations that govern the construction of the new home, which were in force at the time the notice to build was submitted to the local authority or approved inspector (or, in Scotland, at the time the application for the building warrant was submitted to the local authority). |
| <b>Code</b>                 | The New Homes Quality Code, which all developers must keep to. The code includes the statement of principles and practical steps, which set the requirements that govern the marketing, sales and after-sales service relating to a new home for two years after completion.                        |
| <b>Code council</b>         | An organisation which runs and manages the code and reports to us on how effective the code is and whether developers are meeting its requirements.   |
| <b>Complaint</b>            | Any spoken or written expression of dissatisfaction, whether justified or not, made by or on behalf of a customer about a service or product a developer has provided or failed to provide, or about a developer not keeping to the code. (See also snags.)   |
| <b>Completion</b>           | The point at which ownership of the new home transfers from the developer to the customer. In Scotland, this stage is known as settlement. (See also contract of sale.)   |
| <b>Completion period</b>    | The time between the date the developer gives the customer the notice to complete and the date of completion.   |
| <b>Contract deposit</b>     | A deposit the customer pays to the developer at exchange of contracts. The contract deposit shows the customer's commitment to buy the new home and acts as part payment towards it.  |
| <b>Contract of sale</b>     | A legally binding agreement between the customer and the developer to buy or build the new home. In Scotland, this document is known as the missive (or builder's missive).   |
| <b>Cooling-off period</b>   | The 14 days after the reservation agreement is signed, during which the customer can decide to end the agreement and have their reservation fee refunded in full.   |
| <b>Customer</b>             | A person who makes enquiries about buying a new home, and who may then go on to reserve or buy a new home from a developer. If two or more people buy or reserve a new home jointly, they will each have the same rights as joint customers.  |

|   |  |
|---|--|
| <b>Defects, defective or faulty items</b> | Incomplete work, or faults in completed work, that does not meet the expected quality or finish as set out in the contract of sale, including the new home warranty provider's standards or the manufacturer's standards for that part of the building or new home. (See also major defects.)  |
| <b>Developer</b>                          | A person or firm who is registered with us and who: <ul style="list-style-type: none"> <li>a) meets the description of developer specified in regulations made by the Secretary of State;</li> <li>b) registered the original building plot with the new home warranty provider; and</li> <li>c) carries out or commissions someone else to carry out: <ul style="list-style-type: none"> <li>• the construction of a new building that will be or include a new home;</li> <li>• the conversion of an existing building so that it is or includes a new home; or</li> <li>• the conversion of an existing building to alter the number of new homes it contains.</li> </ul> </li> </ul> |
| <b>Development</b>                        | The buildings and facilities included in the detailed planning consent that applies to the new home.   |
| <b>Dispute</b>                            | A disagreement where the customer and the developer do not agree on the outcome of a complaint the customer has made (under the developer's published complaints procedure) about a matter that is covered by this code.   |
| <b>Early bird arrangements</b>            | Arrangements a developer puts in place to allow customers to register an interest in a new home which has not yet been released for sale but which is likely to be released within a defined period of time.   |
| <b>Emergency issue</b>                    | An issue that poses an immediate threat to safety, security, health or well-being.   |
| <b>Event fees</b>                         | A fee charged under or relating to a residential lease or the freehold of a new home if certain events take place (for example, if the property is sublet or sold again). Event fees are sometimes referred to as exit fees, transfer fees, deferred management fees, estate fees, consent fees, covenant fees, contingency fees and selling service fees.   |
| <b>Exchange of contracts</b>              | The term used in England and Wales to describe the formal stage when the contract of sale is exchanged between the developer and the customer. In Scotland, this is known as conclusion of missives.   |
| <b>Health and safety file</b>             | A collection of information appropriate to the characteristics of the development and the new home, which contains relevant health and safety information needed to allow future building work, cleaning, maintenance, alterations, refurbishment and demolition to be carried out safely. Developers must provide a health and safety file under the Construction Design and Management Regulations.  |
| <b>Home warranty provider</b>             | Any organisation that provides a warranty for the new home.  |
| <b>Leasehold</b>                          | This is where the owner of the new home does not own the land the home is on so leases it from the landowner for a fixed period.   |
| <b>Major change</b>                       | A change that affects the size, appearance or value of the new home (including the layout inside) from what the customer was shown in the reservation agreement or contract of sale.   |

## GLOSSARY

| Term   | Meaning   |
|--|---|
| <b>Major defect</b>                          | A fault or failure (usually a structural fault) that could lead to an insurance claim through the new home warranty.  |
| <b>Management services</b>                   | The maintenance and supply services the customer will have to receive under the contract of sale after they buy the new home.   |
| <b>Management services charges</b>           | The charges the customer must pay for the management services they receive at the new home after they buy it. Management services charges include event fees and leasehold charges.   |
| <b>New home</b>                              | The new-build, or newly converted property (including its gardens, boundary, fencing, shared areas and any land) shown in the contract of sale, which the customer buys for their own use.  |
| <b>New Homes Ombudsman Service (NHOS)</b>    | The New Homes Ombudsman Service will investigate and settle, make a decision on or make recommendations in relation to disputes and complaints between a customer and a developer, where the customer believes the developer has failed to meet the requirements of the code.   |
| <b>New home warranty</b>                     | An insurance-backed warranty or insurance policy that provides cover to protect the customer if there are any major defects at the new home.  |
| <b>Notice to complete</b>                    | The formal notice issued by the developer to tell the customer the date the new home will be ready for completion.  |
| <b>Part-exchange or assisted-move scheme</b> | Schemes offered by some developers to help customers move by offering to buy their existing home to use as a deposit for the new home.  |
| <b>Pre-completion inspection</b>             | An inspection carried out by a suitably experienced inspector, using the pre-completion inspection checklist, before the completion date.   |
| <b>Pre-completion inspection checklist</b>   | The standard template checklist which suitably qualified inspectors use to carry out pre-completion inspections by checking the finish of a new home to identify any snags before completion.   |
| <b>Professional adviser</b>                  | A suitably qualified or accredited person acting for the customer. When dealing with a complaint or dispute, professional advisers may include trading standards departments, Citizens Advice, consumer centres and professional advisers such as solicitors and qualified surveyors, formally appointed under a relevant professional institute's rules. |
| <b>Reservation agreement</b>                 | An agreement in which a customer and a developer make a joint written statement giving the customer a certain period of time to enter into a contract of sale to buy a new home.  |



|                                      |   |
|--------------------------------------|---|
| <b>Reservation fee</b>               | The fee a customer must pay when entering into a reservation agreement with a developer.  |
| <b>Requirements</b>                  | The obligations developers must meet under the code.  |
| <b>Sinking fund</b>                  | A fund in which money is regularly set aside to cover the cost of replacing assets (such as lifts or play equipment) when necessary.  |
| <b>Snag</b>                          | <p>A minor imperfection or fault in the new home which does not meet the expected quality or finish as set out in the contract of sale. A snag is usually something which is damaged, broken, not fitted properly or looks unfinished.</p> <p>Snags may be identified during a pre-completion inspection or after completion. Snags that are reported to a developer are not automatically considered a complaint. However, if a developer does not put a snag right within 30 days of the date it was reported to them, the customer can ask for it to be dealt with under the developer's formal complaint process.</p> |
| <b>Special purpose vehicle (SPV)</b> | A subsidiary created by a parent company with a single purpose. SPVs are used to carry out financial transactions, such as buying assets, construction, joint ventures, or to keep a company's assets or operations separate from its parent company's.   |
| <b>Tenure</b>                        | The conditions under which land or buildings are held or occupied, usually freehold (where the owner of the home owns the land it is built on) or leasehold (where a third party owns the land and the homeowner pays to lease the land for a specified period).  |
| <b>Transition period</b>             | The period between a developer applying to register with us and them becoming a registered developer. During the transition period the developer must make any preparations that are needed to be able to meet the requirements of the code.  |
| <b>Utility</b>                       | Electricity, gas, water or sewerage services.   |
| <b>Vulnerable customer</b>           | A customer who is significantly less able than a typical customer to protect or represent their interests or is significantly more likely than a typical customer to suffer disadvantage during the process of buying a new home. Vulnerability can be temporary or permanent and can come and go. Developers must be flexible when dealing with a vulnerable customer and must tailor their response when necessary.   |
| <b>We (us, our)</b>                  | The New Homes Quality Board (NHQB). We are the independent organisation who appoints the New Homes Ombudsman Service and the code council.  |



# Code of Practice

[www.nhqb.org.uk](http://www.nhqb.org.uk)

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