

Property and Law Roundup

Purpose: For noting

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Approver: Chief Executive

Summary

The regular round up of key developments affecting the legal services regulated by the CLC. This is a supplement to the weekly reports on the economy and housing market that are circulated to Council Members by the Chief Executive.

Recommendation

The Council is asked to note the contents of this report.

Relevant Regulatory Objectives

- RO1 - protect and promote the public interest
- RO2 - support the constitutional principle of the rule of law
- RO3 - improve access to justice
- RO4 - protect and promote the interests of consumers
- RO5 - promote competition in the provision of legal services
- RO6 - encourage an independent, strong, diverse and effective legal profession
- RO7 - increase public understanding of the citizen's legal rights and duties
- RO8 - promote and maintain adherence to the professional principles

Financial impact

None arising from the paper, but information contained can help plan for future impacts.

Diversity and inclusion impact

None arising from the paper, but information contained may help identifying upcoming issues.

Communications requirements

This paper is posted on the CLC website.

Introduction

This is the regular update for Council on key developments in the economy, housing market, law and the legal sector. It builds on the information and insight provided weekly in the Chief Executive's update to Council.

Relevant CLC Principal Risks

Information in this paper could help inform the status and mitigation of the following risks.

1. Loss of significant practice fee income caused by depressed market conditions, practice churn or practice closure
2. Unplanned increase in the cost of regulation to the point where expenditure exceeds income
3. Loss of any or multiple SMT members
4. A major incident, either physical or cyber threatens the continuity of the CLC through loss of
5. Not delivering on the CLC Strategy
6. Practices are not able to secure Professional indemnity insurance or terms are unaffordable or unacceptable to the CLC

MODERNISATION AND DIGITISATION OF HOME BUYING AND SELLING

Clear shared direction of travel

The CLC's held its annual round table of property industry experts in September. It is an annual event to update on the CLC's [Conveyancing 2030 discussion paper](#). There was again a great deal of consensus about the direction of travel for home buying and selling.

It was noted that estate agents are now required to provide a minimum set of 'material information' when marketing a property. The first of a three-phase process being led by National Trading Standards and fuelled by the digitisation of property data, took effect in June; phase A requires the inclusion on all listings of a property's impact on the buyer's finance, the council tax band or rate and its price and tenure information. Phase B and C will require the upfront disclosure of utilities, parking and non-standard material information, such as restrictive covenants, flood risk and other specific factors that may impact a property. This is an important step forward in reforming home buying and selling that will be supported and could extend naturally as more and more information about properties is digitised.

[Read a full report of the Round Table.](#)

The SLC's conference on 2nd November was opened by the Chair of the CLC, Dame Janet Paraskeva. Her speech ranged across the priority issues for the CLC, including setting out again the principles and benefits to consumers and the regulated community of the CLC's 'assisted compliance' approach.

She highlighted some of the very positive changes that have been made in recent years and suggested that practices that do not keep pace with continued developments and changing consumer expectation could well be left behind. There is a report of her speech [here](#).

The following speakers in the morning's first session were the Chief Executives of HM Land Registry and the Legal Services Board and the Deputy Chief Ombudsman of LeO.

In all three presentations, there were echoes of Dame Janet's themes around reform of the home buying and selling process, underlining the consensus that there is about the broad lines of how the delivery of conveyancing is going to evolve. HM Land Registry is moving account holders towards digital applications for changes to the Register. The Legal Services Board is stressing the benefits to consumers in terms of access to and ease of use legal services through online methods. LeO is improving its own processes to streamline complaints handling in the interests of consumers and the regulated community.

The early session of the conference was a clear demonstration of collaboration, and Dame Janet also impressed on the SLC and its members the need for the entire home buying and selling industry to work together to deliver a faster, more secure and smoother process.

Government involvement

The return of Michael Gove to the Department of Levelling-up, Housing and Communities could see a return of government attention to the reform of home buying and selling. The then Housing Minister, Heather Wheeler, set the industry some clear challenges at the CLC's 2019 conference. Since then, officials have provided support and encouragement to the sector, and we hope that

there will be renewed Ministerial interest in reform of the housing market alongside the clear interest that there is in reforming leasehold.

ECONOMIC OUTLOOK

The Monetary Policy Committee (MPC) of the Bank of England said of its November 2022 report that the 'updated projections for activity and inflation describe a very challenging outlook for the UK economy'.

The MPC noted that government intervention would limit the impact of energy on inflation as measure by the Consumer Price Index but could 'augment inflationary pressures in non-energy goods and services. Inflation currently stands at 10.1%.

Interest rate

Since December 2021, the Bank of England has increased its interest rate from 0.1% to 3% in an attempt to calm inflation and bring it back down to its target of 2%. The MPC's central project is that CPI inflation starts to fall back from early next year as previous increases in energy prices drop out of the annual comparison. Domestic inflationary pressures remain strong in coming quarters and then subside. CPI inflation is projected to fall sharply to some way below the 2% target in two years' time, and further below the target in three years' time. However, the same projection expects the Bank's interest rate to reach a peak of 5.25% in the third quarter of 2023.

These increases will bite increasingly on people with mortgages as fixed-rate periods end in the coming months, so the impact is likely to be steady rather than sudden.

Uncertainty

GDP is projected to continue to fall throughout 2023 and the first half of 2024, as high energy prices and materially tighter financial conditions weigh on spending.

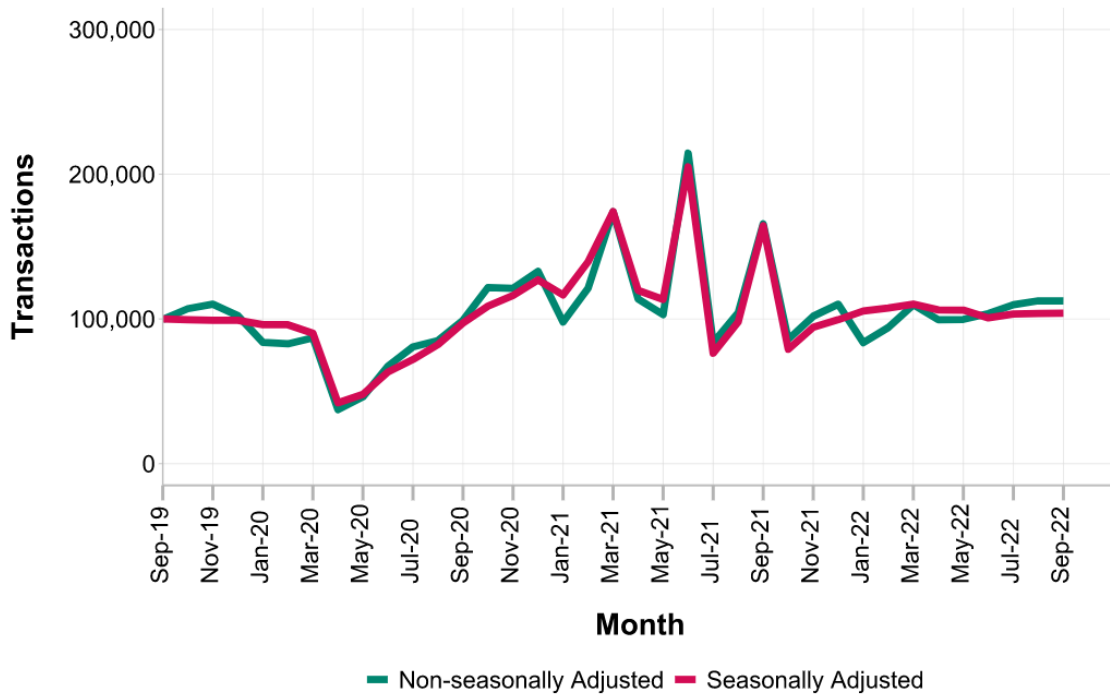
The Bank's view is of course not informed by the steps the government will announce on 17 November, so we may have a different view on the future from the Bank after that date.

The uncertain outlook for the global and UK economies prompted the CLC to issue an Advisory Note to its regulated entities recommending they stress test their business against the scenario of a significant drop in the numbers of transactions.

HOUSING MARKET

For the moment, transaction numbers seem to be holding up. The first chart below is from HMRC figures, showing that volumes seem to have steadied at a similar rate to that seen before the pandemic.

Figure 1: Non-seasonally adjusted and seasonally adjusted UK residential property transactions by month between September 2019 and September 2022 .



Prices are holding up too, partly fuelled by an under-supply in the market. However, the rate of price growth has been slowing. According to the Halifax, average house prices fell by -0.4% in October (vs. -0.1% in September) The Annual rate of growth dropped to +8.3% (from +9.8%) in the month and there is widespread expectation that prices could fall by 5%-10% over the coming year, with wide variations between the many markets within the UK's cities and regions .

