

Property and Law Roundup

Purpose: For noting

Author: Director of Strategy and External Relations

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
4. The CLC is unable to attract and retain capable and competent employees due to uncompetitive pay and, benefits.
5. A major incident, either physical or cyber threatens the continuity of the CLC through loss of staff or infrastructure.
6. Not delivering on the CLC Strategy.
7. Practices are not able to secure Professional indemnity insurance or terms are unaffordable or unacceptable to the CLC
8. Organisational performance and staff welfare risks in a small organisation

MODERNISATION AND DIGITISATION OF HOME BUYING AND SELLING

Cross-Sector Collaboration

The Home Buying and Selling Group, of which the CLC is part, has been doing a great deal of work in recent years to develop consensus about how the conveyancing process can be reformed in the interests of consumers, the housing market overall and all those organisations and individuals working in the sector. Delivering change will require a wide range of different organisations and individual professionals to move forward together even if particular changes do not make an improvement for an individual or group. Overall, the aggregate change that is envisaged will deliver a faster, more transparent and secure homebuying and selling process that will give everyone involved much greater confidence about any individual transaction.

There have long been calls for the government to step in to require change where they might be resistance. The most cited example is the need for estate agents to engage and facilitate the provision of much more vital information about a property at the time it is placed on to the market. This is being tackled in part by Trading Standards. They are working to ensure that more 'material information (as set out in the Consumer Protection from Unfair Trading Regulations 2008) is included in property listings.

This project will not deliver all of the information that consumers and conveyancers would want to see at the very beginning of a transaction, but it is a very important step forward that will begin to change attitudes in the sector.

The government has been very clear that it does not want to create new legislation to deliver a new conveyancing process overall. However, it is willing to undertake limited surgical interventions to move things forward.

HM Land Registry controls the very end of the home buying and selling process, with the revision of the title records at the point a transaction is completed. Action by HM Land Registry downstream at the end of the river, changes behaviours, processes and tools upstream, earlier on in the conveyancing process. We are seeing this in relation to HM Land Registry's standard-setting for the use of digital signatures, for example.

Now, Land Registry is beginning to use the power it has to convene, to influence and to drive change. The Land Registry Advisory Council (LRAC), is working together to develop a vision for home buying and selling that its members can jointly bring into being either through their direct action jointly or individually or through further influence and standard-setting. This will lean very heavily on the work already completed by the Home Buying and Selling Group.

The CLC is a member of LRAC and staff are enthusiastic about the opportunity it presents to finally bring about the change that so many in the sector have long described and wanted to see. As the work develops, all organisations involved may well need to reprioritise their existing plans to ensure that they are able to play their full part in this important project.

ECONOMIC OUTLOOK

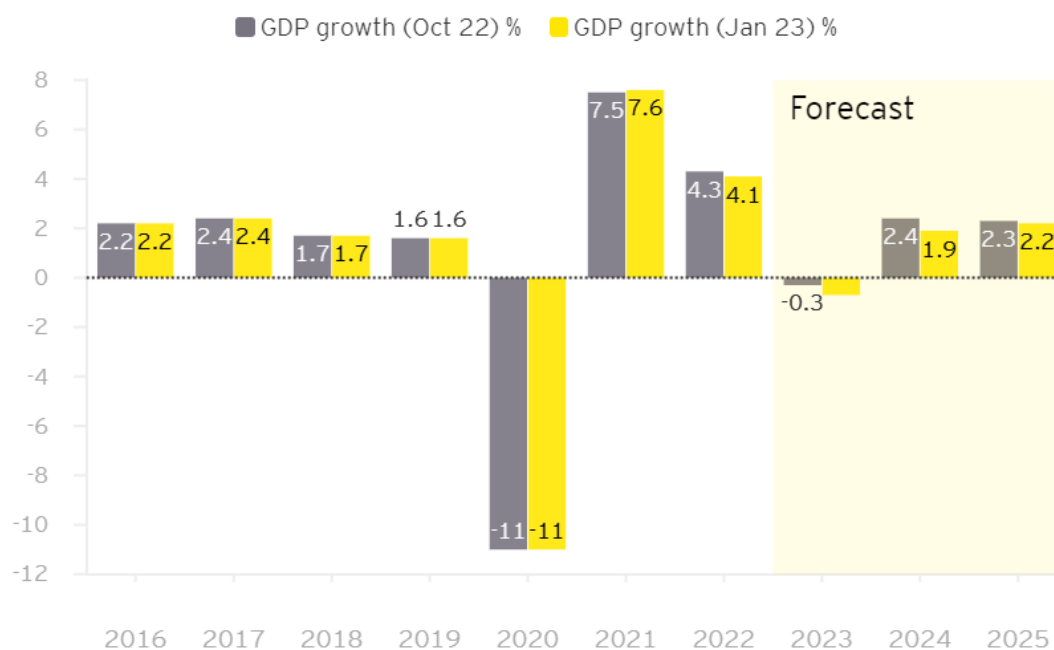
The EY ITEM Club's *Winter Forecast* says that the UK economy is now expected to contract 0.7% in 2023. This is bigger than the 0.3% contraction EY predicted in October. The impact of tighter fiscal policy and a deeper downturn, particularly on business investment, means the growth forecast for 2024 has also been downgraded from 2.4% to 1.9%. Growth of 2.2% is expected in 2025, down from the previously forecast 2.3%. The UK economy is expected to have grown 4.1% in 2022.

This is echoed by a report in *The Times* that the Office for Budget Responsibility has also cut its prediction for growth in 2023. The IMF's next world Economic Outlook will be published in the week of 31st January 2023. The IMF director has recently warned that the difficulties of the global economy will hit some countries harder than others.

Key factors behind the downgrade for the 2023 forecast include the reduction in the ambition of the Energy Price Guarantee, additional taxes on high-earners and unearned income coming into effect from the spring, and signs that the housing market may be slowing faster than many had anticipated. Though the signals on that remain mixed.

GDP growth in November 2022 means it's now more touch-and-go whether a recession began last year. However, EY say that the challenging outlook suggests that GDP is likely to shrink over the first half of 2023. The UK economy is still expected to return to growth in summer 2023 and into 2024 as inflation falls back and consumers use strong balance sheets to save less and spend more. The EY ITEM Club adds that this downturn should prove less damaging for the economy – and shorter – than downturns in the 1980s, 1990s, and 2000s. This is due to the unusual and externally driven nature of the recession, combined with the prospect of inflation falling back quickly this year. Nevertheless, the economy is not expected to regain its pre-pandemic size until the middle of 2024.

UK: GDP Growth, Winter ITEM Club Forecast 2023



Source: EY ITEM Club

HOUSING MARKET

Headline statistics from the latest transactions data from HMRC include:

- the provisional non-seasonally adjusted estimate of the number of UK residential transactions in December 2022 is 108,960, 1% lower than December 2021 and 3% lower than November 2022
- the provisional seasonally adjusted estimate of the number of UK residential transactions in December 2022 is 101,920, 1% higher than December 2021 and 3% lower than November 2022
- the provisional non-seasonally adjusted estimate of the number of UK non-residential transactions in December 2022 is 10,810, 5% lower than December 2021 and 9% higher than November 2022
- the provisional seasonally adjusted estimate of the number of UK non-residential transactions in December 2022 is 9,800, 1% lower than December 2021 and 3% higher than November 2022

RICS Residential market Survey

The most recent survey of RICS members also reports on December 2022.

It found that buyer demand was still falling in December, resulting in fewer sales being agreed. Looking ahead, the expectation for 2023 is that prices and volumes of sales will decline further.

Estate Agent Expectations

Foxtons said it achieved double-digit revenue growth and better than expected profits for last year, but warned that the start of 2023 would be tougher as economic conditions toughen for many in the UK.

Estate agents have warned that a challenging economic backdrop in the UK will continue to affect sales into 2023, as the market approaches the hottest time of year for house buying and selling, in the spring. Many estate agents are saying that sellers have unrealistic price expectations, which is also slowing sales.

However, despite headlines referencing the crash of 2008, talk this year is generally of a cooling, even if quite a sharp one.