

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

The information in these updates is intended to contribute to the CLC meeting all of the 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

The CLC is part of the Digital Property Market Steering Group. The founding members are the Building Societies Association, the Chartered Institute of Legal Executives (CILEX), CILEx Regulation, the Conveyancing Association (CA), the Council for Licensed Conveyancers, the Council of Property Search Organisations, HM Land Registry, the Law Society, Propertymark, the Royal Institution of Chartered Surveyors, the Society for Licensed Conveyancers, the Solicitors Regulation Authority, and UK Finance.

A lot of great technological developments are now happening and converging in the market. But there is a broad consensus that all interested bodies need to align behind a joint vision and each contribute in their own but coordinated way to making it happen sooner and in the best interests of property owners and purchasers.

The new Digital Property Market Steering Group members have a shared goal of accelerating that change to a digital property market, whilst ensuring it is transparent, secure and consumer friendly. Its aim is to support current positive initiatives across the market by ensuring its own practices and policies are conducive to healthy progress.

The group is being convened by HM Land Registry and will hold a conference on 12th September to set out the vision, demonstrate the Group's collective determination to truly transform the market and discuss the immediate actions needed to make that happen with industry experts.

The CLC is committed to playing its part to support the transformation of the property transfer process. Our outcomes-focused regulation means that there should be no barriers to innovation in processes or tools to increase the speed, security and reliability of the conveyancing process while maintaining the highest standards of consumer protection.

Digital Identity Trust Framework

The CLC has been engaged with the Government's development of a framework for a market in digital identity. This will build on the existing digital identity tools and bring greater convenience and security for citizens and providers of goods and services that require identity checks of any kind.

The Data Protection and Digital Information (No.2) Bill has completed Committee Stage in the House of Commons. The digital identity measures in part 2 of the Bill were scrutinised line-by-line on 18 May.

The next engagement sessions with the team at Department for Science, Innovation and Technology (DSIT) will take place in September, when there will be more to report around sandboxing the framework and tools and other developments.

THE STATE OF PROBATE

A survey by the CLC of probate professionals is currently in the field and will track changes in insight and sentiment since the last survey two years ago. We will report on this in the next Roundup.

ECONOMIC OUTLOOK

The Bank of England's latest Financial Stability Report was issued in the second week of July, with the resilience of the banks grabbing most of the headlines. In [Financial Stability in Focus](#), the Bank looked at the impact of interest rates on the economy. The Bank highlighted that: 'UK households are directly affected by increases in interest rates through the cost of servicing and refinancing their debt but are less exposed now than in previous tightening cycles.'

However, forecasts in the same report point out that of the four million homeowners expected to roll on to new mortgage contracts over the next three years, the majority changing contracts by the end of this year will be paying up to £220 more a month to cover the mortgage. The payments of more than one million borrowers are likely to rise by more than twice that amount by the end of 2026.

The Guardian reported that the financial markets were working on the assumption that the Bank will increase interest rates to as high as 6.25% in early 2024 to continue the attempt to control inflation.

However, UK inflation data for June showed a drop from 8.7% to 7.9%, a somewhat larger reduction than had generally been expected. This has led forecasts for peak interest rates to fall from 6% to 5.75%.

HOUSING MARKET

What effect will the economy and the possibility of interest rates moving higher have on the property market? It would seem logical to expect house prices to continue to fall but given the large gains many homeowners have seen in recent years, this might not necessarily lead to a similar drop in transaction numbers. The lower-than-expected inflation and consequent changes to the interest rate expectations could also help to avoid a market slump.

ONS House Price Data

Reporting in mid-July on May 2023, the Office for National Statistics found that:

Average UK house prices increased by 1.9% in the 12 months to May 2023 (provisional estimate), down from a revised 3.2% in April 2023.

The average UK house price was £286,000 in May 2023, which is £6,000 higher than 12 months ago, but £7,000 below the recent peak in September 2022.

Average house prices increased over the 12 months to May 2023, to £304,000 in England (1.7%), £213,000 in Wales (1.8%), £193,000 in Scotland (3.2%) and £172,000 in Northern Ireland (5.0%).

The North East saw the highest annual percentage change of all English regions in the 12 months to May 2023 (4.0%), while the East saw the lowest (0.0%).

RICS Residential Market Survey

The latest [RICS Residential Market Survey](#), issued in mid-July, has the following headlines:

- Indicators on new buyer enquiries and agreed sales slip deeper into negative territory
- The ongoing dip in national house prices appears to gain momentum slightly during June
- Sales expectations deteriorate at both the three and twelve-month time horizons

However, the survey was in the field before the latest pieces of better economic news, so we will wait to see whether the next survey finds more optimism.