

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
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

TRANSFORMING HOME BUYING AND SELLING

There has been a great deal of activity in the last quarter. Key events were the [Digital Property Market Steering Group](#) (DPMSG) conference in September and the CLC's annual roundtable later in the same month. Those roundtables build on the CLC's 2020 discussion paper [Conveyancing 2023](#).

DPMSG members are developing the next steps following the conference, which showed that there is real support for transformational change across the sector. The report on the CLC's roundtable will be published soon and the report of last year's edition is available on the CLC's [website](#).

We've also seen great adoption of technology and new working practices amongst our regulated community. For example, 94% of CLC-regulated practices are using electronic ID and verification tools for new clients, ensuring they are delivering secure and efficient services.

Practices trialling upfront information report very significantly reduced transaction times, for example. National Trading Standards is working hard to implement the new requirements for estate agents to provide all the necessary Material Information at the point of marketing a property. On a different front, proposed new [digital identity trust framework](#) that is being piloted for the conveyancing market will be able to be implemented under legislation the government is bringing in to make the provision of ID simpler and faster across the whole economy.

Government involvement

The Department for Levelling-Up, Housing and Communities is showing renewed interest in this work. Officials there are now in frequent and close contact with the key stakeholders. Officials have been clear that there is no scope for legislation to mandate any changes and that ministers are looking to the sector to deliver innovation. This is part of the challenge, because change will require several players (estate agents, lenders, conveyancers, IT suppliers, representative bodies of lawyers and to a lesser extent regulators) to make changes in coordination.

The kinds of changes that will deliver the transformation that is both possible and very desirable will be disruptive to the industry as it exists at the moment. The CLC believes that ministers will need to play a role in driving that change through encouragement and warning.

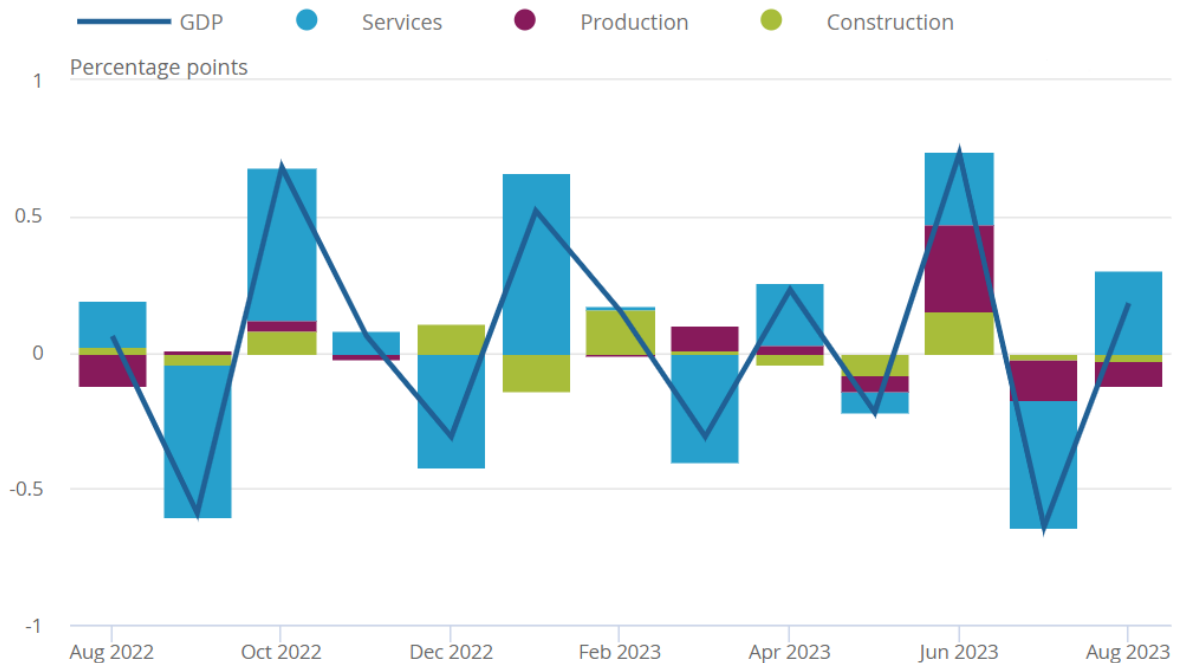
The challenge for the sector now, and one that the DPMSG, working with the much wider [Home Buying and Selling Group](#) is committed to tackling, is to speed up adoption of the many new tools and approaches that can genuinely transform the home buying and selling process. It is possible to deliver faster, better, simpler and more certain conveyancing transactions without changes to the legislation governing the conveyancing process.

ECONOMIC OUTLOOK

The most recent report by the **Office for National Statistics (ONS)** on Gross Domestic Product (GDP) found that GDP grew by 0.2% in August compared with a 0.6% fall in July. As the chart below shows, the economy's performance is erratic.

Services output was the main contributor to the growth in GDP in August 2023

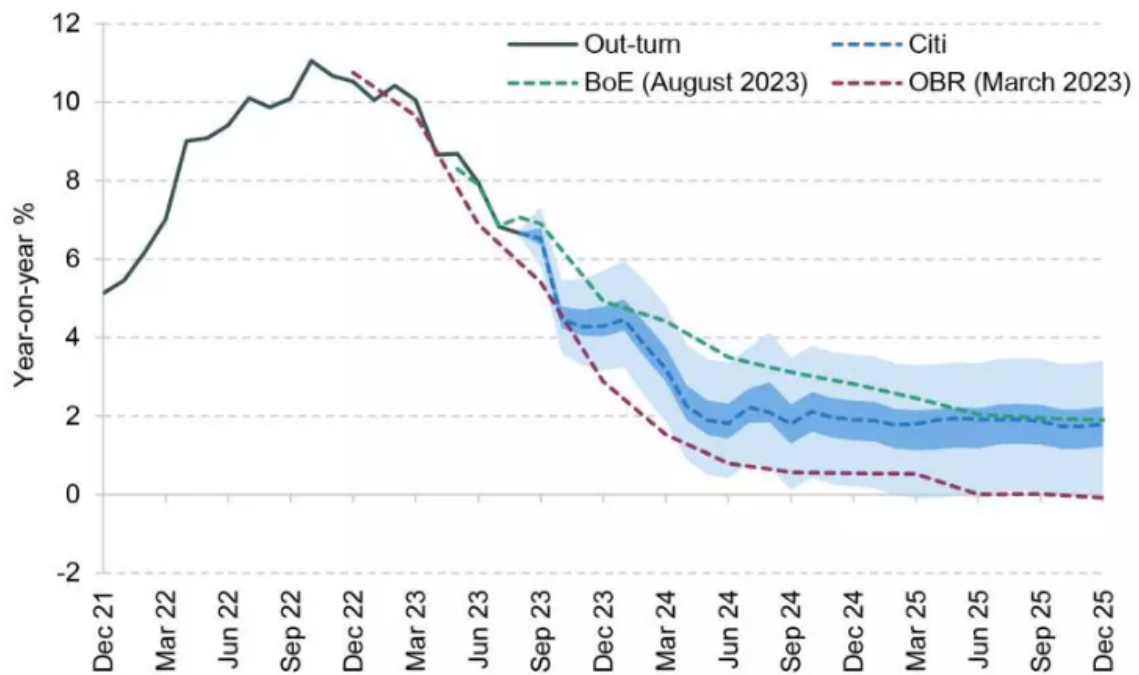
Contributions to monthly GDP growth, August 2022 to August 2023, UK



In September, **KPMG** issued its UK Economic Outlook report, saying that 'the UK economy is experiencing renewed signs of stress. While worries about a deep recession have largely gone away, the prospects of high interest rates and low productivity are expected to hold back growth.' KPMG forecasts that growth will slow to 0.4% in 2023 and 0.3% in 2024. In their opinion, 'uncertainty around the upcoming general election and strength of demand suggests that risks are skewed to the downside.'

The Institute for Fiscal Studies produced a useful graph (below) bringing together a range of projections for inflation which suggests that inflation may return to the Bank of England's 2% target in mid-2024.

Figure 2.2. Forecasts for UK CPI inflation



Note: The shaded areas show the probability distribution around the in-house Citi forecast, with the darker shaded area denoting the range between the 40th and 60th percentiles of an adjusted, discretionary normal distribution around the core forecast. The lighter shaded area shows the range between the 20th and 80th percentiles of the distribution. The BoE forecast is the mean estimate from the August Monetary Policy Report. The OBR forecast is taken from the March Economic and Fiscal Outlook.

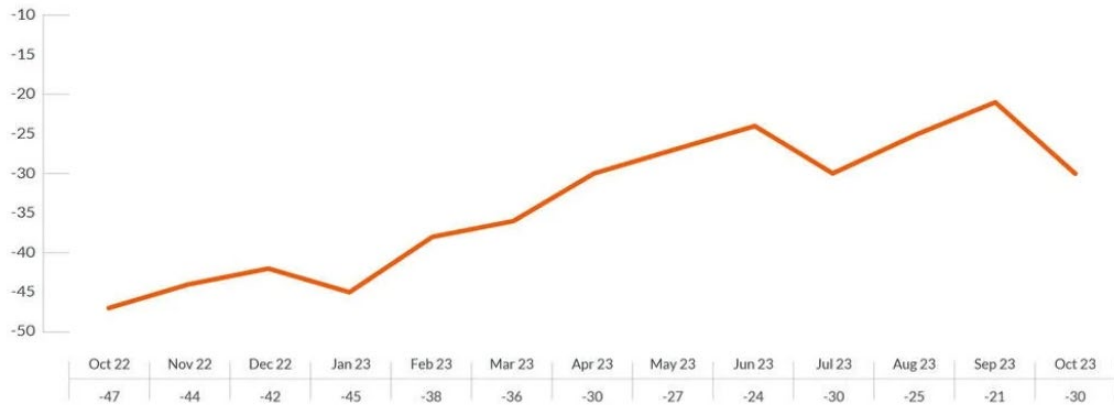
Source: ONS, OBR, Bank of England and Citi Research.

Consumer Confidence

These expectations may be feeding into consumer confidence, which in October fell back, losing the gains that had built up over August and September, according to GfK's most recent report.

Their Client Strategy Director observed:

This sharp fall underlines that the cost-of-living crisis, and simply not having enough money to make-ends-meet, are still exerting acute pressure for many consumers. The fierce headwinds of meeting the accelerating costs of heating our homes, filling our petrol tanks, coping with surging mortgage and rental rates, a slowing jobs market and now the uncertainties posed by conflict in the Middle East, are all contributing to this growing unease. The timing of the sharp drop in our major purchase measure – down 14 points – will concern retailers across the land in the run-up to Christmas. The volatility we are seeing in consumer confidence is a sure sign of a depressed economic mood and there's no immediate prospect of any improvement."



Source: GfK Consumer Confidence Barometer (October 2023)

HOUSING MARKET

The most recent RICS Residential Market Survey, published in early October, found that ‘indicators on demand, sales, instructions and prices all remain in negative territory’ and that ‘near-term outlook still downbeat although twelve-month sales expectations are now stable’.

ONS has reported on house sale prices in the twelve months to August 2023.

- *Average UK house prices increased by 0.2% in the 12 months to August 2023 (provisional estimate), down from 0.7% (revised estimate) in July 2023.*
- *The average UK house price was £291,000 in August 2023, which was little changed from 12 months ago, but £9,000 above the recent low point in March 2023.*
- *Average house prices over the 12 months to August 2023 remained little changed in England at £310,000 (0.0%) and decreased in Wales to £217,000 (negative 0.1%)*

HMRC has reported on the numbers of transactions in August 2023:

- *the provisional non-seasonally adjusted estimate of the number of UK residential transactions in August 2023 is 95,000, 16% lower than August 2022 and 11% higher than July 2023*
- *the provisional seasonally adjusted estimate of the number of UK residential transactions in August 2023 is 87,010, 16% lower than August 2022 and 1% higher than July 2023*
- *the provisional non-seasonally adjusted estimate of the number of UK non-residential transactions in August 2023 is 9,720, 3% lower than August 2022 and 8% higher than July 2023*

ends