

Conveyancing 2013

Lexsure Ltd. Annual Market Complexity Review

LEXSURE LTD
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Things Got Tougher Last Year

For conveyancing solicitors in England and Wales, completing property transactions in 2013 proved to be harder than ever before. In large part, this was due to more frequent and more complex policy changes introduced by lenders to their panels of approved lawyers.

Lexusure Ltd. is a London-based company that helps solicitors better manage their firm's risk. We conducted a year-end review of changes to The Council of Mortgage Lenders' Handbook. The Handbook provides comprehensive instructions for conveyancers acting on behalf of lenders in residential conveyancing transactions. Part 2 of the Handbook, which details each lender's specific requirements, is the focus of our review.

Complexity is measured by the total number and nature of change events issued by lenders. While the scope of changes can vary widely -- from a lender's notification of where solicitors must *send* specific documents to the need for a lender to *receive* an original mortgage deed -- the import of each change remains the same:

Failure to comply with lender requirements not only results in an increase in claims against solicitors. At a time when professional indemnity insurance is harder to come by, it also results in potential justification for law firms to be removed from lender panels.

Last April the Solicitors Regulation Authority published the results of a review into conveyancing which identified that **76% of the lawyers surveyed had experienced being removed or threatened to be removed from a lender panel.** This has led to a rise in warnings by consumer watchdog groups that homebuyers are being restricted in their choices with reductions in conveyancing panels.

Review at-a-glance

- **Lenders made 68% more changes to their requirements in 2013 compared to 2012**

According to Lexusure's review, 91% of CML lenders amended their Part II policies last year, with over 1,793 sections changed. This represents a 68% rise in policy change activity compared to 2012.

Some of the more frequent changes focused on the following:

- ❖ *Which documents the lender needed to be sent on completion*
 - ❖ *Whether a lender accepts personal searches and if so, what their requirements are.*
 - ❖ *Disclosure obligations relating to properties where a Green Deal exists or where there are solar panels on the property*
- On average, **a lender in England & Wales changed their Part 2 requirements 3.9 times in 2013**, with 91% of all lenders changing requirements at least once in the year

Clearly, when it comes to complying with lender requirements, solicitors cannot assume that what was true in the last transaction is still true in the next. Changes, even once or twice a year, compound when one considers the myriad of lenders. The numbers show that vigilance is key.

- **Key government or regulatory initiatives result in a flurry of requirement changes**

The introduction in July 2013 of new requirements as to whether the lender needs to be informed of a Green Deal on properties tripled the volume of Part 2 changes in just one month. A similar impact was seen a year earlier when requirements were introduced to report on energy technologies installed on residential properties

- **Requirement changes for mortgages on properties in England and Wales doubled last year**

With the recovery of the property market, lenders are being hyper-cautious in their mortgage lending processes. Having been burned in the global financial crisis of 2008, they are acting to strengthen their positions with more cautious policies.

- **Lenders are wary of non-standard properties**

The trend is for lenders to be more picky with premises they will lend on, avoiding anything *remotely* controversial. This continued with dozens of lenders restricting their policies relating to flying freehold, Houses in Multiple Occupation, properties with solar panels, freehold flats, and leasehold properties with short leases.

Closing Comment

Just as the U.K. housing market rebounds, mortgage lenders are being more cautious in their policies, regularly introducing changes that make it all the more important that solicitors are aware of any particularly onerous terms that an individual lender may impose.

Claims by lenders have accounted for around a quarter of all claims against the profession in the last four years with the majority of these emanating from residential conveyancing. Lexsure's recent conversations with professional indemnity insurers reveal real concerns that conveyancing claims are not set to fall away.

Our review clearly shows that solicitors should not assume they know what a lender's requirements are from one transaction to the next - they should always check.

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Making Good Lawyers Better

Approximately 1,000 law firms in England and Wales rely on Lexsure Ltd. (formerly Conveycentric) to make risk and compliance management more effective and efficient. Founded in 2008, Lexsure has developed a family of products to assist lawyers in risk management, including CLIENTCAREmonitor, COMPLETIONmonitor and LENDERmonitor.

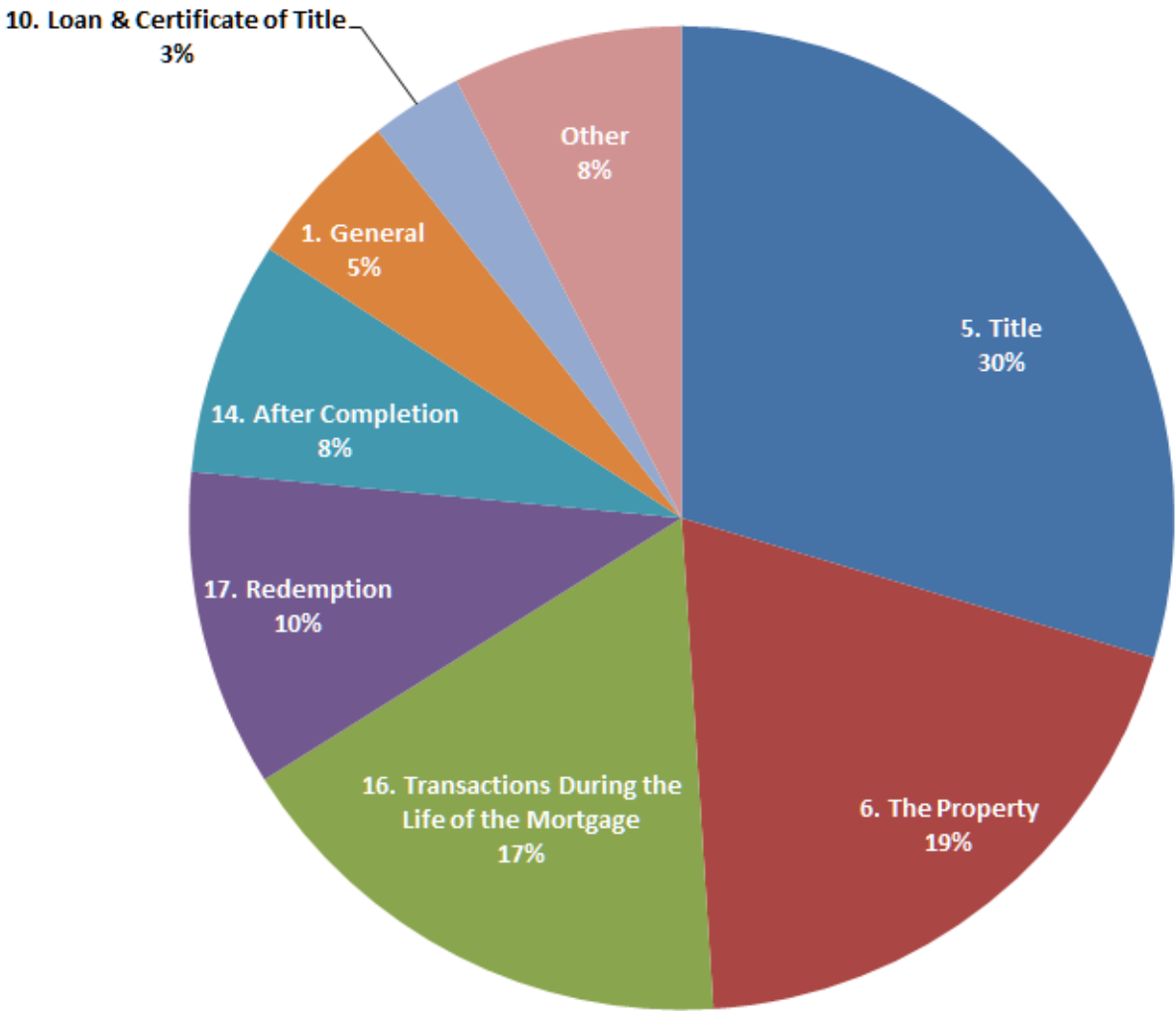
1. Top 20 lenders with most changes (incl comparison to 2012)

	2013		2012	
rank	Changes	Most Changed Lender	Changes	Most Changed Lender
1	14	Lloyds TSB Bank plc-C&G branded roll numbers pre-fixed 20/40	10	HSBC Bank plc
2	14	Lloyds TSB Bank plc-C&G accounts beginning 500000	9	The Royal Bank of Scotland plc
3	12	Halifax	8	National Westminster Bank plc
4	11	Bank of Scotland Beginning A	6	Santander
5	11	The Mortgage Business	6	The Royal Bank of Scotland plc One Account
6	10	Nationwide Building Society	6	The Royal Bank of Scotland plc First Active
7	10	The Mortgage Works	6	Halifax
8	10	Lloyds TSB Scotland plc	6	The Royal Bank of Scotland plc Direct Line Mortgages
9	10	Bank of Scotland Beginning O	6	Darlington Building Society
10	10	Halifax Loans Ltd	6	The Royal Bank of Scotland plc Virgin One
11	9	Birmingham Midshires	6	Virgin Money plc
12	9	The Royal Bank of Scotland plc Virgin One	6	The Royal Bank of Scotland plc Natwest One Account
13	9	The Royal Bank of Scotland plc Natwest One Account	6	The Royal Bank of Scotland plc Direct Line One
14	9	The Royal Bank of Scotland plc One Account	5	Santander UK plc for Alliance & Leicester mortgages only
15	8	The Royal Bank of Scotland plc First Active	5	Lloyds TSB Bank plc-C&G accounts beginning 500000
16	8	The Royal Bank of Scotland plc Direct Line Mortgages	5	Bank of Scotland Beginning A
17	8	Barclays Bank as The Woolwich	5	Principality Building Society
18	8	The Royal Bank of Scotland plc Direct Line One	5	Lloyds TSB Bank plc-non-C&G mortgages
19	8	HSBC Bank plc	4	Co operative Bank plc
20	7	Aldermore Bank PLC	4	Lloyds TSB Scotland plc

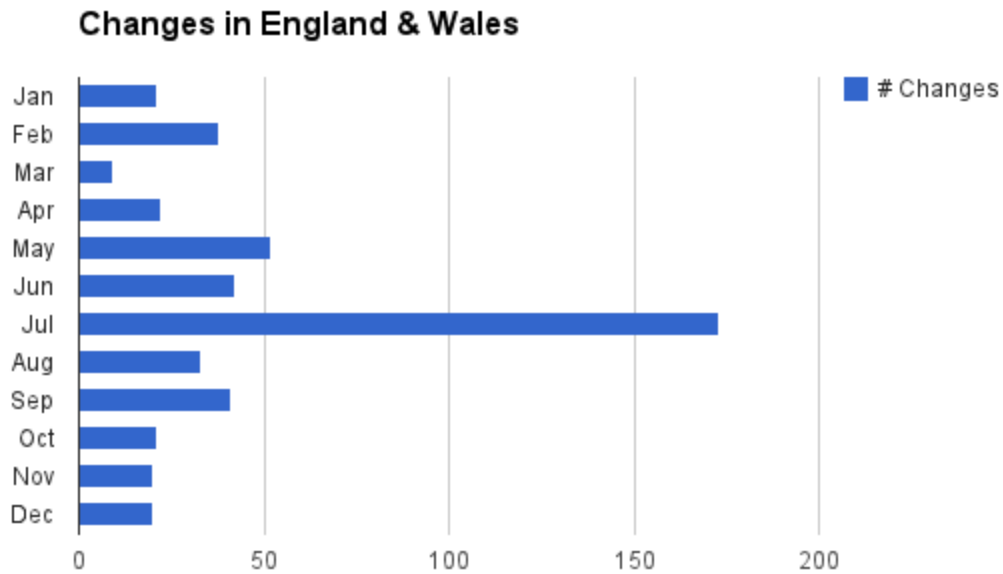
2. Most Changed Sections (England & Wales)

# changes	Section number	Question
110	17.2.1b	Does the lender send the discharge via a DS 1 form or direct with the Land Registry?
78	6.7.1	What new home warranty schemes are acceptable to the lender?
74	5.20.4	Does the lender require you to disclose the details of any existing Green Deal Plan(s) on a property?
63	14.1.5	Does the lender need to be sent the original mortgage deed?
30	16.1.1	If different from 1.11, contact point for title documents:
29	16.3.7b	What form of attestation clause does the lender use?
28	5.4.5	Does the lender accept personal searches and, if yes, what are the lender's requirements?
23	5.20.3	Does the lender have additional requirements relating to leases of roof space for solar PV panels, and if so, what are they?
23	5.1.1	If different from 1.11, the contact point if the seller has owned the property for less than 6 months:
22	16.5.2	If different from 1.11, contact point for confirming proposed deed or agreement will not adversely affect the lender:
22	1.11a	Contact point for standard documents.
21	14.2.2	Which documents must I send after completion?
21	16.3.2	If different from 1.11, contact point for finding out the debt amount:
20	5.20.1	Does the lender require me to report to them where the lease does not meet the CML minimum requirements for leases of roof space for solar PV panels?

3. Changes by Chapter of the CML Handbook (England & Wales)



4. Volume of Changes to Individual Lender Policies



5. Top Ten Most Read LENDERmonitor Alerts

LENDERmonitor provides protection to conveyancers from the risk of missing updates to Part 2 of the CML Lenders Handbook. With the free LENDERmonitor alert service, solicitors and conveyancers receive an email notification any time lenders of interest make changes to their policies. Staying abreast of any policy changes is particularly important at a time when lenders are making a significant number of changes – last year LENDERmonitor sent out over 100 email alerts.

	Lender	Change date	Click to see Details
1	Barclays Bank as The Woolwich	21/05/2013	Details
2	Halifax	25/01/2013	Details
3	Santander	21/05/2013	Details
4	Lloyds TSB Bank plc - C&G mortgages	06/08/2009	Details
5	HSBC Bank plc	19/03/2013	Details
6	Halifax	31/05/2013	Details
7	Barclays Bank as The Woolwich	08/07/2013	Details
8	Lloyds TSB Scotland plc	05/07/2013	Details
9	Santander	21/10/2013	Details
10	Virgin Money plc	21/10/2010	Details

6. Lenders publishing CML Handbook Requirements for the first time

Added - ENGLAND

Investec Bank plc
Nedbank Private Wealth Ltd
TSB plc
Buckinghamshire Building Society
State Bank of India UK

7. Lenders no longer publishing Part 2 requirements in 2013

Removed: ENGLAND

Bank of Cyprus UK
Mortgages plc Mortgages 1 Ltd
Oakwood Homeloans Ltd
Prudential Banking plc
Wave
Beverley Building Society
Lloyds TSB Bank plc-non-C&G mortgages
Lloyds TSB Bank plc-roll numbers pre-fixed 40/*

*merged into Lloyds TSB Bank plc pre-fixed 20/40

8. Number of Changes: Comparison across Regions

Region	Total Change Events 2013	2012
England and Wales	492	224
Isle of Man	2	1
Northern Ireland	80	67
Scotland	176	104

9. Top Ten Most Popular Lenders

by way of LENDERmonitor Lender Policy Searches

LENDERmonitor offers conveyancers a comprehensive database of changes to lender policies. The database is searchable by specified time periods and individual lenders.

Most Popular Lender Policy Search (England & Wales)
Halifax
Nationwide Building Society
National Westminster Bank plc
Santander
Barclays Bank as The Woolwich
HSBC Bank plc
Santander UK plc for Alliance & Leicester mortgages only
Leeds Building Society
The Royal Bank of Scotland plc
Birmingham Midshires

10. Viewership for LENDERmonitor Alerts:

36,000 views in 2013

7,000 views 2012

11. Average number of Times a Lender Changed Part 2s in 2013

Region	Average Change Events Per Lender	% lenders changing
England and Wales	3.90	91.27
Isle of Man	0.40	40.00
Northern Ireland	1.63	63.27
Scotland	2.23	68.35