



HOMEBOND

WARNING

HomeBond has revised its documentation to incorporate a HomeBond Agreement separate from the HB10 and the HB11 which must be completed by the purchaser and the HomeBond member.

Many of the concerns in relation to the operation of the HomeBond scheme have not been addressed in the new documentation notwithstanding strong representations by the Law Society. The following issues remain the principal concerns:

1. DEPOSITS

Deposits, whether booking or contract, are not secured under the HomeBond scheme if paid before the date of registration of the dwelling in respect of which the payment has been made. Registration of the HomeBond member is not sufficient and subsequent registration is not retrospective.

2. HB10

Ensure that you get the original HB10 and not a copy (the original may have been sent to another prospective purchaser).

3. ADDRESS OF PROPERTY

If the address on the HB10 differs from that in the contract documentation, obtain a certificate from the vendor's solicitor confirming the property is one and the same.

4. BOOKING DEPOSITS

The stage payment cover provided by the HomeBond scheme is available only in respect of payments made to the HomeBond member. If the site vendor and developer are different entities then care should be taken to ensure that any deposits paid are covered by the HomeBond scheme or, if not covered, are held by the vendor's solicitor as stakeholder pending completion.

5. LIMITATION ON DEPOSIT COVER

Notwithstanding the huge increase in the price of new homes, any payments made to the member before the issue of the form HB11 (the Final Notice) are covered only up to the sum of £20,000 or 15% of the purchase price, whichever is the lesser. Where the Final Notice has issued then payments are covered up to the sum of £50,000 or 50% of the purchase price, whichever is the lesser. Again, care should be taken to ensure that any sums paid in excess of these amounts are held by the vendor's solicitor as stakeholder pending completion.



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(Contd.)

6. LIMIT OF LIABILITY

Clause 4.2 of the HomeBond Agreement provides for an overall limit of liability in respect of any one Member of £400,000 subject to a discretion to HomeBond to increase that amount from time to time. Despite representations made to them, HomeBond have declined to review this figure which in the current market is totally inadequate.

7. HB11

It is essential that on completion of the purchase, the form HB11 is furnished to the purchaser's solicitor.

8. LIMITATIONS OF SCHEME

While the cover provided by HomeBond for major defects over a 10 year period is very valuable, it has many limitations (not least of which being the overall limit of liability in respect of any dwelling of £30,000). It is essential therefore that purchasers get a structural defects indemnity under seal, (or at least ensure that the building agreement is executed under seal, so that they get the benefit of the structural defects cover contained therein), and that the purchaser's common law rights are not prejudiced by the production of the structural defects indemnity.