

## PROPERTY AND LAW ROUNDUP

**Date of Meeting:** 12 May 2022  
**Purpose:** For noting  
**Author:** Director of Strategy and External Relations

### Recommendations

The Council is asked to note the contents of this report.

### Summary

The regular round up of key developments affecting the legal services regulated by the CLC.

### Risk management

Information and insight compiled by the CLC informs the work of the staff and Council.

### Financial impact

N/A

### Diversity and inclusion impact

N/A

### Communications requirements

N/A

### Publication status of this paper

This paper is for publication.

## THE HOME BUYING AND SELLING MARKET

### Transaction volumes

The graph below, from the Office for National Statistics shows the non-seasonally adjusted and seasonally adjusted UK residential property transactions by month between March 2019 and March 2022, in thousand transactions.



### Stamp Duty Land Tax (SDLT)

House price inflation means that more and more transactions are attracting SDLT.

Of the 244,200 residential homes bought between January and March this year, 43,700 received first time buyer relief, while 27,300 were below the tax threshold altogether. Of the 43,700 receiving first time buyers' relief, 11,300 (26%) paid SDLT of up to up to £10,000 because the value of their first home was more than £300,000.

As a spokesperson for the Coventry Building Society noted, "This tax on moving home hasn't been changed since December 2014, when an average price property in England was £203,000 and the stamp duty bill for someone already on the property ladder was £1,566."

### Affordability

ONS has reported that in England in 2021, full-time employees could typically expect to spend around 9.1 times their workplace-based annual earnings on purchasing a home; this is an increase since 2020, when it was 7.9 times their workplace-based annual earnings.

In Wales in 2021, full-time employees could typically expect spend around 6.4 times their workplace-based annual earnings on purchasing a home; this is an increase since 2020, when it was 5.8 times their workplace-based annual earnings.

At a local level, house prices grew faster than earnings in 91% of local authority districts, leading to a reduction in housing affordability in these areas.

Copeland in the North West remained the most affordable local authority in England and Wales in 2021; average house prices were 2.7 times the average workplace-based annual earnings.

Kensington and Chelsea remained the least affordable local authority in 2021, with average house prices being 36.5 times the average workplace-based annual earnings.

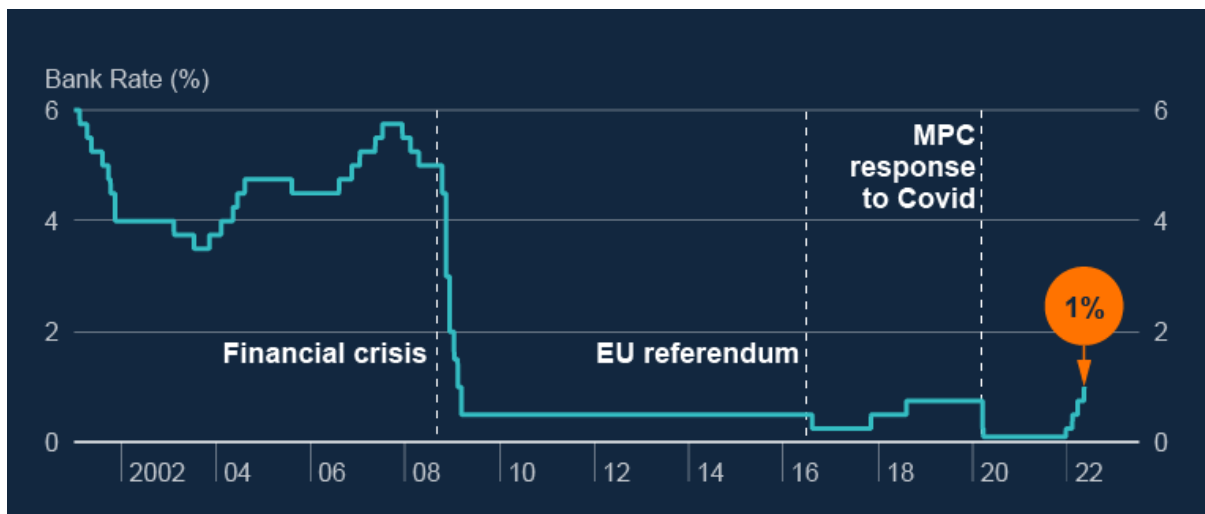
There are signs that house price growth is slowing. The Nationwide's April figures show annual growth slowing modestly from 14.3% in March to 12.1% in April.

### Right to Buy

In what may be an election message that is difficult to enact, the government has announced that it is considering introducing the right to buy for housing association tenants, potentially at very significant discounts for up to 2.5 million people. The lack of replacement of sold council houses in the past contributed to housing supply shortages, so any impact of a new such a policy on long-term affordability is questionable.

### Bank of England (BoE) Base Rate increase

The BoE raised interest rates by another 0.25 percentage points of 5<sup>th</sup> May to 1%. This will of course affect the affordability of mortgages for new buyers and for existing mortgage payers on variable rates. It is though still low by historic standards and this chart from the Bank provides some context.



Source: Bank of England

### Inflation and incomes

The BoE now expects inflation to reach 10% this year and note that prices will increase faster than income for most people. However, the Bank expects inflation to settle back to its 2% target in around 2 years as the drivers of inflation will not persist.

### ECONOMIC OUTLOOK

The BoE's monetary policy report for May 2022 was released on 5<sup>th</sup> May to set out the context for the interest rate rise.

The Bank begins by explaining:

'In March, prices had risen by 7% compared to a year ago. That is well above our 2% target.

'Higher prices for goods is one of the main reasons for this. As economies around the world opened up after Covid restrictions eased, people started to buy more goods. But the people selling these have had problems getting enough of them to sell to customers. That led to higher prices – particularly for goods imported from abroad.

'Higher energy prices have also played a big role. Large increases in oil and gas prices have pushed up petrol prices and energy bills.

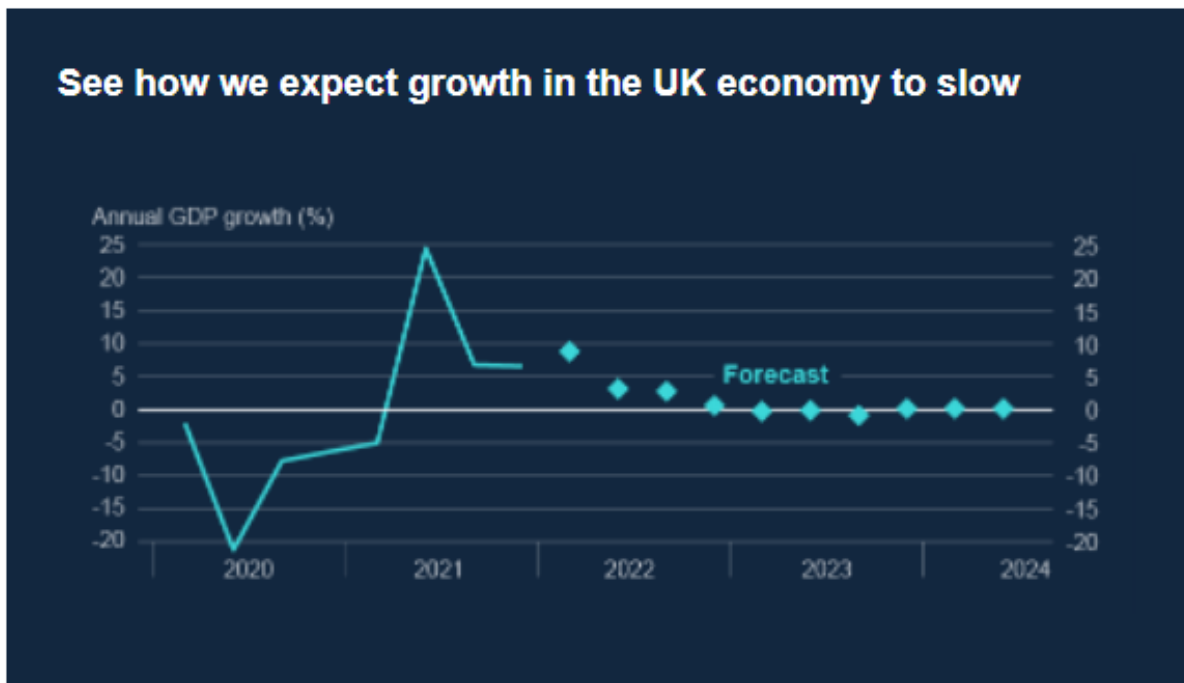
'Services inflation is picking up a little.

'Russia's invasion of Ukraine has led to more increases in the prices of energy and food.

'We expect inflation to rise further to around 10% this year.

'Prices are likely to rise faster than income for many people. That means that people will be able to buy less with their money. The UK economy has been recovering from the effects of Covid, but we expect the increased cost of living to lead to slower growth overall.'

The BoE expects the UK economy to stagnate and even to shrink in the next two years, as set out in this forecast chart.



Source: Bank of England

## **LEGAL SECTOR**

### **Reform of regulation**

Professor Stephen Mayson recently issued a new report calling for radical changes to the regulation of legal services.

The report identified two significant types of consumer harm in legal services. The first was structural and arose from millions of people not being able or willing to access legal advice, documents and representation when they have a legal need.

This was driving people either to do nothing or into the arms of unregulated providers.

The second arose when people do access legal services and then suffered harm because, for example, of the provider's dishonesty, incompetence, over-charging or poor service.

The report argued that, whether harm arose from the regulated or the unregulated, neither the sector-specific remedies under the Legal Services Act 2007 nor the general consumer law were designed to offer much meaningful redress directly to the client who suffered harm – as opposed to a regulator taking action against the provider.

Professor Mayson argues for a shift in the emphasis of regulation from the avoidance of consumer harm to a state where 'consumers can have confidence in their choice of legal advisers without burdensome enquiry about their regulatory status'.

This follows the 2020 report from Professor Mayson recommending other fundamental changes to regulation that has not attracted government interest given other very significant legislative priorities and a lack of urgency around unpicking the 2007 Legal Services Act settlement.

### **Sanctions**

The CLC has been working alongside other front-line regulators, HMT, OPBAS and OFSI to ensure that the UK's sanctions regime is being implemented effectively. The CLC's regulated community presents a low risk with more significant risks arising from advisory work for sanctioned individuals and businesses which is not work undertaken by CLC practices. Nevertheless, the CLC has issued new guidance to the regulated community and taken steps to monitor compliance with the regime closely.