Council
22 May 2025
Item 17

Property and Law Roundup

Purpose: **For noting**

Author: **Director of Strategy and External Relations**

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.

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.

PR1- Loss of significant practice fee income caused by depressed market conditions, practice churn or practice closure

PR2 - Unplanned increase in the cost of regulation to the point where expenditure exceeds income

PR6 - Not delivering on the CLC Strategy

PR7 - Practices are not able to secure Professional indemnity insurance or terms are unaffordable or unacceptable to the CLC

MODERNISATION AND DIGITALISATION OF LEGAL SERVICES

Material Information

The implementation of different approaches to using upfront information in house sales and purchases being carried out across the sector are finding significant benefits in terms of speed and ease of conveyancing, with fewer transactions falling through. The Material Information that estate agents are now required to collect at the time a property is put onto the market underpins these approaches. With new legislation, responsibility for securing compliance with those requirements has passed from National Trading Standards (NTS) to the Competition and Markets Authority (CMA). As part of that transfer, NTS has withdrawn its guidance setting out what should be considered Material Information in relation to property. The CMA has yet to develop sector-specific guidance, leaving it to estate agents to assess what they think their average client would regard as 'Material Information'.

Compliance with the requirements has not been universal, with some agents considering that gathering the Material Information from the house seller to be too great a barrier to securing the property listing. We are also awaiting the outcome of a judicial review of the Material Information requirements brought by some agents. Although, in reality, nothing has changed, withdrawal of the guidance could open the way for those who are resistant to change in the home buying and selling process to ignore the requirements. If this becomes widespread, it could seriously slow the pace of reform of home buying and selling which offers to many benefits to the client and public interest. For that reason, Chief Executive of the CLC, Sheila Kumar commented to the trade press:

> *'The withdrawal of the material information guidance for estate agents at this stage is regrettable and a backward step in the provision of information to guide potential home buyers in their choice. Until such time as the CMA or a future regulator of estate agents*

issues rules or guidance, we hope that the sector will continue its progress so far in adopting the approach set by NTS. Perhaps the Home Buying and Selling Council and the Digital Property Market Steering Group could take action here, because more timely and accurate information is vital to delivering faster and more certain transactions that meet the needs of home buyers better.'

Work is already in hand to fill the gap left by the withdrawal of the NTS guidance and it is to be hoped that he Home Buying and Selling Council and Digital Property Market Steering Group can ensure that use of Material Information continues to increase.

Digital Property Market Steering Group

The DPMSG continues its work. It has been consulting stakeholders on a draft Digital Property Information Protocol, a framework for future property transactions, covering residential and commercial transactions. It will next meet in person on Friday, 20th January, where we hope to receive an update from the Ministry of Housing, Communities and Local Government on data pilots with local authorities that will help plan the transition to fully digital transactions.

ECONOMIC OUTLOOK AND INTEREST RATES

Bank of England rate cut

The Monetary Policy Committee (MPC) voted 5–4 at its May meeting to reduce the Bank Rate by 0.25 percentage points to 4.25%, reflecting ongoing progress in reducing inflation. Inflation fell to 2.6% in March, and although domestic price and wage pressures persist, they are easing. The UK economy has slowed since mid-2024, with a loosening labour market. Global trade tensions and tariffs have increased uncertainty and weakened global growth. The MPC remains committed to sustainably reaching its 2% inflation target through a gradual, data-driven approach, maintaining restrictive policy until inflation risks diminish further. The Committee said that monetary policy remains responsive, not pre-set. Read more

EY ITEM Club Spring Forecast

In its Spring 2025 forecast, the EY ITEM Club has revised down the UK's GDP growth projections due to escalating global trade tensions, particularly following the imposition of tariffs by the United States.

Key highlights include:

- **GDP Growth**: Forecasted at 0.8% for 2025, down from the previous estimate of 1%, and 0.9% for 2026, reduced from 1.6%.
- **Trade Impact**: The introduction of a 10% tariff on all UK exports to the U.S., along with a 25% tariff on specific goods like steel, aluminium, and cars, is expected to reduce UK exports by approximately 0.5% in 2025 and 0.4% in 2026.
- **Business Investment**: Projected to grow by only 0.3% in 2025 and 1% in 2026, significantly lower than earlier forecasts, due to increased market uncertainty and higher operational costs.
- **Inflation and Unemployment**: Inflation is expected to remain above 3% for most of 2025, with unemployment rising to around 5% by year-end.

Despite these challenges, the EY ITEM Club anticipates a gradual recovery, with GDP growth reaching 1.5% by 2027, supported by the UK's services-driven economy and potential interest rate cuts.

CONSUMER CONFIDENCE

UK Consumer Confidence

In April 2025, the most recent GfK Consumer Confidence Index fell four points on the month to -23, the lowest level since November 2023. This drop was said to be driven primarily by escalating living costs and heightened concerns over global trade tensions.

Key components of the index also saw significant declines:

- Expectations for the general economic situation over the next 12 months decreased by eight points to -37.
- Personal financial expectations for the coming year fell by four points to -3.
- The Major Purchase Index, indicating confidence in making significant purchases, dropped two points to -19.
- Conversely, the Savings Index improved by five points to +30, suggesting a shift towards saving overspending.

The decline in confidence is attributed to multiple factors:

- Increases in household expenses, including utilities, council tax, stamp duty, and road tax.
- Concerns over potential inflationary effects stemming from new U.S. tariffs introduced by President Donald Trump, which have unsettled global markets.
- Neil Bellamy, Consumer Insights Director at GfK, noted that consumers are facing "dire warnings of renewed high inflation" and that the broad gains in confidence seen since the September 2022 mini budget could be quickly eroded if inflation rises again.

- This downturn in consumer sentiment reflects growing economic unease among UK households, potentially impacting spending patterns in the coming months.

Read more

HOUSING MARKET

RICS Residential market Survey

The April 2025 RICS UK Residential Survey results, published in early May, point to a further weakening across the sales market, evidenced by measures of activity slipping deeper into negative territory over the month. Similarly, near-term expectations suggest this subdued trend will persist through spring, albeit sentiment regarding the twelve-month outlook appears somewhat more resilient at this stage. At the headline level, the new buyer enquiries indicator posted a net balance of -33% in April, signalling another setback following figures of -16% and -32% returned in February and March respectively. Moreover, most parts of the UK are now seeing a weaker buyer demand picture coming through as concerns over both the domestic and global economy continue to weigh on confidence. Read more

CLC Quarterly Confidence Tracker

The quarterly tracker was launched at the start of this year to gauge the views of the profession on the state of the home buying and selling market.

Almost 150 conveyancers took part in the CLC's latest Confidence Tracker, which found that 27% thought the conveyancing process was getting faster and more efficient, an increase of 10% from the previous quarter.

Transaction times show little sign of speeding up, however, with 82% still taking three to four months to complete from an offer being accepted.

This may be the reason why client confidence in the market remains low, with only around a third of conveyancers believing sellers had any at all. Buyers were thought to be more optimistic, up from 29% to 46%.

Almost three-quarters (72%) of conveyancers are confident in the stability of the current market, up from 55% of those surveyed in the first.

Conveyancers have perhaps been buoyed by the success of the recent rush by home buyers to complete before the stamp duty thresholds were slashed on 1 April.

Despite many hailing it as their busiest period on record, 82% said they were able to complete the vast majority of transactions before the cut-off. Anecdotally, preparations for the deadline ran much more smoothly that the last few occasions as approaches have now bedded in.

Construction sector continues to slow

According to the latest S&P Global UK Construction PMI for April, construction activity decreased for the fourth month in a row, residential work showed a degree of resilience in April, with the rate of contraction easing to the least marked in 2025 to date. Construction companies widely noted that heightened business uncertainty and worries about the broader UK economic outlook had weighed on client demand.

The reduction in activity in residential work was the slowest seen across the three sub-categories of construction work (the other sectors being commercial and civil engineering). At 46.6 in April, the headline – a seasonally adjusted index tracking changes in total industry activity – remained below the 50.0 no-change value, but was up very slightly from 46.4 in March and signalled the slowest decline in output levels for three months.

The rate of contraction in residential work eased to 47.1, the least marked in 2025 to date.

Commercial work decreased for the fourth month in a row in April and the pace of decline accelerated to its fastest since May 2020.