



CAUTIOUS OPTIMISM:

THE HOUSING INDUSTRY REACTS TO POTENTIAL 15-YEAR WARRANTIES



INTRODUCTION

Welcome to LABC Warranty's survey into the potential impacts of secondary Building Safety Act legislation on the structural warranty sector.

Specifically, this research focuses on the potential introduction of minimum 15-year coverage, the mandating of structural warranty coverage on all new properties, and how the housing industry believes their sector will be affected by those changes.

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BACKGROUND

The Building Safety Act, passed in April 2022, brings significant changes to the way buildings are built, operated, and maintained in the UK.

This includes new rules, new enforcement regimes, new regulators for the industry, and new powers for those regulators. The Act also contains some wording that is specific to the structural warranty sector. For the first time, structural warranties will not only be something the mortgage industry demands, but will be mandated in law.

This report covers two specific areas of the wording around structural warranties.

- The first is wording which, if activated by secondary legislation, would mandate that the minimum term of structural warranty cover will be extended to fifteen years. Currently, most structural warranties are ten years, with some exceptions.
- The second is wording that, if also activated by secondary legislation, would mandate that all new homes built are covered by a structural warranty. Currently, there is no statutory requirement for structural warranties to cover a home – homes that are not intended to be sold with a mortgage have no obligation to be covered by a structural warranty.

This report analyses the results of a survey of LABC Warranty's customer audience. The audience offered their feedback on:

- Their awareness of the new legislation that would affect the structural warranty sector.
- Whether they believe these changes would have positive outcomes, negative outcomes, or a mixture of both.

Goal of this survey

This survey has two key aims.

- The first is to understand the awareness of the relevant secondary legislation discussed in this survey.
- The second is to understand the opinions of respondents on the potential positive and negative outcomes of the changes.

Methodology

The types of questions asked

The survey asked a selection of yes/no, radio field response, and multiple choice questions. Some of these questions also offered respondents the opportunity to support their chosen answers with written information.

The full questions asked are shown later in this document alongside their responses.

When and where the survey took place

The survey was operated between 19 July 2023 and 4 August 2023, through an online survey hosted on the LABC Warranty website.

Source of responses

Responses were solicited through two avenues:

- Email – LABC Warranty sent an email invite to our existing audience of customers, blog subscribers, and technical content readers.
- Social media – Invites were also pushed to existing followers of the LinkedIn audience of LABC Warranty through social media.

In total, 270 individuals responded to this survey.

About the respondents

In descending order of responses, our audience identified themselves as:

- 27.4% Housebuilders or developers
- 18.8% Architects and designers
- 18.5% Building control professionals
- 9.2% Consultants
- 7% Contractors
- 6.3% Self-builders
- 4.8% Other businesses
- 4% Social housing providers
- 3.7% Homeowners

Over 57% of respondents have a direct hand in the creation of new homes as builders, building control experts, or providers of housing.

Of the homeowner category, some of these may include respondents who initially interacted with LABC Warranty as a self-build warranty customer and are now homeowners in receipt of a warranty certificate.



- **Housebuilders, designers, architects, social housing providers and building control - 68.7%**
- **Consultants and contractors - 16.2%**
- **Self-builders, home owners and other businesses - 14.8%**

RESPONSES BY QUESTION

QUESTION 1

Are you aware the Building Safety Act makes provision for secondary legislation to extend new home warranties from 10 years to 15 years?

- 35.5% of respondents said yes.
- 64.4% of respondents said no.



QUESTION 2

Are you aware the Building Safety Act makes provision for secondary legislation that will make it a legal requirement for developers and builders to offer warranty cover on all new homes?

- 47% of respondents said yes.
- 52.9% of respondents said no.



QUESTION 3

Do you support extending standard new home warranty cover from 10 years to 15 years?

- 60.7% of respondents said yes.
- 39.2% of respondents said no.



QUESTION 3 FOLLOW-UP

Question 3 involved a follow up question, asking for their reasons for supporting, or not supporting, longer minimum warranty periods.

Of the 162 respondents who said yes and answered the follow-up question:

- 46.2% cited "Improving standards in homebuilders."
- 41.3% cited "Better protection for homeowners."
- 9.8% cited "Alignment with the Defect Premises Act liability period."
- 2.4% cited "Other."

Of the 106 respondents who said no and answered the follow-up question:

- 36.7% cited "Too expensive to implement."
- 55.6% cited "There is no need for it."
- 7.5% cited "Other."

QUESTION 4

Have you made any preparation for the possibility of 15-year warranties being made law?

- 5.5% of respondents said yes.
- 94.4% of respondents said no.

This question included a follow-up inviting users to submit their answers in writing. These responses will be covered in more detail later on in this document.



QUESTION 5

Do you think 15-year structural warranties will improve resident or owner confidence in the quality of their new-build homes?

- 58.8% of respondents said yes.
- 41.1% of respondents said no.



QUESTION 6

In your opinion, will mandating structural warranty cover for all new homes affect the standards and security of new homes?

This question offered a multiple choice with four potential answers. Overall, approximately 58% of respondents indicated a net positive outcome, with just over 35% indicating they felt there would be a net negative outcome.

Positive outcomes

- 24% of respondents believe that warranties for all new homes will increase standards and safety in all new homes.
- 26.2% of respondents believe that warranties for all new homes will both increase standards in all new homes, and improve resident security and satisfaction in those new homes.
- 8.1% of respondents believe that warranties for all new homes will improve standards, without commenting on resident or owner confidence.

Negative outcomes

- 3.7% of respondents believe that warranties for all new homes will not affect resident confidence in their new homes, without commenting on security or standards.
- 17% of respondents believe that warranties for all new homes will not affect the standards or safety of new-build homes.
- 14.8% of respondents believe that warranties for all new homes will have no impact on either resident confidence or standards and security.

Mixed outcomes

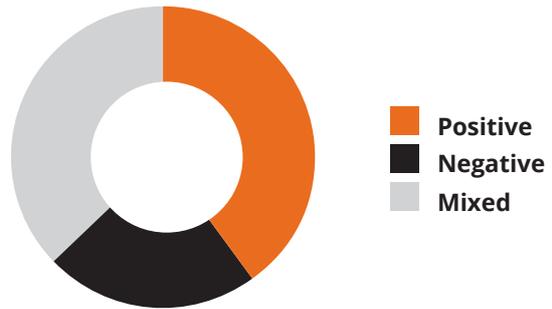
- 5.5% of respondents believe that warranties for all new homes will improve consumer confidence, but will not affect the standards of safety of those homes.

QUESTION 7

Should 15-year warranties for all new homes become law, what do you believe will be the overall outcome for the housing sector?

- 40% respondents said they believed there would be a positive outcome.
- 22.6% respondents indicated they believed it would be a negative outcome.
- 37.4% respondents believed there would be a mixture of negative and positive outcomes.

This question also offered respondents the chance to write in their own response, which will be explored later in this document.



RESPONSES BY TYPE OF HOUSING BUSINESS

This section highlights the types of business most and least likely to answer in the affirmative or negative for each question in the survey.

QUESTION 1

Are you aware the Building Safety Act makes provision for secondary legislation to extend new home warranties from 10 years to 15 years?

Yes

The most likely groups to answer in the affirmative were building control, housebuilders and developers, and other business types.

- Other business type – 53.8% yes.
- Building control 40% yes.
- Housebuilder/developer – 36.4% yes.

No

The most likely group to answer in the negative were contractors, self-builders, and social housing providers.

- Contractor – 78.9% no.
- Self-builder – 76.4% no.
- Social housing provider – 72.7% no.

40%

Of respondents in building control were most likely to be aware of potential minimum 15-year structural warranties

78.9%

Contractors were the least likely respondents to be aware of potential 15-year structural warranties.

QUESTION 2

Are you aware the Building Safety Act makes provision for secondary legislation that will make it a legal requirement for developers and builders to offer warranty cover on all new homes?

Yes

The most likely group to answer in the affirmative were consultants, housebuilders and developers, and other business types.

- Consultancy – 68% yes.
- Other business type – 69.2% yes.
- Housebuilder/developer – 59.4% yes.

No

The most likely group to answer in the negative were social housing providers, self-builders, and architects/designers.

- Social housing provider – 90.9% no.
- Self-builder – 70.5% no.
- Architect/designer – 62.7% no.

QUESTION 3

Do you support extending standard new home warranty cover from 10 years to 15 years?

Yes

The most likely groups to answer in the affirmative were building control, social housing providers, architects and designers, self-builders, and other business types.

- Building control – 92% yes.
- Other business type – 76.9% yes.
- Social housing provider – 72.7% yes.
- Architect/designer – 64.7% yes.
- Self-builder – 64.7% yes.

No

The most likely groups to answer in the negative were housebuilders and developers, contractors, and consultants.

- Housebuilder/developer – 67.5% no.
- Contractor – 52.6% no.
- Consultancy – 40% no.

Note – For the purpose of useful information, homeowners have been omitted from this section.

68%

Of consultants were aware of legal proposals to make structural warranties mandatory on all new-build homes.

90.9%

Social housing providers were least likely to be aware of proposals to make structural warranties mandatory on all new-build homes.

92%

Respondents in building control were most likely to support longer minimum structural warranty periods.

67.5%

Builders and developers were least likely to support extending minimum structural warranty periods to 15 years.

QUESTION 4

Have you made any preparations for the possibility of 15-year structural warranties being made law?

Yes

The most likely groups to answer in the affirmative were architects and designers, consultants, and self-builders.

- Architect/designer – 9.8% yes.
- Consultancy – 8% yes.
- Self-builder – 5.8% yes.

No

The most likely groups to answer in the negative were social housing providers, building control, and housebuilders and developers.

- Social housing provider – 100% no.
- Building control – 96% no.
- Housebuilder/developer – 95.9% no.

Note – For the purpose of useful information, homeowners have been omitted from this section.

QUESTION 5

Do you think 15-year structural warranties will improve resident or owner confidence in the quality of their new-build homes?

Yes

The most likely groups to answer in the affirmative were self-builders, social housing providers, and building control.

- Self-builder – 64.7% yes.
- Social housing provider – 63.6% yes.
- Building control – 78% yes.

No

The most likely groups to answer in the negative were housebuilders and developers, architects and designers, and consultants.

- Housebuilder/developer – 55.4% no.
- Architect/designer – 44% no.
- Consultancy – 44% no.

Note – For the purpose of useful information, homeowners have been omitted from this section.

9.8%

Architects and designers were most likely to have made preparations for minimum 15-year structural warranties.

100%

Social housing providers were least likely to have made preparations for minimum 15-year structural warranties.

64.7%

Self-builders were most likely to believe longer structural warranties would improve resident confidence in new-build homes.

55.4%

Builders and developers were least likely to believe minimum 15-year structural warranty periods would enhance resident confidence in new-builds.

QUESTION 6

In your opinion, will mandating structural warranty cover for all new homes affect standards and security of new homes?

Yes

The most likely groups to answer in the affirmative were self-builders, homeowners, social housing providers, and building control.

- Self-builder – 81% yes.
- Social housing provider – 80% yes.
- Homeowner – 80% yes.
- Building control – 69.5% yes.

No

The most likely groups to answer in the negative were contractors, housebuilders and developers, architects and designers, and other business types.

- Contractor – 53.3% no.
- Housebuilder/developer – 48.6% no.
- Other business type – 38.4% no.
- Architect/designer – 38% no.

81%

Self-builders were most likely to believe mandatory structural warranties would improve standards and security in new-build homes.

53.3%

Contractors were least likely to believe mandatory structural warranties on all new-build homes would improve standards and security in new-build homes

QUESTION 7

Should 15-year warranties for all new homes become law, what do you believe will be the overall outcome for the housing sector?

Positive

The groups most likely to answer in the affirmative were building control, social housing providers, and other business types.

- Other business type – 61.5% yes.
- Building control 58% yes.
- Social housing provider – 54.5% yes.

Negative

The groups most likely to answer in the negative were social housing providers, contractors, and consultants.

- Social housing provider – 36% no.
- Consultancy – 36% no.
- Contractor – 31.5% no.

Mixed

The groups most likely to offer a mixed answer were housebuilders and developers, architects and designers, building control, and consultants.

- Housebuilder/developer – 50% mixed.
- Architect/designer – 45% mixed.
- Building control – 36% mixed.
- Consultancy – 36% mixed.

Note – For the purpose of useful information, homeowners have been omitted from this section.

ANECDOTAL RESPONSES

Questions 4 and 7 offered respondents the opportunity to write their own answers. In the following section we expand on some of those answers, examining the sentiment of those comments and sharing some selected responses.

QUESTION 4 WRITTEN RESPONSES

The respondents below have indicated that they were aware of the prospect of 15-year warranties when surveyed, and that they have made some preparations for the upcoming legislative change. The few responses that were written in did not indicate a significant level of preparation.

Those answers which were received from homebuilders or developers indicated that they were making some technical or cost preparations for the legislative change, with one respondent saying, "Conditions have started to appear requesting up-spedded info which we have already had to implement to get warranty compliance."

Other responses focused on enquiring about cost and availability of the updated long warranties should they prove necessary. One respondent said "we are now getting in touch with insurance companies to be prepared. If the buildings are built right there shouldn't be any problems."

Responses with any significant detail were scant, with only 14 of the total 270 respondents offering a written response to explain their answer to this question, and none detailing much more than research or fact-finding.

QUESTION 7 WRITTEN RESPONSES

Positive responses

The respondents indicating that they believed there would be a positive outcome to minimum 15-year warranties mostly focused their answers around the quality of homes themselves, with some saying that longer insurance periods will drive better practice, drive lower premiums and lower claims.

Other replies focused on the sale value of homes going up when under longer warranty, longevity of housing stock that's built to stay defect-free for longer, and the possibility of closing avenues for "rogue" builders to prosper.

Some even suggested that mortgage brokers would have greater confidence in offering mortgages to prospective buyers on a 15-year warranty home.

"Insurance will drive better practice to reduce premiums."

"The sector will produce better quality housing."

"A 15 year warranty should be an 'absolute minimum' bearing in mind that a standard mortgage lasts 25 years."

"Housing Developers and Contractors are going to pay more attention to improving quality, if they know their responsibility is extended."

We must stress, however, there were some caveats to this positivity. Some commentators believed there would be an initial push-back from developers, in response to more accountability and higher standards.

Other replies bemoaned a perceived lack of quality in new-build homes, saying that building for a longer warranty period would force an increase in quality.

“Currently new homes are known in the construction [industry] of being poor/rushed quality, and being constructed to sell not constructed to last past the 10 years they have a warranty for. A 15 year warranty may push mega house builders to increase the standards of new-build homes to reduce the amount of warranty claims that are made against them.”

“The quality of new homes seems to be getting worse rather than better. Large housebuilders are increasingly trying to build faster and faster whilst at lower and lower cost. The contractors and subcontractors are looking for speed not quality. They are being forced to rush and things inevitably go wrong. Anything to protect homeowners for longer...is a good thing.”

Negative responses

The replies that saw a negative outcome to a 15-year minimum warranty touched on a variety of areas, but cost was a key concern. In particular, how costs will affect the stability of the homebuilding sector.

Replies concerned about cost focused on how builders and home buyers will be affected by the change, particularly the SME portion of builders.

“At a time of decreasing house prices and increasing build costs any additional cost from increasing the warranty period will add further burden on the sector.”

“Reduce ability to obtain warranties for smaller firms.”

“Premiums and survey fees will double for self-builders.”

“This will increase builders costs, affecting the small builder greatly and meaning the cost of the house will increase to the buyer as we can’t absorb it in our build costs.”

Some replies mentioned the possibility of the additional costs generated by longer warranties would simply find their way to those buying houses.

“The increase in length of time will increase the cost of providing the structural warranty. This cost would have to be passed onto the home owners.”

“Less property will be built, what is built will have to be more expensive, which will price many buyers out.”

Other replies shared concerns about the need for the extension in warranty periods, believing that ten years of warranty coverage is sufficient to offer confidence to home buyers and owners, and that further coverage wouldn't expose any additional serious defects in a property.

“There is already sufficient cover on new homes. We have Building Control, Building Regs and 10 year warranty providers. Then we have the mortgage provider’s surveys then we have the brick kicker surveyors.”

The most dramatic reply, returned in all capitals, said that if 15-year warranties were introduced, they would immediately fold their company and stop building new houses.

A fair summary of the comments returned is that the respondents did not believe there would be a significant impact on quality of housing, but did believe the change would generate a significant financial burden to the housebuilding industry.

CONCLUSIONS

At a glance

Results of this survey indicate that while most respondents were unaware that there could soon be a change to 15-year minimum warranties, the majority supported a 15-year minimum period, and a plurality believed there would be positive effects for the housing sector.

Additionally, while the majority of respondents were unaware of the change to 15-year warranties, a majority were aware of the wording mandating all new homes are covered by warranty regardless of whether they are built for the open market or not.

A majority also welcomed this move, believing it would increase standards and resident confidence in their homes.

Given the strength of feeling in the anecdotal responses, where even respondents that offered a broadly positive outlook had reservations about potential negative effects of the legislative changes discussed, we would describe this as a very cautious optimism while awaiting more details on the upcoming secondary legislation.

The preparation

The secondary legislation that would activate the wording in the Building Safety Act mandating 15-year warranties and warranties on all new homes has yet to be brought forward into law.

Until the legislation is introduced, the housing industry can only use informed, educated guesses on the potential contents of that legislation, and what its eventual effects will be for the housing industry itself.

We should keep this in mind before making any judgements or drawing conclusions about the lack of preparation from the housing industry for this eventuality.

With no information from the government on when this change will be introduced, and what the content of the relevant legislation will be, it's no surprise that the industry has dedicated comparatively few resources to preparing for it.

The opportunity

However, we can see from the responses that while there is skepticism around the overall effect of these changes, there is an ambient optimism about how the change will affect residents and building standards.

Respondents believe that the most effective or most common response to longer minimum warranty periods will be to improve the standards in homebuilding, which in turn will improve resident confidence in the quality of their new homes.

This might be driven by the warranty industry demanding more robust standards up-front to protect them from currently unmonitored defects occurring after ten years, or by developers themselves in an attempt to keep warranty premiums at a minimum.

The challenge

Naturally, this change would come at a cost no matter how positively it is embraced. For a sector already beleaguered by increasing materials prices, economic uncertainty, inflation, and labour shortages any drive to further increase standards will naturally have a knock-on effect that will appear on the bottom line.

The responses demonstrate a fear that this cost burden would polarise the building industry, further straining the small-to-medium builder section of the housing market. We also see fears that the increased costs could end up being passed to residents, driving the cost of new homes up and pushing ownership out of reach for more potential home buyers already being affected by availability of new homes, their ability to afford those homes, and rising interest rates affecting mortgage availability and pricing.

To caveat the above, however, there is an argument from our respondents that some larger builders have not put the appropriate level of investment in quality, focusing too heavily on building volume, and that longer warranties could help to correct this by putting a larger emphasis on long-term quality of homes.

The warranty industry

Currently, no significant provider of structural warranties to the UK market has offered any public signal on what the shape or content of their policies would be in the event that the government introduces the secondary legislation required to activate longer minimum warranty periods.

With no legislative detail to act on, there is no policy for wider industry to respond to, meaning the ability for the housing industry to meaningfully prepare is limited.

While it is not mentioned or outlined in the current legislation, it is difficult to imagine a scenario in which warranty providers could be asked to extend their coverage duration by one third without some impact on the costs of inspection or premium.

FURTHER READING AND RESEARCH

More from the UK government

The government today

The most important actor to follow for more research on this subject will be the UK government itself and its future legislation. The boundaries and shape of the new legislation will dictate what the housing industry will need to do to remain compliant with new laws and best serve residents and stakeholders.

There is no clear timeline yet on when the new legislation may arrive, but a scan of major newspaper headlines might lead one to conclude that the government, and the Department for Levelling Up, Housing and Communities, are not placing this topic at the top of the legislative agenda.

The government tomorrow

Additionally, we must consider the potential for a change in government. At time of writing, polls are heavily in favour of the incumbent Conservative government losing their outright majority at the next election, which can be held no later than 25 January 2025.

How the legislative agenda might shift between then and now is unclear (especially given the breakneck pace of contemporary politics), although the issue of housing is very likely to play a part in shaping the manifestos and agendas of the competing parties. For any incoming government, whether they're a new majority, coalition, or a continuation of the current party, this legislative tool will be available for them to wield or ignore at their discretion – if indeed it is not activated before the next general election.

More from LABC Warranty

As pointed out above, without the full details of the secondary legislation relevant to the clauses discussed in this research there are significant barriers to any warranty provider, including LABC Warranty, offering more information than what we can gather in this research.

LABC Warranty have, however, partnered with Building Magazine to interview key figures from the housing industry about how minimum warranty periods and statutory warranty provisions may affect the housing industry and its associated suppliers. These figures include Local Authority Building Control, insurance specialists, construction consultants, and more – the results of this research are available in the September 2023 edition of their magazine.

TALK TO LABC WARRANTY

About this report

If you have any questions about the content of this report, or would like to discuss these findings, you are welcome to contact LABC Warranty on the details below.

Tel: 0800 183 1755

Email: enquiries@labcwarranty.co.uk

Web: labcwarranty.co.uk

About structural warranty

If you would like to discuss the provision of structural warranty for any current or upcoming developments, don't hesitate to contact the LABC Warranty representative in your area.

View the LABC Warranty Account Manager coverage map [here](#)

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