

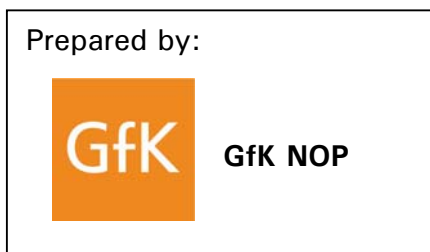
Home buying and selling Market Study

Qualitative Consumer Survey Report

Prepared for the OFT by GfK NOP Social Research

OFT1140d

September 2009



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All verbatim quotations used in this report reflect respondents' views and are illustrative of the findings of this research.

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1 INTRODUCTION, METHODOLOGY AND KEY FINDINGS

- 1.1 This research was carried out in April and May 2009 by GfK NOP on behalf of the Office of Fair Trading for its Home Buying and Selling Market Study. It consisted of a series of five focus groups across the United Kingdom - one each in Scotland, Northern Ireland, Wales, North of England and London - involving people who had bought or sold a property between April 2007 and April 2009. In addition, 20 individual in-depth interviews were carried out with people from the same target group, to provide detailed case studies. Additional insights generated from these interviews have been incorporated into this summary.
- 1.2 The main aim of the research was to examine consumers' experience of service provision for the buying/selling of properties across the UK, including high and low points of the process, satisfaction with professionals, extent of 'shopping around' for services, awareness of protection frameworks and complaint mechanisms, presence of conflicts of interest, and how open buyers and sellers were to pursuing alternative routes to market.
- 1.3 This summary considers the downturn in the housing market as context, before discussing how buyers found properties for sale and how sellers found potential buyers. It then focuses on the role and service delivery of estate agents and reports on how individuals selected professionals to help them with their home buying/selling, and charts their subsequent experiences. Appendix A is the PowerPoint presentation of our initial analysis of the key findings given to the OFT in May 2009. Appendix B is a summary table of the case studies we conducted. Appendix C is the series of individual case studies. We have used pseudonyms and removed any personal references in order to protect identities.

Key Findings

- Consumers with previous experience of buying and selling were more confident, since they had a better understanding of the system.
- Many relied on the internet to:
 - conduct searches to find a new home,
 - increase the visibility of a property on the market,
 - obtain information about the housing market and current property values.
- Of the professionals involved, estate agents were considered closest to the home buyer or seller. Many saw them as practised 'experts' and relied on them for guidance and support.
- Many consumers felt that more could be done in terms of providing greater transparency and improving communications during what was thought to be a time-consuming and unfamiliar process.
- Many consumers experienced delays. However, very few were able to identify why these delays had occurred or to attribute blame.
- Consumers were open to trying alternative ways to buy and/or sell their property in the future.
- Actual complaints were rare. Most consumers refrained from complaining during the process through fear that it might be counter-productive to their home purchase/sale, while others who had successfully bought or sold did not want to revisit the difficulties they had experienced in the past.
- The most common problems experienced by consumers in this research related to timing (delays in the process) and billing (perceived overcharging).
- When selecting a service provider, whether an estate agent, solicitor or surveyor, personal recommendation was an important factor. Other factors included the cost of services offered and the perceived convenience of the location of services offered.

- Few consumers negotiated fees with service providers. Those who did negotiate were more likely to be experienced buyers and sellers.
- With regard to overall satisfaction with the home buying and selling process, Scottish consumers reported higher satisfaction than those in England, Wales and Northern Ireland. The Scottish system was seen as offering greater certainty to the home buyer and seller through transaction contracts. With regard to service delivery, communication was also cited as an important factor.

2 ECONOMIC CONTEXT

- 2.1 The research was carried out during a period of recession in the UK: house prices were falling, and the crisis in the banking industry meant that consumers were finding it difficult to access mortgages.
- 2.2 There were a number of indications that this challenging economic context was impacting on the consumer: both buyers and sellers were exhibiting increased caution, reporting that they had not entered the market lightly and wished to avoid exposing themselves or their families to unnecessary risk. A number of consumers had chosen to sell and move into rented accommodation before setting out on the buying process as a means of ensuring that they avoided disappointment and financial uncertainty through potential transactions falling through. Consequently, the results of this research study have been interpreted within this context.

3 IMPORTANCE OF EXPERIENCE

- 3.1 Amongst those interviewed, some consumers came across as better equipped to cope with the buying and selling process. People who had previous experience of buying and/or selling a property, or who had friends or family with such experience, emerged as particularly well placed to get the maximum value from shopping around and dealing with providers. First time buyers were the least savvy for the most part, due to their lack of previous experience of the housing market. Compared with English and Welsh consumers, people from Northern Ireland and Scotland came across as particularly comfortable with doing more of the legwork for the sale of their property, including showing people round the property themselves and negotiating the sale price of the property.
- 3.2 Our feeling from the research overall was that having previous experience or additional background knowledge was particularly advantageous to consumers in a period of recession. For example, one experienced seller reported that he had been able to negotiate with an

estate agent a commission rate that was below one percent. He attributed his success in obtaining such a low rate to the problems in the housing market meaning that estate agents were keen to secure business at any cost.

4 USE OF THE INTERNET

- 4.1 Both buyers and sellers relied heavily on the internet. Many of those interviewed commented that portals, such as Rightmove and the various Solicitors' Property Centre websites for Scotland (such as espc.com, aspc.co.uk), were invaluable tools from the perspective of identifying possible properties, and the type of price they would have to pay to obtain a desired property, as well as being marketing tools for their own sale. Some consumers also looked at properties on estate agents' websites in addition to the portals. Most buyers in the study believed that using the internet generated details of the widest choice of properties in their price band and area where they wanted to live. Many also commented on the internet's convenience compared with traditional methods – some using it for property searches during their lunch hour at work. For sellers, most believed that marketing via websites and portals such as those mentioned above would yield the largest number of potential purchasers for their property.
- 4.2 In addition to buyers using the internet as a tool, sellers used a range of websites to help them establish how much their own property was worth (for example, by seeking the price of properties similar to theirs that had sold recently).
- 4.3 Almost all of those who participated in the groups or case study interviews used the internet as part of the buying/selling process. Those who had not used the internet tended to be older, retired people for whom the internet was not a normal part of everyday life.
- 4.4 Although using internet portals has clearly become a significant means of identifying properties for sale for most consumers, buyers and sellers continued to respond to the local publicity from high street estate agents and from solicitors' property centres (in Scotland) as a means of

identifying properties for sale, as well as accessing the estate agents' own websites. This included looking at agents' advertising in the local press and in their shop windows, plus taking note of 'For Sale' boards outside properties. Only one consumer reported using the internet almost exclusively in her search for a property and for accessing all the professional services she required.

5 ESTATE AGENTS AND SOLICITOR ESTATE AGENTS IN SCOTLAND

- 5.1 Estate agents and also solicitor estate agents (in Scotland) were seen as the usual intermediaries in home selling and buying transactions. Consumers seemed reluctant to step away from these familiar methods, as there was a sense of security in sticking to tried and tested ways. Participants said that selling without the use of an estate agent was particularly difficult, complicated and stressful.

'I'm too old to be bothered [by selling direct]...you've got to be aware of what's going on and what you're doing [when selling or buying a property].' (England)

This was because sellers generally invested so much emotion within the process that they were keen to avoid unnecessary risks.

- 5.2 Some consumers, especially those who were dissatisfied with their experiences, indicated that they were willing to consider alternative methods of buying and selling in the future:

'I think if everybody felt they could just paint a For Sale sign and stick it in their garden and sell it by themselves then they would.' (Wales)

- 5.3 In some instances, the typical reliance on estate agents manifested itself in greater satisfaction with the services received and some consumers (particularly buyers and those not in chains) indicated that they had been very happy with the estate agent they had dealt with,

'My estate agent was really understanding of my situation and was willing to talk me through all the options I had. I was so happy that she was there for me.' (Northern Ireland)

- 5.4 However, the tendency of many to stick with the familiar did not always mean that consumers (in locations other than Scotland) were actively enthusiastic about the conventional route to market of using an estate agent.
- 5.5 Despite their general acceptance that estate agents provided a necessary service during a stressful time, many of those interviewed had a poor view of estate agents. In particular, some said that they found it hard to make comparisons between the services offered by different agents.
- 5.6 The problem seemed to stem from the fact that people had a relatively poor understanding of the precise role of the agent, including his/her responsibilities/remit. Some consumers who had dealt with more than one estate agent talked about inconsistencies in the quality of service provided. Indeed, five out of the twelve case study consumers who had used UK estate agents reported having such poor experiences of one agent that they waited for the exclusivity agreement with them to expire before switching to a different agent who would provide the quality of service they desired.
- 5.7 It was not always clear to buyers and sellers alike where an agent's loyalties lay, given that they are paid by the seller whilst being responsible for arranging introductions to potential buyers, and frequently providing the key point of contact for price negotiations between seller and buyer. Added to this, consumers perceived that the fee structure, which was generally based on a fixed percentage of property sale price, did not accurately reflect the amount of work involved or effort exerted by the agent in the transaction.

'The estate agent's fee is money for old rope.' (Wales)

- 5.8 Consumers intimated that they would be keen to see a fairer system of payment for work done by an agent. However, it appeared that many sellers did not negotiate the commission percentage with agents, with

few seeking competitive quotes or bargaining with their preferred agent to get the best deal possible. Many assumed the fee was fixed and did not differ between agents. For example, one seller in England sought several quotes from estate agents, but since the rate offered by each was the same (1.75 percent), she assumed it was not flexible, and so not open for negotiation. It was the minority who felt comfortable engaging in negotiations about fee levels.

- 5.9 Many consumers called for greater transparency in terms of the role of the estate agent during the sale/purchase process.

‘There is no transparency at all. You have no idea – they could tell you they are receiving bids [on your sale], but you don’t know.’
(Northern Ireland)

Customer satisfaction with agents hinged on knowing what exactly the agents were doing and how well they were communicating information to buyers and sellers.

- 5.10 The overall perception was that the property buying/selling process generally took longer than it should have done. However, without any clear evidence to prove who was holding the process up, consumers felt estate agents could play a part in speeding up the process through greater professionalism and efficiency. Consequently timeliness of communication and perceived speed of getting in touch with consumers at a time of great stress were further critical factors in estate agents achieving high satisfaction levels with both buyers and sellers alike.

6 COMPLAINTS

- 6.1 Customers making formal complaints about any provider in the property sale/purchase market, either during or after the process of buying or selling a property, were rare. Customers commented that making a complaint while they were mid-transaction would, in their opinion, be counter-productive as it could mean that providers might respond by making things difficult for them, resulting in a negative outcome such as a failed transaction.

'You could always complain about the service you're getting, but you don't want to rock the boat too much because there's always that thought in the back of your mind that you might annoy them and it'll get even worse.' (Wales)

- 6.2 There was a similar reluctance to complain after the process had been completed, as most consumers were simply happy to reach the end of the process and did not want to prolong any agonies, especially where they had achieved a good outcome of buying or selling their property.
- 6.3 The main potential cause of complaints against a service provider, whether estate agent or solicitor, was timing delays. However, lack of transparency in the process and a consequent absence of concrete evidence or proof of who was to blame for the delay, meant that a complaint would be based on circumstantial evidence and so may be unsuccessful, but nonetheless very stressful. The consumer concluded that it was better for his or her own state of mind to simply accept that things were not ideal, and move on.
- 6.4 No one queried the estate agents' bill as this was based on a percentage of the property price that had been agreed up front, and the figures could be easily checked. However, several people said they had queried bills received from solicitors. Interestingly, consumers did not think of these queries as complaints, although in effect, some of these did amount to a complaint about irregularities in the invoicing. Some consumers asked for clarification of 'additional items' on the bill. Examples included: costs incurred by the buyer/seller because of last minute hitches to the exchange of contract that the consumer felt were due to the ineptness of the solicitor, searches that had not featured on the original quotation received, and other additional items that the customer had not been alerted to by the provider. Other consumers reported feeling that the solicitor's bill was higher than expected, and doubted whether it reflected the work done on their behalf. However, many were reluctant to complain not least because often they found the bill difficult to understand, and so struggled to identify tangible grounds for complaint.

6.5 Research participants were asked whom they would approach were they to have a complaint about a provider. Most thought they would complain directly to this person's boss or to the head of the practice in the first instance. Had they wanted to escalate it, most said they would complain to the relevant regulatory body.

6.6 However, few of those interviewed could name the solicitors' regulatory body, with only some of those mentioning the Law Society. None knew of a relevant body for estate agents, although one or two mentioned that there must be an ombudsman.

'I think they [estate agents] are governed by someone ...can't remember who... the ombudsman?' (Wales)

Most said they would simply 'Google' solicitors' or estate agents' regulatory bodies, or try to identify the relevant ombudsman.

7 CHOOSING SERVICE PROVIDERS

7.1 Recommendation played a large part in how consumers identified professionals with whom they needed to engage for their selling/buying (including solicitors, surveyors and financial advisers). Where they could, they used the personal recommendations of family, friends and business associates to determine whom they might approach. Consumers who had not already selected the specific professionals they required were open to the recommendations made by other professionals involved in the property buying/selling process.

7.2 The choice of an estate agent depended on a number of factors. Overall, no one factor emerged from the research as most important to consumers. For two consumers, the quoting of a higher valuation was the deciding factor, whereas others chose the estate agent on the basis of the convenient location of their offices, the best deal in terms of percentage of sale price, local reputation, or often on personal issues such as a feeling of trust or perceived professionalism when they were valuing their property. One consumer explained her decision-making process:

'I excluded some Estate Agents used locally through word of mouth – some Estate Agents were overpricing things and the price was dropping and it didn't look good. I went for someone recommended by a cousin. He had been used by friends and friends of friends and they had a good experience.' (Scotland)

- 7.3 In all geographical locations, consumers reported that solicitors frequently identified surveyors for use by their clients, and it appeared that estate agents routinely attempted to cross-sell the services of partner solicitors, surveyors, insurance companies and financial advisers. Indeed, some consumers complained they were put under undue pressure by estate agents to use their partners. Some consumers felt that the estate agent implied that they *had* to use these partner services as part of the agent's package. Others were led to believe that by following the estate agent's recommendation, the process would run more smoothly:

'I'm in two minds about that [additional services]. I've done it before when I've just used the services they recommend and the mortgage they recommend just to grease the wheels a bit [...] hopefully you'll get a better relationship with them.' (England)

- 7.4 People buying a new build property reported heavy pressure from the property developer to use partner solicitors and mortgage providers, and sometimes these services were included in the final purchase price.
- 7.5 Across the sample of buyers and sellers, there was evidence that some people routinely 'shopped around' when identifying providers, getting fixed quotations from solicitors before deciding whom to appoint and some negotiating rates with estate agents. However, the overall impression from the groups and depth interviews was that more consumers entered into contracts without questioning the rates or scale of charges of professionals.
- 7.6 It emerged that people who chose to use their own family solicitor or who went with a personal recommendation of a solicitor, were less likely to seek advance notice of their fees, but in effect entered the contract

'blind'. It appeared that most solicitors did outline their fees in their confirmation of appointment letter, but this was seen by the consumer as a fait accompli rather than as information they could use for negotiating more favourable terms.

- 7.7 In particular, the fees charged by surveyors were rarely challenged, as surveys were frequently commissioned on the client's behalf by their solicitor. In some cases, the bill for the survey was added to the solicitor's fees at the conclusion of the transaction, whilst in others the consumer paid the surveyor direct. Several buyers across the UK expressed resentment at having to commission their own survey on a prospective purchase where one had already been commissioned by a rival bidder. They felt that one survey should be available for all bidders. Scottish consumers commented that this issue had now been addressed with the recent advent of Home Reports, which contain a survey commissioned by the seller and available to all prospective buyers.

8 HOME INFORMATION PACKS, ENERGY PERFORMANCE CERTIFICATES AND HOME REPORTS

- 8.1 Participants in the research had bought and/or sold between April 2007 and April 2009. The majority of homes had been put on the market before the introduction of Home Information Packs (HIPs), Energy Performance Certificates (EPCs) and Home Reports (HRs) in Scotland. Only three out of fifteen buyers, and four out of twelve sellers, in England, Wales and Northern Ireland had direct experience of these. Two out of these four sellers organised their HIP through their solicitor, one through their estate agent, one via an online provider. Only one participant out of the five interviewed in Scotland had to have a HR and his experience was limited as the HR was organised and paid for by the building developer who was selling him a new build property and buying his flat as part of the deal. As he was neither commissioning nor paying for the HR, this seller was totally uninterested in its contents.
- 8.2 Consumers had heard about these documents in the media, however the overall consumer view of HIPs tended to be indifferent or negative, with cost issues being seen as the main reason for their negative perception,

combined with a perceived lack of relevance to the home buying/selling process.

‘A complete waste of time! They [EPCs] tell you very little about anything really.’ (Northern Ireland)

One consumer who had experience of HIPs for his purchase commented that:

‘They just use the information that I could have easily found out myself ...it didn’t exactly set the world on fire. To be honest, I found it pointless.’ (Wales)

8.3 Scottish consumers had even less exposure to HRs as these were only introduced in December 2008. However, on balance, opinion was rather more favourable for HRs than it was for HIPs because the former requires a survey. The inclusion of a survey up front for potential buyers to see could, in the opinion of the Scottish consumers we spoke to, avoid unnecessary duplication of surveys on the same property in advance of making an offer, as had formerly been the case with property sales in Scotland.

8.4 Consumers did not seem convinced that the EPCs were of any great value as they were thought to simply state the obvious such as recommending that they switch to low energy light bulbs and insulate the loft to decrease energy bills.

‘[The HIP Assessor] said the only thing you could do differently to make your apartment more efficient is have energy saving light bulbs. So I said ‘right, ok, thanks’ and we had to pay three hundred odd pounds for that.’ (England)

8.5 Potential purchasers said that they would be most unlikely to discriminate between properties based on the practical issues surrounding energy consumption, as other factors, including emotional ones, would hold sway. One consumer, for example, commented that her choice of house was based primarily on intangible, personal factors

such as the 'feeling' of the place, not technical details such as those contained in the HIP.

9 GENERAL SATISFACTION WITH THE HOME BUYING/SELLING PROCESS

- 9.1 Consumers interviewed for the case studies were asked to rate their overall satisfaction with the buying and selling process on a scale from very high to very low.
- 9.2 There was undoubtedly greater overall satisfaction with the buying than with the selling process.
- Out of 19 buyers, 16 were either very (eight) or quite (eight) satisfied with the buying process, with only one recording very low satisfaction. The remaining two recorded average satisfaction.
 - Out of 15 sellers, seven were either very (two) or quite (five) satisfied with the selling process, five recorded either very low (four) or quite low (one) satisfaction. The remaining three recorded average satisfaction.
- 9.3 Consumers in England, Wales and Northern Ireland felt that the Scottish system offered greater security within the home buying/selling process. Although some Scottish buyers had some concerns over the Scottish system, most participants from north of the border still maintained that the Scottish system of buying/selling was more effective than that used in other parts of the UK.
- 9.4 Buyers and sellers in Scotland were happier on the whole that their system was fair, transparent and timely. They were more involved in the process, had a greater part to play in decisions and negotiations, and overall felt more empowered. This was reflected by higher levels of satisfaction by Scottish consumers than consumers in other UK regions: out of five people interviewed, four buyers reported very high (two) or quite high (two) satisfaction with buying (with the remaining one buyer reporting average satisfaction), and of the three sellers, one reported

very high satisfaction, and two quite high satisfactions. There was an overall higher level of confidence with the system expressed by Scottish buyers and sellers than was the case with their counterparts in the rest of the UK. This viewpoint arose from a greater certainty that an agreed sale would go through, as there were legal penalties imposed on defaulters. One consumer in England who had problems finalising her sale and felt unprotected commented that:

‘We’re never going to do it again...to move...too complicated...we had a really bad experience.’ (England)

One consumer in Scotland highlighted the greater protection the Scottish system provides:

‘If the buyer backs out, and you then can’t sell the house for the same amount, you know you can sue that person for the difference.’ (Scotland)

9.5 The usual route to market in Scotland was to use a solicitor estate agent for both the selling and buying transactions. Following the preparation of the schedule for the client, most Scottish solicitor estate agents then put the property details onto the local solicitors’ property centre website, which consumers in this study considered was the most accessible route to target the largest number of potential customers.

‘Bearing in mind that the majority of people looking to buy will go to the ... SPC, if you are not there then you are missing out on a vast amount of potential’. (Scotland)

9.6 Estate agents per se are far less common in Scotland than in other parts of the UK, with the one consumer who had used an estate agent as opposed to a solicitor estate agent doing so because they were personally recommended as being an expert in that particular geographical area.

9.7 Across the UK, the factor that most affected consumer satisfaction was how well or badly agents, solicitors or other professionals communicated with their clients during the buying/selling journey. Although most people

in the sample were generally happy to delegate the majority of the tasks necessary for the purchase or sale of their property to their selected estate agent or solicitor, consumers also wanted to be kept continuously informed by relevant professionals.

'Have more hands-on estate agents, making sure they advertise it (the property) well, ringing and updating us.' (England)

- 9.8 On balance, people were more happy than unhappy with the communications between themselves and their estate agent and they were even more happy than unhappy with the communications with their solicitor/conveyancer. For those who were critical of the process, the conclusion was that greater transparency, better communication and a swift progression through the transaction process would lead to an improvement in their satisfaction.

10 CONCLUSIONS AND CONSUMER INSIGHTS

- 10.1 This section reviews the key themes identified in the research.
- 10.2 A key finding was a perceived lack of transparency within the process. Consumers were unsure about the roles of the various professionals they encountered. There was a lack of knowledge about what conveyancing involved, and how solicitors' charges were calculated. Notwithstanding these issues, solicitors were respected as professionals.
- 10.3 Levels of respect for estate agents differed more than was the case for solicitors. Some consumers reported highly positive experiences, with estate agents perceived as communicative and trustworthy. However, many of those with experience of using an estate agent did not trust them, saying that they were sales oriented and not customer focused, that they tended to be poor communicators and that the service they offered was inconsistent across suppliers. The criticism around secrecy and poor communications, led consumers to question agents' motives, such as whether they were acting in the best interests of the customer.
- 10.4 Consumers generally did not know to whom they should complain were they to have problems or issues with the professionals they had used.

Most thought that estate agents and solicitors were regulated, and thought they would use the internet to identify the relevant regulatory body. However, even if they had grievances, many consumers felt reluctant to complain.

- 10.5 This supports the finding that many consumers appeared not to be 'savvy' in their engagement with key aspects of the process. For example, some reported not negotiating fees with estate agents or solicitors, with some being totally unaware that they could engage in such negotiations. They were happy to leave key parts of their journey to professionals, even if they did not understand exactly what specific tasks they were doing. As well as resulting from a lack of knowledge, this relative disengagement can be explained by consumers feeling daunted by negotiating with professionals, as well as wanting to minimise their own responsibilities in what was for many an extremely emotional journey. These factors explain why so few consumers were prepared to consider conducting private transactions, or using other non-conventional methods of home buying and selling.
- 10.6 This notwithstanding, there was a small group of experienced, savvy consumers who had negotiated the best rates from professionals, generally appearing comfortable in dealing with them, and in some cases already had experience of private transactions, or were prepared to consider them in future.
- 10.7 Even outside of this group, there were signs that some consumers were trying to empower themselves, in particular through using the internet. However, the internet is currently used mainly as a complementary means of searching for properties to purchase rather than as a way of circumventing estate agents and other professionals, although many consumers could see the internet playing a much greater role in the future.
- 10.8 Overall, consumers retained a sense of powerlessness throughout the process brought about by a lack of consumer knowledge and transparency within the system, and an associated lack of confidence in dealing with professionals.

- 10.9 Consumers felt far less powerful as a seller than as a buyer. Sellers appear to be particularly vulnerable to the effects of property chains, with many in England, Wales and Northern Ireland, complaining about offers being made and then withdrawn. In Scotland, where this is less of an issue, consumers were far more satisfied with their system, despite their still perceiving it as lacking complete transparency.
- 10.10 Consumers outside of Scotland said that they would be interested in their region adopting a system similar to the Scottish one, because they perceived that there was greater certainty for the consumer in that system and less chance of 'gazumping'. Whilst agreeing that their system is better than that used in other parts of the UK, Scottish consumers did not believe that theirs was perfect, with improvements still required to the system of sealed bids based on 'offers over'. One Scottish consumer, for example, suggested that 'offers over' should be replaced by a fixed price offers system. Another, a first-time buyer, complained that the first offers he made on properties were rejected because they were far below the seller's expected price. He wanted greater transparency with regard to the price the seller expected to receive.
- 10.11 Also, to address the perceived lack of transparency within the offers system in all parts of the UK, one consumer suggested that an 'eBay-style' system of transparent online offers could be introduced. Two other participants, one of whom had experience of buying and selling in the US, and the other in Australia, suggested greater access to buyers' agents who act as advocates for buyers. Finally, several consumers suggested that there should be published minimum service standards for estate agents which will clearly define the service they have to deliver.