

# Reservation agreement - Guidance Notes

## Introduction

The reservation agreement can be downloaded, printed off and used without change, or can be used as a basis to create your own reservation agreement document. It is strongly recommended however that the mandatory sections of the document be kept so as to avoid the potential of a claim by a home buyer for failure to comply with the Consumer Code for Home Builders.

It is fully understood that no template will fit every circumstance, and this document does not pretend to be the universal answer. This template is provided in good faith on the understanding that NHBC does not accept any liability whatsoever or howsoever arising from a home builder's use or adaption of this template. It is the responsibility of each home builder to satisfy themselves that their reservation agreement complies with the Consumer Code for Home Builders.

## Guidance notes

NHBC is helping you comply with the Consumer Code for Homebuilders and as part of this we have developed a reservation agreement template that can be adapted and used by you.

The Consumer Code for Home Builders became effective for all reservations signed on or after 1 April 2010. Several of the core requirements refer to the reservation agreement and what it must contain. The template that we have drafted includes the relevant elements that are considered mandatory under the Code, plus some data-gathering fields that would otherwise normally be expected in a reservation agreement.

The recommended mandatory information is as follows:

Information	Comment	Consumer Code Clause Number
Contact details for the builder	Name, address and telephone number as a minimum.	2.2, 2.6
Contact details for the home buyer	Name, address and telephone number as a minimum.	2.6
Details of the plot being purchased	Sufficient information to specifically identifies which development and which plot.	2.6
Reservation purchase price		2.6
Reservation date	The date on which the reservation agreement is signed.	2.6
Reservation expiry date	The date upon which the agreement will automatically terminate if the sale contract is not signed.	2.6
Anticipated build completion date	The formal estimate of when construction will be completed.	3.2
Final balance to pay	The amount outstanding after any deposits, pre-payments, incentives, extras, etc are taken into account.	2.6
An explanation and an estimate of the management fees (if and when appropriate)	Management fees are usually only appropriate for developments with a management company whose activities are funded by regular payments by the residents.	2.1, 2.6
Condition 1	Confirmation of the home builder's obligation under the Code that they will not try to sell the property to someone else whilst the reservation agreement is in place.	2.6
Condition 2	Confirmation of the home buyer's right to cancel the reservation agreement at any time.	2.6
Condition 3	Confirmation of the right of the home buyer to get their reservation fee back, less the home builder's reasonable expenses in holding the reservation open.	2.6
Condition 5	Clarification of how spoken statements will be managed.	3.1

Additional Important Comments		
Condition 7	Confirmation to the home buyer that some information may be used by the Consumer Code for Home Builders Management Board for the purposes of customer satisfaction surveys.	This is not specifically a Consumer Code requirement, but is a condition of the Consumer Code Scheme Rules that such information is provided when requested.
Signatures	This is a legal document and both parties must sign to say that it is exchanged with full knowledge and understanding. This includes giving the home buyer a copy of the Code Requirements.	This is not specifically a Consumer Code requirement, but is standard practice to bring the legal document into force.

Additional Comments	
Choices	An opportunity possibly to record the details of the standard specification choices.
Tenure	It is standard practice to record the nature of the future ownership of the property.
Buyer 2	Useful if the property is being bought in joint ownership.
Mortgage provider	Not always known at this stage, but can be a useful place to record information.
Solicitors' details	Not always known at this stage, but can be a useful place to record information. It is important to note that the Consumer Code for Home Builders does not allow a Home Builder to restrict a Home Buyer's choice of legal advisor (Clause 2.5).
Extras	A home builder may offer a list of standard extras and their cost. The reservation agreement may be a place to usefully record these.
Condition 4	A standard clause in reservation agreements.
Condition 6	A standard clause in reservation agreements.