Title: **Land Registration (Amendment) Rules 2017**	Impact Assessment (IA)
IA No: BEIS LR006	**Date: 21.7.17**
RPC Reference No: RPC-4128(1)-BEIS	**Stage:** Validation stage (Fast track deregulatory)
Lead department or agency: HM Land Registry	**Source of intervention:** Domestic
Other departments or agencies: N/A	**Type of measure:** Secondary legislation
	Contact for enquiries: Joy Bailey

Summary: Intervention and Options

RPC Opinion: Fit for purpose

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year (EANDCB in 2014 prices)**	**One-In, Three-Out**	**Business Impact Target Status:**
£5.26m	£1.68m	-£0.2m	TBC[1]	Qualifying Provision Bit Score: TBC[2]

What is the problem under consideration? Why is government intervention necessary?

Statute requires that conveyances and legal mortgages of land must be carried out by a paper deed. Electronic documents with electronic signatures will be regarded as deeds only if rules are made to that effect under the Land Registration Act 2002 ("the Act"). Rule amendments are needed to allow the conveyancing industry to undertake transactions and apply to register them entirely digitally, as an alternative to paper. Other Rule amendments are needed to modernise and simplify the Rules, as they were drafted mainly for paper conveyancing transactions.

What are the policy objectives and the intended effects?

To amend the Land Registration Rules 2003. Rule changes will allow HM Land Registry ("HMLR") to offer customers digital alternatives to paper conveyancing and registration over time. Amendments will also reflect how we are modernising and simplifying our services through digital transformation. The proposals are deregulatory.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1 is what can be done without legislative change – i.e. introduce a simple digital mortgage. It has some benefits, but would not meet HMLR's strategic objective to drive innovation, continually improve processes and make conveyancing easier. It would not support the government's digital agenda and would leave England and Wales unable to move to digital deeds for conveyancing. Without the amendments, conveyancers are constrained to using paper deeds with wet signatures for most conveyancing transactions. Without the other proposed amendments HMLR will be constrained by outdated rules to offer only services designed for paper conveyancing and registration. Superfluous and inflexible rules would remain in place.

We recommend Option 2 – a set of deregulatory amendments to the rules, to modernise and simplify them, and allow flexibility to introduce over time a range of digital conveyancing and registration solutions, and the revocation of two superfluous statutory instruments. In addition to the benefits associated with the introduction of a simple digital mortgage, this option would allow further benefits to be realised from the introduction of other digital conveyancing documents.

Will the policy be reviewed? It will **be reviewed. If applicable, set review date:** Sept/2022

Does implementation go beyond minimum EU requirements?		N/A		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:** N/A	**Non-traded:** -0.00005	

[1] One in Three Out for this Parliament still to be confirmed

[2] BIT metric for this Parliament still to be confirmed

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible: Senior Analyst, BEIS Paul Bailey Date: 21.7.17

Summary: Analysis & Evidence Policy Option 1

Description: Changes permitted by current law, i.e. introduction of a simple digital mortgage (costs and beneftis expressed relative to "do nothing" counterfactual)

FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £5.26m

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional	1	Optional	**Optional**
Best Estimate	£2.0		£0.3	**£4.3**

Description and scale of key monetised costs by 'main affected groups'

The introduction of a simple digital mortgage would involve the following transition costs:

1. Familiarisation Costs to conveyancers (i.e. business) of **£0.16m**. As digital mortgages will be new it will be necessary for coneyancers to familiarise themselves with how they work.
2. System updates for conveyancers of **£1m** in order for their proprietary casework management systems to allow the processing of digital mortgages.
3. One off project costs of HM Land Registry (HMLR) and system build of **£0.83m**. This is based on running the existing development team until the expected date of completion in 9 months time.
4. HMLR will face ongoing system running costs estimated at **£0.27m (total PV of £2.3m)**, based on 20% of the development team costs and the expectations for ongoing support and development.

Other key non-monetised costs by 'main affected groups'

1. System updates for Business Gateway customers.
2. Cost to HMLR of a small level of risk being transferred as theTrust Service Provider, see section 7.3

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional	0	Optional	**Optional**
Best Estimate	£0.0		£1.1	**£9.6**

Description and scale of key monetised benefits by 'main affected groups'

The main benefits are time saving and increased accuracy as well as reduced paper, printing and postal costs. The benefits increase over time based on take up rates, the figures reported below are based on steady state figures that assume 44% take up rate that occur from 2021/22.

1. Time savings peaking at **£0.42m** a year (**total PV of £2.8m)** to conveyancers from fewer requisitions (raised for example when some information is missing) and quicker processing. Currently HMLR have to contact the conveyancer that submitted the application to remedy the defect (required in approx. 1 in 5 cases). With digital mortgages, data can be validated against the land registry.
2. Time savings peaking at **£0.59m** a year (**total PV of £4m)** to HMLR from fewer requisitions and quicker processing.
3. Borrowers are estimated to save up to **£0.4m** a year (**total PV of £2.7m)** on printing, postage and time saved, assuming a take up rate of 44% (180,000 applications). £0.12m saved annually on printing and postage, costing 68.5p to print and post each application. Time saving of up to £0.27m due to a saving of 15mins per application.

Other key non-monetised benefits by 'main affected groups'

Benefit to borrower of transferring a small level of risk onto HMLR as Trust Service Provider, see section 7.3

Key assupmtions/sensitivities **Discount rate (%)** 3.5

Estimated take up of digital mortgages is set out in section 6.4.1.6 Table 6. This is expected to be slow initially, inceasing over time to a rate of 44%. This estimate has been reached based on the following factors; IT readiness, lender readiness, internal approvals for each conveyancer, and contact and relationship status.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: £0.1m	**Benefits:** £0.3m	**Net:** £0.2	TBC

Summary: Analysis & Evidence Policy Option 2

Description: Amendments to Land Registration Rules 2003 (RECOMMENDED) (costs and beneftis expressed relative to "do nothing" counterfactual). **Note: The costs and benefits for options 1 and 2 estimated below are the same, however, the impacts for option 2 will be higher when HMLR offer further digital alternatives to paper conveyancing and registration over time. These impacts will be covered in future regulator assessments.**

FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £5.26m

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£2.0		£0.3	**£4.3**

Description and scale of key monetised costs by 'main affected groups'

The introduction of a simple digital mortgage would invovle the following transition costs:

1. Familiarisation Costs to conveyancers of **£0.16m**. As digital mortgages will be new it will be necessary for coneyancers to familiarise themselves with how they work.
2. System updates for conveyancers of **£1m** in order for their proprietary casework management systems to allow the processing of digital mortgages.
3. One off project costs of HM Land Registry (HMLR) and system build of **£0.83m**. This is based on running the existing development team until the expected date of completion in 9 months time.
4. HMLR will also face ongoing system running costs estimated at **£0.27m**, based on 20% of the development team costs and the expectations for ongoing support and development.

Other key non-monetised costs by 'main affected groups'

1. System updates for Business Gateway customers.
2. Cost to HMLR of a small level of risk being transferred as theTrust Service Provider, see section 7.3.
3. Additional transition costs with more digital conveyancing products being offered. These have not been estimated as they are dependent on uncertain timings and take-up.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	0	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0.0		£1.1	**£9.6**

Description and scale of key monetised benefits by 'main affected groups'

Only the benefits aassociated with the introduction of a digital mortage have been monetised

1. Time savings peaking at **£0.42m** a year **(total PV of £2.8m**) to conveyancers from fewer requisitions (raised for example when some information is missing) and quicker processing. Currently HMLR have to contact the conveyancer that submitted the application to remedy the defect (required in approx. 1 in 5 cases). With digital mortgages, data can be validated against the land registry.
2. Time savings peaking at **£0.59m** a year **(total PV of £4m)** to HMLR from fewer requisitions and quicker processing.
3. Borrowers are estimated to save up to £0.4m a year (**total PV of £2.7m**) on printing, postage and time saved, assuming a take up rate of 44% (180,000 applications). £0.12m saved annually on printing and postage, costing 68.5p to print and post each application. Time saving of up to £0.27m due to a saving of 15mins per application.

Other key non-monetised benefits by 'main affected groups'	
Further benefits would be realised by the introduction of other digital conveyencing documents but the timings of this are uncertain. However, as an order of magnitude, the savings for simple a digital transfer are likely to double those for digital mortgages.	
Key assupmtions/sensitivities **Discount rate (%)**	3.5
Estimated take up of digital mortgages is set out in section 6.4.1.6 Table 6. This is expected to be slow initially, inceasing over time to a rate of 44%. This estimate has been reached based on the following factors; IT readiness, lender readiness, internal approvals for each conveyancer, and contact and relationship status.	

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs: £0.1m	**Benefits:** £0.3m	**Net:** £0.2m	TBC

Evidence Base

1 Strategic Overview

HM Land Registry ("HMLR") has embarked on a digital transformation programme to deliver products and services through online channels to meet our customers' changing needs. We want to be flexible and responsive, continuously improving our processes while always ensuring the security and integrity of the Land Register. This also supports the government's ambition, in the Housing White Paper, for HMLR to become the world's leading land registry for speed, simplicity and an open approach to data.

HMLR was given the means to lead the modernisation of conveyancing by provisions in the Land Registration Act 2002 ("the Act"). The Act was designed to allow for the introduction of electronic conveyancing[1] and requires HMLR to make rules allowing for electronic conveyancing documents to be regarded as deeds.

Consequent to the Act, the Land Registration (Electronic Conveyancing) Rules 2008 ("the e-conveyancing rules") were made to allow for fully electronic mortgages with electronic signatures. That led to a small number of electronic mortgages being created and registered during an HMLR pilot that took place in 2009. The property market was severely affected by the global financial crisis of 2008, but the conveyancing market has recovered in recent years, and many of those involved in the market now want to move away from paper based transactions to online digital transactions.

2 Problem under consideration

The Land Registration Rules 2003 ("the principal rules") provide a detailed framework for the registration of land transactions and interests in land. The principal rules were largely drafted for a system of conveyancing and registration using paper deeds. The e-conveyancing rules allow only for limited types of electronic mortgages. Only a small number of electronic mortgages were created. It was intended that further rules would be made to allow for more kinds of conveyancing transactions to be carried out electronically.

The interest in digital solutions has increased in the conveyancing industry and both the principal rules and the e-conveyancing rules no longer reflect the current demand for digital conveyancing. The principal rules need updating to accommodate more digital ways of working and to allow HMLR to adopt modern, efficient digital services in accordance with customer needs. This will allow HMLR to revoke the current limited e-conveyancing rules.

HMLR relies on the powers in the Act and principal rules to be able to fulfil its business of registering transactions and interests in land in England and Wales. A move from paper to electronic conveyancing was foreseen and provided for by the Act (made in 2002). The Act provides that electronic documents will only be regarded as deeds if rules specify the type of transaction the document effects, and the transaction complies with rules made under the Act. The move to digital conveyancing cannot take place without new rules or rule amendments. The rules can only be made by statutory instrument.

In addition, other changes to the principal rules are needed to both allow for new digital ways of working and to reflect digital ways of working already adopted. For example, HMLR no longer asks for the original paper documents to be sent with every application. Conveyancers are encouraged to retain the original document and send us a scanned copy, which they certify as a true copy, with their application. Paper applications are scanned centrally then distributed electronically to the HMLR office that will process them. Once the documents have been successfully scanned the paper documents can be destroyed as HMLR will retain the electronic copies and use them to issue official copies. The documents held and issued by HMLR become the documents of title, bearing the state guarantee afforded by section 103 and Schedule 8, Land Registration Act 2002. The HMLR official copies are therefore more secure and reliable than a document retained by any of the parties after registration.

This fully electronic way of working needs to be reflected in changes to the principal rules. There are detailed rules about the retention and return of documents, which are now superfluous. The current drafting of these rules could hinder further electronic development of digital services.

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[1] Law Commission Report 271 "Land Registration for the c21st", section 1.12

3 Rationale for Government intervention

The rationale for intervention centres on the increased shift towards digitisation and the benefits that it can offer in terms of improved accuracy and error reduction, as well as increased security, speed and efficiency.

Furthermore, a shift towards digitisation can offer benefits in terms of reducing labour costs for conveyancers and lenders, and driving innovation. The rule changes allow for more flexibility and speedier introduction of new digital deeds.

There is also an environmental dimension with reduced paper, printing and postal costs.

The Act requires that rules are made in order to allow for the introduction of fully electronic conveyancing and registration services. The benefits of digitisation can only be realised if rule changes are made, otherwise conveyancers and lenders will be bound to the use of paper documents.

Customers may be encouraged to adopt the new services by forces within the market and the evolving market environment. For example, lenders are asking for digital mortgages, as a fully digital process will allow for more efficiencies in lending and conveyancing. During user research, customers asked for improved services for getting information about the register of title and the history of a register. These services will be easier to provide online, but the rules need small amendments to allow for the type of services requested.

4 Policy Objective

The Government wants to revoke the limited e-conveyancing rules and amend the principal rules to –

A. Allow for fully digital conveyancing documents with e-signatures to be used for land transactions and registration, and to revoke the Land Registration (Electronic Conveyancing) Rules 2008.

B. Revoke the Proper Office Order and remove references to 'the proper office' in the Land Registration Rules 2003.

C. Introduce new digital statutory services identified as beneficial by our users through user research.

D. Reflect the modernisation and simplification of our services through digital transformation.

E. Allow for more flexibility as to when HMLR is open for business and open to the public.

5 Options Considered

5.1 Option 0: Do Nothing

Conveyancing would have to continue to rely on paper documents. This would not meet the government objective of modernisation and the simplification of services, nor offer increased flexibility.

5.2 Option 1: Changes permitted by the current law

We can introduce a simple digital mortgage within the existing legislative framework. This will not allow us to offer other electronic deeds, nor make the desired deregulatory changes set out in Option 2. It would be unfortunate if England and Wales were constrained to offer only mortgages as electronic documents, when other countries are moving to a full electronic conveyancing systems. For example PEXA in Australia[2] are beginnning to offer digital transfers. In Scotland the Electronic Documents (Scotland) Regulations 2014 make similar enabling powers to what we propose in Option 2.

Furthermore, limiting the scope of fully digital conveyancing documents would hold back the government's wish to make conveyancing easier.

[2] "Online property transaction system PEXA tipped to cut conveyancing costs" (Sydney Morning Herald 28.2.2015)

5.3 Option 2: Deregulatory Changes to the Land Registration Rules 2003 (recommended).

We propose a number of enabling and deregulatory measures under five headings given in the objectives in section 4.

A. To allow for fully digital conveyancing documents with e-signatures to be used for land transactions and land registration and to revoke the Land Registration (Electronic Conveyancing) Rules 2008.

The proposed amendments to the Land Registration Rules 2003 will specify that all digital documents that effect conveyancing transactions and that must be registered under the 2002 Act will be regarded as deeds for the purposes of section 91 of the Act, once the registrar has issued a notice that the digital service is ready to use. This allows for the gradual introduction of new digital conveyancing and registration services, without rule changes for each new service. The current Land Registration (Electronic Conveyancing) Rules 2008 will be revoked, and replaced by the proposed amendments to the principal rules, which will allow for more flexibility and speedier introduction of new digital services, for example transfers and more complex mortgages.

In our consultation, out of 49 respondents, 38 respondents agreed, or agreed with comments or qualification, only 10 disagreed[3], 1 was undecided. Of the major representative bodies, the Law Society, Council for Licensed Conveyancers, Society of Licensed Conveyancers, CILEX, Conveyancing Association, London Property Support Lawyers, Council for Mortgage Lenders, Building Societies Association and RICS were all in favour of the principle in our consultation. Most of them had a number of helpful comments and suggestions relating to future implementation.

B. Revoke the Proper Office Order and remove references to the proper office in the Land Registration Rules 2003.

Under a paper system of land registration the Proper Office Order required that applications were lodged at the particular HMLR office that held the paper records for that geographical area. The register is now held in digital form, hence the Proper Office Order is now superfluous, and can only be revoked by another statutory instrument. The amendment rules will clarify that any future changes of delivery address (which will be rare) will be announced by registrar's direction.
In our consultation 39 respondents agreed, one disagreed.

C. Introduce new digital statutory services identified as beneficial to our users through user research

The Rules are currently drafted so that some statutory services are rigid and limited, although the Act allows for a wider scope to the services. Only changes to the principal rules can give HMLR the ability to offer variations to our statutory services, and more options, which digital services can easily provide and customers have asked for. HMLR customers are many and varied, and would have different uses for the new services. We could offer different variations for different customer needs if there are clear benefits.
In our consultation two questions were asked about potential new services. 86% of respondents agreed with proposals for an online service for inspection and copying of parts of the register and documents. 92% agreed with proposals for an online historic information service.

D. Reflect the modernisation and simplification of our services through digital transformation

Superfluous or outdated rules can only be amended by statutory instrument. They no longer reflect HMLR and conveyancing practice. The changes simplify the rules.
In our consultation two questions were asked. 85% of respondents had no comments or agreed with proposals to change the rules about the retention and return of documents and remove reference to the use of fax. 85% of respondents agreed with the proposal to revoke the provision for outline applications.

E. Allow for more flexibility as to when HMLR is open for business and open to the public.

Rules amendments are needed to clarify the definitions of business days and working days in the principal rules, as at present the definitions are circular and need untangling[4]. This would also allow for provisions giving more flexibility in the times when HMLR is open to the public for personal visits.

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[3] Of the 10 who disagreed 8 were individuals or single firms of solicitors. The two representative bodies who disagreed were a trade union and a county law society. Most of the 10 had concerns about potential fraud, and the use of GOV.UK. Verify for identity assurance.

[4] This is covered in more detail in section 6.4.5

In our consultation two questions were asked. 97% of respondents had no comments or agreed with proposals to clarify the definitions of business day and working day. 87% of respondents agreed with the proposals for HMLR to have more flexibility about when it is open for personal visits.

5.4 Consultation

Our consultation on all the proposed rule changes opened on 9 February and ended on 5 April 2017. In general, option 2 was supported by a large majority in the consultation, including all the major conveyancing representative bodies who replied. A total of 49 responses to the consultation were received, of which 30 were from individuals or conveyancing firms and 19 were from representative organisations. These supported the proposed amendments shown in the consultation document by a large majority. The most common concerns received were those relating to online fraud and identity fraud. No changes arose from the consultation, as there was widespread support for the proposals. Prevention of registration fraud is one of HMLR's key objectives, and is fundamental to what we do. HMLR systems and procedures are designed to reduce fraud. We cannot go into detail about our counter-fraud measures, but we believe the proposed amendments will enable digital services that are at least as secure as paper transactions. The Government Response will be published once approved by Ministers.

6 Costs and Benefits of each Option

6.1 Level of analysis

It is not possible at this stage to assess the impact of the introduction of all new digital conveyancing documents and their registration, as no firm timetable is in place to introduce such services, other than the digital mortgage. Once the new digital mortgage service (which is currently being built) is established we can make further plans to add other digital documents to make conveyancing easier. We will then undertake Regulator Assessments under the Business Impact Target in accordance with our duties as a statutory regulator.

We can make a limited assessment of the potential impact of digital mortgages, bearing in mind this is a novel service so uptake is impossible to predict with certainty.

6.2 Option 0: No change

This assumes no change to the current practice and services offered by HMLR. Option 0 has been included as the baseline that the counterfactual case is based upon.

6.3 Option 1: Changes permitted by the current law

HMLR can offer only simple digital mortgages using the powers in the current e-conveyancing rules. These rules do not allow for any other types of digital deed. They will also hamper further development of digital mortgages, because conveyancers would not want to make hybrid paper/electronic applications. HMLR could not adopt modern efficient digital services in accordance with customer needs. The Rules will remain over complex and prescriptive, designed for the paper world.

The policy behind the Land Registration Act 2002 was that HMLR should develop a full suite of digital conveyancing and registration deeds and documents, to allow conveyancing to be done entirely online.

HMLR is currently building a new digital mortgage service, and projections for the use of this service have been used as the basis for costs for Option 2. (The development of other digital deeds as allowed by option 2 has not yet been fully costed, so we can make only limited estimates based on what we know about Option 1). Option 1 will have similar known costs to those set out in Option 2 below, but in Option 1, costs and benefits will be limited to one type of deed, a simple digital mortgage that can be used only in isolation. So in the tables below, only the costs and benefits relating solely to mortgages (charges) will be relevant to Option 1. For example in Table 1, only the figures highlighted in pink will apply to Option 1. Other electronic deeds could not be developed, preventing the substantial additional benefits we would expect to accrue from them. The conveyancing industry, and HMLR, will be constrained to working with mainly paper based systems and rules.

6.4 Option 2 (Preferred): Deregulatory changes to Land Registration Rules 2003

6.4.1 Digital conveyancing documents

Benefits:

- Efficiencies for conveyancers
- Time saved for lender - fewer chase up enquiries to conveyancers
- Fewer documents lost between conveyancers and borrowers
- Fewer requisitions raised by HMLR as many customer errors are "designed out" of the application process
- Potentially fewer cases of fraud[5]

Costs:

- Familiarisation
- Internal programming costs

The rule changes will allow for the gradual introduction of new digital conveyancing and registration services, without rule changes for each new service. The enabling powers will allow HMLR to extend the benefits of digitisation to other conveyancing documents, not just mortgages. They are permissive in nature. They will allow, but do not force, businesses to use new digital conveyancing and registration services as HMLR builds them. HMLR will build digital templates for conveyancing documents which conveyancers can use through our secure Business Gateway platform. Lenders and conveyancers will only adopt the services resulting from these measures if it is in their interests to do so and if the benefits outweigh the costs.

Customers will adopt the new services in their own time to suit their own business cycles, over an unknown period. They may be encouraged to do so by market forces. For example, lenders are asking us for digital mortgages, to allow for more efficiencies in lending and conveyancing processes. HMLR is building a new digital mortgage solution to meet this need, and we show projected uptake in Table 6.

A digital transfer service would enable up to a million transactions to be carried out entirely online. In due course, other digital conveyancing documents can be offered, such as leases and transfers of part of a plot of land, each bringing more of the benefits outlined below.

Based on the figures in table 1, the savings to customers for a simple digital transfer, based on requisitions alone, are likely to be double those we have costed below for digital mortgages. Table 1 shows applications to HMLR over a seven week period involving a mortgage or a transfer of land. The number of applications made to register a simple transfer and mortgage together, or a transfer together with a mortgage and discharge of a previous mortgage (indicated by blue shading), are greater than those for just mortgages and re-mortgages without a transfer (indicated by pink shading). The transactions highlighted in blue (85,181) and pink (68,239 – excluding change of address applications) in Table 1, can be extrapolated to a whole year (divided by 37, then multiplied by 252 working days). By extrapolation, 560,000 applications annually include a simple transfer and mortgage, 465,000 applications are for mortgage or re-mortgage only. Thus double the number of transactions could be carried out digitally when HMLR are able to introduce digital transfers in addition to digital mortgages.

If customers wish to use the new digital mortgage, or any other new digital service we introduce in the future, there will be initial transition costs for the types of customer as outlined in categories 1 and 2 below but it is not possible to accurately predict these at present. Customers in category 3 below will have no transition costs except for negligible familiarisation costs, if they decide to use the service. They will directly benefit from the upgrading of HMLR's systems and services.

6.4.1.1 Transition costs

Initially our new digital deeds will be used through HMLR's Business Gateway platform. Business Gateway customers automatically access HMLR property services through their case management

[5] Although for reasons set out below we have costed this at zero.

system. The customer must either have a case management system that offers integration or an in-house IT development capability to integrate their system with ours. HMLR offers a free Developer Pack, with the XML Schemas and application programming interfaces they will need.

Category 1: Conveyancers with in-house IT and system integration

HMLR is currently concentrating on building the Application Programming Interfaces (APIs) for the digital mortgage for conveyancers who have IT systems integrated with HMLR systems, as they provide the largest volume of applications. These conveyancers (currently about 30 firms) integrate directly with HMLR's Business Gateway, using APIs. These firms will have development and integration costs if they wish to use new digital services. Such customers are likely to want to use the new digital mortgage service we are currently testing. Some have already volunteered to take part in the beta development phase of the digital mortgage service. By introducing LR digital system enhancements in conjunction with their usual system upgrades these customers should be able to keep costs down.

Therefore up to 30 conveyancers may choose to update their proprietary casework management systems to allow the processing of digital mortgages, although we believe the initial market may be limited to 10 (see section 6.4.1.6 below for take up projections). Once the new service is established the independent case management service providers will have free access to the schema and application programming interfaces that will allow them to access the new service for their customers.

The conveyancer who is assisting us in the current trial has estimated that their IT staff have spent over 500 hours of time on the project, along with 350 hours for their lawyers and paralegals. They acknowledge that part of that time is attributable to the fact that they are the trail blazers, and are working collaboratively with HMLR to develop the new systems. Thus any future conveyancer is likely to benefit from the lessons learned in the pilot, and as a result, decrease the hours spent in future on transition.

With that in mind we estimate the other 29 customers with their own in-house case management IT systems connected to business gateway, and the 15 Case Management System providers will need considerably less programming time, but we have little information how much less it would be, since this is a novel service. It is a given in the IT sector that a lot of the costs of software are in development. As we do not have any evidence we have costed all 45 customers at the same rate of hours as the firm mentioned above. This results in a cost of **£1 million** for development costs.[6]

Category 2. Conveyancers who use case management systems (CMS) bought from external providers

Many conveyancers use HMLR's Business Gateway service through case management systems bought from an independent market supplier. We currently have about 180 customers who submit applications using business gateway, including the 30 with their own in-house IT systems mentioned above. These numbers are increasing all the time.

These customers will have to wait for the case management system (CMS) provider to develop the APIs so that their systems can integrate with the new services. When the new digital mortgage service is successfully built and tested, a developer pack or other open data will be made freely available to allow CMS providers to integrate the new services into their services. The CMS providers will have development costs (these costs are included in the estimate in Category 1), but their initial costs can be recovered from their customers. Some CMS providers may make no charge for offering upgraded services. Others may make them optional extras. This is not possible to predict at present.

As mentioned under Category 1, there are currently 15 conveyancing software providers in the market who are integrated with business gateway to various extents. It is likely that they would wait for evidence of market demand before adapting their case management systems (we have assumed in category 1 that they would do so in the next ten years). Lower pricing for digital conveyancing services would play a part in creating demand for new digital conveyancing systems. The benefits for their customers will be similar to those for conveyancers who have linked directly to HMLR's system through our Business Gateway.

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[6] Total programming time 22,500 hours (500 per each of the 45 firms). Based on average hourly pay for computer programmers of £22.48 (£27.02 after 20.19% uplift for other staff costs). Conveyancing professional time is 15,750 (350 per firm). Average pay with uplift for other staff costs is £24.51 per hour. Source: Annual Survey of Hours and Earnings 2016.

Category 3. Conveyancers who use a web front end connection

HMLR will continue to provide a secure website where professionals can access our business e-services. Once any new digital conveyancing services have been successfully established in Business Gateway, we can consider building a simple front end connection for those who prefer it.

To use it, customers need an internet connection and a standard internet browser. HMLR has approximately 3,500 professional conveyancer customers who already have accounts with us to use digital conveyancing services through our portal (including business gateway customers, who can use the portal as an alternative).

There would be no initial set-up costs for the customers wishing to use a front end connection to digital conveyancing documents. They could simply access the services using their current HMLR security credentials. They would have to key data directly into the system rather than it being fed in by application programming interfaces. This may mean a certain amount of double keying of data – into their own systems and HMLR systems. Conveyancers would decide whether and when it was worth their while to use the services for the benefits they would offer, of speed, efficiency, and security, for electronic services. They might also use the services if it was a requirement of the lender in a mortgage transaction.

6.4.1.2 Familiarisation costs

As digital deeds will be new, it will be necessary for conveyancers to familiarise themselves with how they work.

It is very difficult to estimate the likely familiarisation costs, ahead of any of the support material being written. The length and complexity of the support material is not yet clear, and we are unable to predict take up with certainty. We do however know that the guidance for digital discharges (of mortgages) amounts to 900 words. As digital mortgages will be more complex, we have a working assumption of 1,800 words for guidance material for digital mortgages. We have not made any estimations for other digital deeds since we have not yet started planning work on those.

The cost of familiarisation is based on the formula:

Time to read guidance x number reading guidance x hourly rate

(a) Time: Because of the technical nature of the guidance, we have used a relatively slow reading rate of 75 words per minute. Divided into 1,800 words, this means it will take **0.4 hours** to read.

(b) Number: We estimate that there are about 36,000 professionals and paralegals who work in conveyancing[7] and estimate the take up of digital mortgages to be 44% of those registered (see section 6.4.1.6). From this, we have calculated that the number of staff who would need to familiarise themselves to be 44% of 36,000. As a result, the total number who will need to familiarise themselves is 15,840.

(c) Hourly Rate: based on the Annual Survey of Hours and Earnings (2016) for legal professionals and adding 20.19% for other staff costs, we get an average hourly rate for conveyancers of **£24.51**.

Using the above formula we get:

0.4 x 15,840 x £24.51 = **£155,295.**

Other new digital deeds will also incur familiarisation costs but we are not yet able to realistically predict when and what those costs will be. As the digital processes are likely to be similar to those used for the digital mortgage, familiarisation costs seem likely to be lower as conveyancers should already be familiar with the digital mortgage. Again, the digital documents will not be compulsory, and conveyancers will adopt them only if they foresee advantages in doing so.

6.4.1.3 Benefits - Efficiencies for customers

[7] HM Land Registry – Qualifying Regulatory Provisions 2015-2017, page 9

Time saving and increased accuracy are the main efficiencies from integration with HMLR systems, as well as reduced paper, printing and postal costs. These efficiencies are explained further under the next two sub-headings.

6.4.1.4 Requisitions

A requisition is raised when HMLR cannot complete the registration of a transaction in land because some information is missing, or incorrect, or a vital document has not been submitted, or the application is defective in some other way. We have to contact the conveyancer that submitted the application to remedy the defect. When customers create digital documents, data can be validated against the land register. This will increase efficiency by reducing errors, and thus reduce requisitions by HMLR after the transaction has been completed and the application has been made to us for registration.

In a 6 month period, HMLR can raise over 300,000 requisitions involving over 500,000 individual requisition points – our offices are raising over 4,000 requisition points every working day. Overall, HMLR is raising a requisition in approximately 1 in 5 cases. This represents over 5,000 mandays spent by HMLR in processing requisitions annually. That cost does not take into account the time and resources that conveyancers must use to remedy the problems. That will vary in every case, but generally the conveyancer will have already taken their fee from the completion monies provided by the client, and will not be able to recover the extra costs. This post completion work will therefore eat into their profit margin, which we are told is already small.

We sampled 450,000 applications completed between 1 February and 23 March 2017 (37 working days). Of these 266,000 contained a mortgage (described as a "charge" in Table 1).

Overall 21.5% of applications including a mortgage were the subject of a requisition. The requisition rate was 9.9% for mortgage-only applications, but 31.0% for applications involving a re-mortgage, that is, the discharge of one mortgage and its replacement with another. These applications are shown bold and highlighted in pink. The Table shows both mortgage-only applications, and where the mortgage is combined with another type of application, with the requisition rate, with projections for a full year.

Table 1: Mortgage ("charge") and combined applications completed 1 February – 23 March 2017 (37 working days) with requisition rates[8]

Application combination	Number with Requisition	Number without requisition	Total	Requisition Rate	Requisitions over whole year
Charge, Transfer	13,794	46,981	60,775	22.70%	93,948
Charge	**5,589**	**50,769**	**56,358**	**9.92%**	**38,065**
Discharge, Charge, Transfer	5,808	6,162	11,970	48.52%	39,557
Discharge, Charge	**3,579**	**7,963**	**11,542**	**31.01%**	**24,375**
Transfer of Share, Charge	1,265	4,206	5,471	23.12%	8,615
Charge, change of address	**728**	**3,901**	**4,629**	**15.73%**	**4,958**
Transfer not for value, charge	779	2,863	3,642	21.39%	5,305
Charge, Cancellation of Notice	459	3,097	3,556	12.91%	3,126
Charge, Standard Restriction	599	2,918	3,517	17.03%	4,079
Transfer, charge, standard restriction	725	2,175	2,900	25.00%	4,937
Discharge, charge, change of address	**462**	**904**	**1,366**	**33.82%**	**3,146**
Discharge, charge, Withdrawal of restriction; standard restriction; obligation note	3	1,346	1,349	0.22%	20
Discharge, Charge, Standard Restriction	248	977	1,225	20.24%	1,689
Discharge, transfer of share, charge	606	603	1,209	50.12%	4,127
Discharge, transfer not for value, charge	492	506	998	49.30%	3,350
Discharge, Discharge, Charge, Transfer	422	230	652	64.72%	2,874
Discharge, Transfer, Charge, Standard Restriction	263	363	626	42.01%	1,791
Charge, Postponement of charge	116	341	457	25.38%	790

[8] HMLR computer systems record the type of transaction(s) for each application. A report was obtained for requisitions sent against each application.

Discharge, charge, cancellation of notice	158	278	436	36.24%	1,076
Transfer under power of sale, charge	179	244	423	42.32%	1,219
Discharge, Discharge, Charge	**163**	**176**	**339**	**48.08%**	**1,110**
All other charge combinations (932 types)	2,638	5,816	8,454	31.20%	17,967
Total number of applications with charge	39,075	142,819	181,894	21.48%	266,132
Total single charge or re-mortgages	**9,331**	**58,908**	**68,239**	**13.67%**	**71,654**

One of the advantages of a fully electronic system is that it can be designed to prevent a number of common errors, so they can be resolved before submission of the application to HMLR. For instance, data entered by the conveyancer can be validated against data in the register, to avoid discrepancies. We sampled 174 requisitions sent relating to mortgages, between 18th and 28th February 2017. Of those, we found a large number of current mortgage-related requisitions would be prevented if the proposed digital mortgage were to go ahead.

Table 2: Sample of requisitions on mortgage applications[9]

Affected by Proposals?	Requisition type	Charge only	Charge & Discharge
NO	Compliance with Restriction	1	26
NO	Discharge related	6	24
NO	Other (NO)	25	14
YES	Name discrepancy of mortgagor	23	11
YES	Details (e.g. date, title number, witness details, execution missing)	21	15
YES	Address for service of mortgagee or mortgagor	1	0
YES	Fee related	1	1
YES	ID evidence for mortgagor	1	0
YES	Other	3	1
	Total	**82**	**92**
	Percent Saved by Proposals	**61%**	**30%**
	Requisitions sent per year	43,023	28,631
	Requisitions saved over year	**26,244**	**8,589**

We estimate therefore that 100% take up of digital mortgages will save about 35,000 requisitions annually. Taking into account the levels of uptake, as illustrated in Table 6, it is estimated that 15,000 requisitions will be saved per annum. This is shown in Table 4.

Transfers have a much higher customer error rate than mortgages (transfers 26.49%, remortgages 13.67%). So the potential for savings will increase greatly, in line with take-up, when HMLR is able to introduce a digital transfer.

In 2011 we ran a major sampling survey of timings, where four HMLR offices were asked to record their timings for completing applications over a two week period. Overall 15,000 dealings of all types were were sampled, of which 2,177 were mortgage or mortgage and discharge applications.

When a requisition is sent to a conveyancer, the case gets a holding status ("standover"). When a reply is received from the conveyancer, or the time limit expires for the reply, it becomes a "standover return".

Table 3 shows the average time taken when an application that is free of error is completed, compared with one where a requisition is sent. A case with a requisition took an average of 6.16 minutes longer than a straightforward case. After we have sent a requisition, in about 30% of cases we have to send the conveyancer a reminder because we have not received a reply. So we have added a further 1.85 minutes (30% of 6.16 minutes). So a mortgage application requiring a requisition takes HMLR an additional **8.01 minutes** on average to deal with initially, compared with a case free of error.

[9] This table is based on requisitions sent on single mortgage or mortgage and discharge applications. There were in addition 4 requisitions which could only have been sent if the borrower was a corporation. These have been excluded from the figures.

We then add the average of **8.91 minutes** that it takes HMLR to complete the application when a reply is received.

Table 3: 2011 Survey – Timings for mortgage or mortgage & discharge applications (two week period, four offices)

Number of mortgage application cases in sample	Status of case	Stage reached	Average Time (mins)
1,800	Free of defects	Completed immediately	7.85
191	Defective	Requistion (RQ) served, case sent to standover	14.01
		Time saving when no RQ served	6.16
186	Standover return	Completed	8.91

On average, HMLR takes an additional 16.92 minutes to deal with a requisition (8.01 + 8.91 minutes) compared to a case without error. Remortgage applications are normally done by a mixture of Executive Officers and Apprentices. The average blended annual salary of the two grades, including other staff costs, is £26,000. The hourly rate works out at £14 per hour inclusive of other staff costs. Therefore the cost of a requisition to HMLR is £3.95 (16.92 / 60 x £14). The average time spent on requisitions relating to other kinds of applications is even higher (20.02 minutes). This shows that greater savings are attainable as the project expands to other deeds.

We do not currently have any data on the cost to conveyancers of complying with requistions raised by HMLR. It is not unreasonable to assume business customers must take a similar amount of time to locate the file, deal with the requistion and reply as we take to send the requisition (8.01 minutes), if the reply to the requisition is straightforward. The cost may be significantly higher for them if they have to contact their client or another conveyancer for further information. At £24.51 per hour[10], we estimate the minumum cost for a conveyancer to deal with a requisition if it takes only 8.01 minutes is **£3.27**. These will be post completion costs when the conveyancer has already taken their fee, so they are unlikely to be able to recover such costs from their client.

Table 4: Estimated savings on the service of requisitions in relation to digital mortgages

Year	**Percent take-up**	**Requisitions saved[11]**	**Savings to Customers**	**Savings to HMLR**
Saving per requisition			£3.27	£3.95
2017/18	2%	700	£2,289	£2,765
2018/19	26%	9,100	£29,757	£35,945
2019/20	29%	10,150	£33,191	£40,093
2020/21	34%	11,900	£38,913	£47,005
2021/22	44%	15,400	£50,358	£60,830
2022/23	44%	15,400	£50,358	£60,830
2023/24	44%	15,400	£50,358	£60,830
2024/25	44%	15,400	£50,358	£60,830
2025/26	44%	15,400	£50,358	£60,830
2026/27	44%	15,400	£50,358	£60,830
Total		124,250	**£406,298**	**£490,788**

6.4.1.5 Other benefits for customers

The services will be easier to use than the current system, where customers have to prepare documents in paper, send them to clients for wet-ink signatures, and after completion, scan them to send electronically to HMLR. If they choose new digital services, customers' systems will automatically feed data into their conveyancing documents and HMLR applications when the conveyancer creates the

10 The average hourly pay for conveyancers and paralegals is £20.39 per hour (Annual Survey on Hours and Earnings 2016). To this we need to add 20.19% for other staff costs (Eurostat 2015). This makes £24.51 per hour.

11 This is the 34,833 requisitions in table 3 which could be saved if take up were 100%, multiplied by the estimated annual percent take up.

digital deed, using a digital template provided by HMLR, and held within our secure databases. The documents do not have to be sent to clients for signature. The clients will access the digital documents on line and sign them electronically, using secure e-signatures provided by HMLR. Customers tell us that the efficiencies they gain from using digital services will also allow them to take on more work.

The solicitors participating in the trial have given details of how digital mortgages will impact on internal processing procedures. For this firm, the processing savings are "pennies" because they are already one of the most digitally advanced firms. Therefore they acknowledge their savings will not be as great as others.

"The benefits for us will be reduced paper/printing/inputting costs and potentially faster turnaround times. It's unlikely to extend beyond this as we will still have to chase customers to return other documents and answer questions on the process from them. We also still have to send at least one letter to a customer in the post to ensure we write to their postal address [for security purposes]."

In view of this we have assumed a small time saving of about 5 minutes or £2.04 per case[12] for the average conveyancer. This is also intended to cover incidential expenses such as printing and postage.

Table 5: Estimated processing savings for conveyancers

Year	Projected digital mortgage take up	Processing savings (estimate)
2017/18	20,000	£40,800
2018/19	105,000	£214,200
2019/20	120,000	£244,800
2020/21	140,000	£285,600
2021/22	180,000	£367,200
2022/23	180,000	£367,200
2023/24	180,000	£367,200
2024/25	180,000	£367,200
2025/26	180,000	£367,200
2026/27	180,000	£367,200

The current e-conveyancing rules are rigid and do not allow for the business model of one of our biggest customers that deals with 30% of the re-mortgage market. That customer acts as intermediary between many of the biggest lenders and their panel conveyancers. They are keen to use our digital mortgage, but currently the rules do not allow for their way of working. Those rules will be revoked and instead each new service can be introduced by means of a registrar's notice.

The option of using paper documents will continue for all customers.

GOV.UK Verify is a cross-government platform to assure the identity of people using government online services. HMLR will use it for the verification of identity before issuing digital signatures. There are no upfront costs to business or citizens for using the GOV.UK Verify system. There are on-boarding build costs to HMLR in joining the Verify service, and an annual fee. These costs are common to all Government Departments who use Verify. They will be covered by Land Registration fees. The use of Verify will bring an extra level of identity verification into the conveyancing process that is not present in the paper process, so should be welcomed by conveyancers.

6.4.1.6 Scale of impact based on projected take up of the digital mortgage

HMLR records all applications it takes in by type. Based on an extrapolation of the data in Table 1 (which measured 37 working days), we register about 1.24 million mortgages a year of which about 412,000 are single mortgages or remortgages, suitable for the planned digital mortgage service.[13]

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12 The average hourly pay for conveyancers and paralegals is £20.39 per hour (Annual Survey on Hours and Earnings 2016). To this we need to add 20.19% for other staff costs (Eurostat 2015). This makes £24.51 per hour. Therefore 5 minutes is £24.51 / 12 = £2.04.

13 The number of mortgages and remortgages extrapolates to 465,000 per annum, but from that we must deduct the mortgages owed by corporate landowners, which are not suitable at present for digital mortgages. This is due to the fact that currently there is no solution for verifying the identity of a company through GOV.UK Verify. About 11.5% of registered proprietors are corporations or charities, so we have reduced the 465,000 by a similar amount. Properties owned by individuals for business purposes would be within scope of the changes.

We are working with lenders and their conveyancers to develop the new digital mortgage service. The projections for take up for a digital mortgage only are shown in Table 6. The methodology used for calculating the numbers was as follows:

- Take the breakdown of the number of mortgages lodged by each conveyancer, broken down by lender.
- Assign a confidence of uptake of the service to each conveyancer and lender and apply those levels of confidence to the original data
- Research has indicated that uptake by any conveyancer will be slow initially, increasing over time. A formula to reflect this growth over 18 months has been applied to each item of data.
- An assessment has been made as to when each conveyancer will be ready to use the service. This has a number of factors involved including (a) IT readiness (b) lender readiness (c) Internal approvals for each conveyancer and (d) contact and relationship status (for example, has HMLR done enough engagement to get conveyancers ready?). This is reflected in the data as staggered start dates.

Table 6: Projected take up of the new digital mortgage service

Year	Projected digital mortgage take up	Percent
2017/18	20,000	5%
2018/19	105,000	26%
2019/20	120,000	29%
2020/21	140,000	34%
2021/22	180,000	44%
2022/23	180,000	44%
2023/24	180,000	44%
2024/25	180,000	44%
2025/26	180,000	44%
2026/27	180,000	44%

6.4.1.7 Benefits of other potential digital conveyancing and registration documents

The rule amendments will allow HMLR to introduce other digital conveyancing documents within the next 10 years, such as digital transfers and more complex mortgages. It is not yet possible to make any meaningful estimates of the potential impact of the introduction of other digital conveyancing documents, which will be enabled by the rule changes. Our experience building the digital mortgage will inform further extensions of electronic documents. The next digital deed might be a transfer. The programming for this will be more complex. As we will not start work on other digital deeds until the e-mortgage is successfully established, it is difficult, if not impossible, to say how far we will have progressed and what the take up will be for other services by the end of 10 years.

When we look at building and offering new services, the relevant Regulator Assessments will be carried out in accordance with HMLR's duties as a statutory regulator. All such work will be subject to our obligations under the Growth Duty.

However, it can be seen from the figures in Table 1 that the number of applications made to register both a simple transfer and mortgage, or a transfer together with a mortgage and discharge of a previous mortgage (indicated by blue shading), are greater than those for mortgages and re-mortgages (indicated by pink shading). 560,000 applications annually include a simple transfer and mortgage, 465,000 applications are for mortgage or re-mortgage only[14]. So there is potential for benefits to be substantially increased if HMLR introduces a digital transfer. This is the key benefit that distinguishes Options 1 and 2.

[14] This is based on the transactions highlighted in blue (85,181) and pink (68,239 – excluding change of address applications) in Table 1, extrapolated to a whole year (divided by 37, then multiplied by 252 working days).

6.4.2 Revoke the Proper Office Order

Under a paper system of land registration the Proper Office Order required that applications were lodged at the particular HMLR office that held the paper records for that geographical area. The register is now held in digital form, and the majority of applications are delivered electronically. Postal applications are scanned at the HMLR scanning centre, so the requirement that conveyancers lodge applications at particular offices is redundant. HMLR has already worked around the complexities created by having a Proper Office Order, by giving all the land registry offices the same address – that of our scanning centre. All postal applications go to this address, and ever increasing numbers of applications are made through our online services.

It is unusual for a Government Department to require a statutory instrument to direct where applications should be lodged.

The revocation of the Proper Office Order and consequential amendments to the principal rules will reflect the steps we have already taken and will reduce regulation. Conveyancers who make a paper application do not have to check which HMLR office to send it to. There is one postal address for all applications. There will be no impact on business from revocation of the Order as the practical changes and familiarisation have already taken place.

Any future changes of the delivery address will be by Registrar's notice. If appropriate, a Regulator Assessment would be carried out in accordance with our duties as a statutory regulator.

6.4.3 Allow for the introduction of new statutory services

Extensive user research has been carried out during the development of HMLR's new online service, "Find Property Information". This service is presently in public beta. The user research has identified statutory services (that is, services we are obliged to provide under the Land Registration Act 2002) that could be offered in more flexible ways. Customers would like to reap the benefits that digital services can offer.

Currently the principal rules only allow for inspection and copying of the whole of an individual register. Customers have asked for services which allow them to view and have copies of parts of individual registers of title, or parts of documents held by the registrar. Amendments to the Rules are needed to allow for such services, which will be relatively easy to provide on line.

The changes (which are provided for under the Act) will effectively free up the principal rules to allow for more flexible services. Existing statutory services will not be affected.

Conveyancers will only use the new services if they are useful to them. The new services will have no cost impact where they are accessed through HMLR's front end web services. That will be the case for private citizens and many small businesses. Where business customers already use HMLR's Business Gateway, there may be the cost of adjusting their case management systems to allow for the new services, but only if they wish to use them. This is likely to involve a small change to the existing service for obtaining copies of the whole register or whole documents. These costs will be outweighed by the efficiencies and flexibility of being able to obtain only the information customers want, otherwise the business will not choose to undertake the work.

6.4.4 Reflect modernisation and simplification of services through digital transformation

HMLR no longer asks for the original paper documents to be sent with every application. Conveyancers are encouraged to retain the original document and send us a scanned copy, which they certify as a true copy. Applications can be made either through the electronic document registration service, or by post. Postal applications are scanned centrally then distributed electronically to the HMLR office that will process them. There are detailed rules about the retention and return of documents by HMLR which are now superfluous and can be amended or revoked, as we do not receive or retain original documents. This will simplify the principal rules.

Secondly, there is currently a rule allowing for an "Outline Application" to be made electronically before the full application is made in paper. That rule is no longer needed and can be revoked, as customers can now make the full application immediately online. In the last financial year we received 1,352

applications for Outline Applications. As the applicant in nearly all cases could have submitted the application it was protecting immediately, without an Outline Application, they incurred unnecessary expense in the form of extra work and higher fees. Abolition will save customers **£5,500** yearly.[15]

Outline applications were designed to protect certain types of land registry applications before the paper applications were made. They are no longer needed due to our new services for the electronic delivery of applications. While the application will normally be made by a conveyancer, the cost will be met as a disbursement by their client. The client for these types of application is likely to be a business.

6.4.5 Allow for more flexibility as to when HMLR is open for business and open to the public.

The principal rules are currently drafted so as to define a **business day** as a day on which HMLR is open to the public, while a **working day** is defined as any day from Monday to Friday that is not a bank holiday. The principal rules also provide that HMLR will be open to the public on working days. There are extensive references to business days throughout the principal rules, mainly in relation to time limits for responses to notices that the registrar is obliged to serve in various situations. The definitions are circular and need untangling.

Increasing use of digital working, including the automatic processing of some applications, means that HMLR could be open for business on days that are not working days – for instance in the evenings and at weekends. As digital documents are introduced and we find more digital ways of working, applications can be received outside working days and some may be automatically processed outside normal working hours. Some of our customers already work and lodge applications electronically during evenings and weekends. For example some solicitors offer Saturday appointments[16], while some large firms use employees based abroad to process routine work, such as making applications to HMLR (under the supervision of qualified solicitors). Some HMLR services are already available 24/7 online.

There is no cost to customers in amending the definitions of business day and working day.

HMLR has 14 offices in various locations throughout the country, and most contact is made by telephone, email and our electronic services. It is not necessary to prescribe that our doors should be open to visitors all day on every business day or even every working day.

We need to be able to make more flexible arrangements that take into account customer needs and the costs to HMLR (and its fee payers) of offices being open for visits. Increasingly those of our services that can be delivered to citizens will be on line or provided by an assisted digital solution.

There are no current proposals to reduce the hours of, or close, any facilities for our offices to be open for personal visits. Any definite proposals will be the subject of an Equality Impact Assessment, and a Regulator Assessment for the Business Impact Target, in accordance with our duties as a statutory regulator. Therefore they are not costed here.

6.5 Effects on specific customers

Businesses are affected by what we do in two ways. They may be one of the parties to a conveyancing application (for example buying or selling land, or borrowing or lending in a mortgage), or they may be a conveyancing business, preparing and submitting applications on behalf of their clients.

6.5.1 Businesses as landowners

We allocate proprietor codes to all registered proprietors of land. Based on these codes, the number of titles owned by a company or other corporation, including charities, is about 11.5% of all registered

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15 The fee for most customers would have been the electronic submission fee of £2 (applications at the public counter are £5). In 2015/16 we received 1,352 Outline Applications, which attract a £2 fee. Therefore the change should save business £2,700 per annum in avoiding unnecessary applications. If we assume customers will take 5 minutes per application, then there is an additional saving of £2,800 per annum (5 mins x £24.51 per hour staff cost).

16 http://www.qualitysolicitors.com/media-centre/about-us/saturday-openings

owners. The figures for all categories are shown in Table 7. However a small study conducted in 2016 found over a quarter of commercial properties in the study area were owned by private individuals[17]. We therefore estimate that the number of registered titles owned by businesses and charities is about 14.3%[18].

Table 7: Number of titles owned by proprietor categories

Proprietor Type	Freehold	Leasehold	Total	%
Private Individual	16,749,397	3,980,879	20,730,276	85.95%
Limited Company	1,325,195	680,899	2,006,094	8.32%
County Council	95,667	3,380	99,047	0.41%
Local Authority	469,940	28,270	498,210	2.07%
Corporate Body	255,395	55,275	310,670	1.29%
Industrial & Provident Society (Company)	241,012	46,218	287,230	1.19%
Industrial & Provident Society (Corporate Body)	64,216	8,285	72,501	0.30%
Unlimited Company	2,376	2,402	4,778	0.02%
Limited Liability Partnership	13,017	52,583	65,600	0.27%
Housing Association (Company)	13,554	3,452	17,006	0.07%
Housing Association (Corporate Body)	2,806	993	3,799	0.02%
Oficial Custodian for Charities	1,953	148	2,101	0.01%
Oficial Custodian for Charities (on behalf of trustees)	1,489	87	1,576	0.01%
Co-operative Society (Company)	1,085	212	1,297	0.01%
Co-operative Society (Corporate Body)	16	4	20	0.00%
Community Benefit Society (Company)	5,181	552	5,733	0.02%
Community Benefit Society (Corporate Body)	6	8	14	0.00%
Community Benefit Society (Corporate Body)	8,633	2,040	10,673	0.04%
Registered Society (Corporate Body)	1,242	338	1,580	0.01%
Housing Association Co-operative Soc. (Company)	36	19	55	0.00%
Housing Association Co-operative Soc. (Corporate Body)	4	1	5	0.00%
Housing Association Comm. Ben. Soc. (Company)	51	14	65	0.00%
Housing Association Comm. Ben. Soc. (Corporate Body)	1	80	81	0.00%
Housing Association Registered Soc. (Company)	409	97	506	0.00%
Housing Association Registered Soc. (Corporate Body)	34	16	50	0.00%

The business owners of land should not experience any direct costs from any of the proposals. They should benefit from the increased efficiencies for both HMLR and their professional advisers in the form of reduced costs. In the case of HMLR, increased efficiencies normally have to be reflected by lower fees as HMLR is a Government trading fund.

6.5.2 Conveyancing businesses

The vast majority of registration service applications are submitted by business customers.

Conveyancers account for about 97% of applications to HMLR to register mortgages. Almost every mortgage application is submitted by a business customer. Figures are highlighted in green in Table 8. The applications lodged directly by banks, building societies and finance firms were nearly all discharges of mortgages.

Table 8: Type of applicant for all applications completed by HMLR on a sample day – 2 June 2016

	All Applications	Mortgage Applications

[17] This was a study of the 259 properties on the business rates register for High Street Croydon, a mixed use street on the edge of the Croydon Central Business district. Of the 131 where there was a registered interest, 95 were owned by corporations, 1 by the local authority and 35 (27%) by private individuals.

[18] According to the ONS, private individuals own 27.5% of business premises, and 10% of properties are business premises, then we need to add 2.75% to the existing business figure of 11.5%, as they will be listed as private individuals in table 7. This should be distinguished from the 11.5% figure in section 6.5.1 above, as individuals who own properties for business purposes will still be able to use the electronic mortgage service. The reason why our figure is higher than ONS's is that businesses and charities own a lot of residential properties as part of their business, the housing stock of a Housing Association is a good example.

Applicant Type	Number	Percent	Number	Percent
Conveyancer	10,343	60.3%	4,859	96.6%
Banks, Building Societies & Finance firms	5,849	34.1%	39	0.8%
Utility / Solar Panel Firms	219	1.3%	115	2.3%
Developers	57	0.3%	1	0.0%
Other businesses	82	0.5%	5	0.1%
Local Government	226	1.3%	10	0.2%
Central Government	24	0.1%	0	0.0%
Borrowers	367	2.1%	0	0.0%
Total	**17,167**		**5,029**	

These businesses will benefit from the efficiences further detailed in paragraphs 6.4.1.4 to 6.4.1.6. Some of those savings may be passed on to their customers in the form of lower fees, and some may serve to increase profitability.

6.5.3 Members of the public

At present sellers or buyers of land, or those taking out mortgages, have to sign paper deeds in the presence of a witness who then signs and adds their name and address. They will then have the cost of returning the documents to the solicitor.

Under Council of Mortgage Lenders rules, conveyancers must take additional precautions if the borrowers are unknown to them. One option may be to require the client to attend the conveyancer's office to sign, with identity documents. If clients have to attend an office they have the costs of their time to travel there, and may have to pay an additional fee for identity checking and witnessing by a conveyancer other than their own. It is not feasible to cost this as we do not yet know how many buyers this will apply to.

Digital deeds will do away with the need for printing, wet signatures and postage. In the case of the digital mortgage, we estimate that based on an uptake of 44%, this will save borrowers up to **£123,000 a year** in postage and printing costs.[19]

Interviews with borrowers as part of user research for the digital mortgage found further benefits, as most liked not having to find a witness, and not having the risk of things being lost in the post.

We estimate members of the public will therefore save 15 minutes of time per application, saving the public up to **£270,000 annually**. Using the same methodology as the Department for Transport, we are using a figure of £6.04 per hour for the time spent by the general public[20].

Table 9: Savings for members of the public

Year	Projected digital mortgage take up	Cost of printing and postage	Cost of time saved	Total
2017/18	20,000	£13,700	£30,200	**£43,900**
2018/19	105,000	£71,925	£158,550	**£230,475**
2019/20	120,000	£82,200	£181,200	**£263,400**
2020/21	140,000	£95,900	£211,400	**£307,300**
2021/22	180,000	£123,300	£271,800	**£395,100**
2022/23	180,000	£123,300	£271,800	**£395,100**
2023/24	180,000	£123,300	£271,800	**£395,100**

19 This assumes the printing of a 1 page mortgage deed (2.5p), an envelope (1p), and 1st class post (65p). It will also be affected by take up figures in Table 6.

20 "Understanding and Valuing Impacts of Transport Investment" (DFT, 2015), page 28

2024/25	180,000	£123,300	£271,800	**£395,100**
2025/26	180,000	£123,300	£271,800	**£395,100**
2026/27	180,000	£123,300	£271,800	**£395,100**
		£1,003,525	**£2,212,150**	**£3,215,675**

6.6 Costs and Benefits to HM Land Registry

Digital documents

As yet there are no project costs for digital documents other than for the digital mortgage. Project costs up to the point of the making of the Amendment rules are to be disregarded under Treasury Green Book rules, which treat them as "sunk costs".

Table 11 (Summary of Costs and Benefits) includes the **£0.83 million** expected, cumulative, one-off project costs to develop the HMLR digital mortgage system. This is the known costs of running the existing development team for a further 9 months, the current expectation of delivery completion. In accordance with Treasury Green Book guidelines, sunk costs have been disregarded. The ongoing system running costs are also illustrated in Table 11 and total **£270,000 per annum** (calculated at 20% of development team costs as per HMLR's current expectations for ongoing support and development).

These costs are offset by the savings in our own processing costs, up to **£530,000 per annum**. The saving is based on automating up to 44% of the 400,000 annual mortgage transactions, assuming one caseworker currently processes 35 per day, with 220 productive days per annum. The total saved is based on the blended Executive Officer / Apprentice staff cost of £103.59 per day (including other staff costs). This is shown in Table 10.

Table 10: Ongoing processing savings to HM Land Registry

Year	Projected digital mortgage take up	Time saved (days)	Total
2017/18	20,000	571	**£59,194**
2018/19	105,000	3,000	**£310,770**
2019/20	120,000	3,429	**£355,166**
2020/21	140,000	4,000	**£414,360**
2021/22	180,000	5,143	**£532,749**
2022/23	180,000	5,143	**£532,749**
2023/24	180,000	5,143	**£532,749**
2024/25	180,000	5,143	**£532,749**
2025/26	180,000	5,143	**£532,749**
2026/27	180,000	5,143	**£532,749**
			£4,335,981

These costs relate only to digital mortgages. There will be further savings when we introduce other digital conveyancing documents, but these will be calculated when firm plans are made for their development, and Regulator Assessments will be made.

Reduction in requisitions is a two way saving. So HMLR will save up to **£60,000 per annum** in processing costs for the digital mortgage (see Table 4).

Another potential saving relates to indemnity payments HMLR makes in cases of registration fraud. Some fraudulent property transactions are intercepted by HMLR before registration. These are discussed in section 7 below. But if a fraudulent transaction is registered, HMLR is statutorily obliged (under Schedule 8 to the Act) to pay indemnity to the person suffering loss once the fraud is discovered, (except for loss suffered wholly or partly as a result of the claimant's own fraud or lack of proper care). We have analysed our indemnity payments for 11 months of the last financial year and found there were two mortgage cases where, on careful examination, the Gov.UK Verify process could potentially have

prevented the fraud.[21] The total loss was £277,000. Extrapolated to a full year this could save HMLR £300,000 per annum. However, we cannot be conclusive because we have no information as to the identity documents that were used with these applications, or would be used for Verify, so for prudence we have estimated the saving as zero.

There are indirect savings to our customers from any savings to HMLR, as they may be returned in the form of lower fees. If all these savings were returned in lower fees it **would increase the business net present value from £1.76m to £2.08m**. However, we are not able to predict future fee levels, as other factors can affect them, such as changes to the housing market. (This can increase or decrease the level of fee intake for HMLR).

6.7 Summary of Costs and Benefits

Table 11: Summary of Impacts (£m, real 2017 prices) ***for digital mortgage only***

Impact	Affects	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	**Totals**
Percent take up		*0%*	*2%*	*26%*	*29%*	*44%*	*44%*	*44%*	*44%*	*44%*	*44%*	
Transition (costs)												
System updates	Business	£1.00										**£1.00**
Familiarisation	Business	£0.16										**£0.16**
Develop system	HMLR	£0.83										**£0.83**
Ongoing costs												
Running Costs	HMLR	£0.27	£0.27	£0.27	£0.27	£0.27	£0.27	£0.27	£0.27	£0.27	£0.27	**£2.70**
Onging Benefits												
Requisitions	Business	£0.00	£0.03	£0.03	£0.04	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	**£0.40**
Fraud	Business	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£0.00**
Internal processes	Business	£0.04	£0.21	£0.24	£0.29	£0.37	£0.37	£0.37	£0.37	£0.37	£0.37	**£3.00**
Outline apps	Business	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£0.00**
Printing, postage & time	Borrowers	£0.04	£0.23	£0.26	£0.31	£0.40	£0.40	£0.40	£0.40	£0.40	£0.40	**£3.24**
MCA Restriction	Borrowers	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£0.00**
Fraud	HMLR	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£0.00**
Requisitions	HMLR	£0.00	£0.04	£0.04	£0.05	£0.06	£0.06	£0.06	£0.06	£0.06	£0.06	**£0.49**
Processing savings	HMLR	£0.06	£0.31	£0.36	£0.41	£0.53	£0.53	£0.53	£0.53	£0.53	£0.53	**£4.32**
Net benefits	(Undiscounted)	-£2.12	£0.55	£0.66	£0.83	£1.14	£1.14	£1.14	£1.14	£1.14	£1.14	**£6.76**
Net benefits	**(Present Value)**	**-£2.12**	**£0.53**	**£0.62**	**£0.75**	**£0.99**	**£0.96**	**£0.93**	**£0.90**	**£0.87**	**£0.84**	**£5.26**

7 Risks and assumptions

7.1 Take up

We have assumed that within five years just short of half of all mortgages will be prepared and submitted digitally. This seems reasonable since the number of digital discharges of mortgage is now over 90%.

21 There were a further eight cases of mortgage fraud which we did not count because it is uncertain whether Verify contains any additional safeguards that would have assisted, and another three where the mortgage was accompanied by a transfer and so would be ineligible for digital mortgage.

We certainly expect to be able to offer other digital conveyancing documents before the end of 10 years. However because the timing and extent is as yet uncertain, we have not assumed any further services yet in our estimates of impacts.

7.2 Fraud

Frauds that are discovered only after the transaction has been registered are discussed in section 6.6 above.

Sometimes frauds are caught by HMLR before they are registered. In this case we will cancel the application so the transaction is not registered. This means the register is protected from fraud, and HMLR will not have to make indemnity payments. But this means the victim will have to look elsewhere for compensation, if possible. The lender will be out of pocket in the case of mortgage fraud, unless they can successfully claim and recover losses from someone else has been negligent. We have investigated all such cases in the last year and found three cases where we cancelled mortgage applications because we suspected fraud. On closer examination of the facts of the case we considered that Verify would not, on balance, have prevented those particular frauds before moneys were paid to the fraudster.

However, we believe it is inevitable that potential fraudsters will be deterred or prevented from taking out fraudulent digital mortgages by the identity assurance procedures of the Verify system. Furthermore, as HMLR will be a key user of the system, we will be in a strong position to encourage the Government Digital Service to raise the assurance level offered by Verify to level 3. In the meantime, as this is an untested service for HMLR and the digital mortgage, for the sake of prudence we have estimated costs and benefits in relation to fraud for businesses at **nil**, as shown in Table 11.

7.3 Liability

One consultation response suggested[22] that the proposals may result in liability being shifted from HMLR to business customers. We do not think this is the case. The Verify service is intended to prevent fraud caused by identity theft before the lender passes money to a fraudster, or before the transfer of the property by a fraudster takes place. If Verify fails to prevent a fraud it is possible that the transaction will be registered, and when the fraud was discovered, anyone who had suffered a loss will be entitled to claim statutory indemnity from HMLR. In addition, HMLR will be taking on an additional small level of risk as a trust service provider for digital signatures. If HMLR causes intentional or negligent damage as a result of not complying with the requirements of EU Regulation 910/2014 (relating to identity assurance and digital signatures), it will be liable for the losses that result.

8 Wider impacts

8.1 Equality Impact Assessment

The overall financial impact of the proposed changes is not great, so the differences between the protected characteristics is relatively small. As there are some savings for people taking out mortgages, then property owners are slightly more likely to benefit. This has some indirect effects where people with protected characteristics do not own property in the same proportion as the general population, but these will be very minor and we don't think that anyone will lose because of the changes.

8.1.1 Age

The proposals are unlikely to affect any age group disproportionately. The main savings for people in general that we are currently able to calculate relate to digital mortgages. Table 12 demonstrates that younger people are much more likely to need a mortgage.

We have considered whether lack of access to Verify would impact on someone obtaining a digital mortgage, and this does have certain age impacts.[23]

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22 Consultation response by the Public and Commercial Services Union.

23 Source: GDS Blog "Estimating what proportion of the public will be able to use GOV.UK Verify", 25 January 2016 and GDS Blog "Improving GOV.UK Verify's demographic coverage – an update", 19 August 2016

In March 2017 Government Digital Service (GDS) estimated 92% of the adult population and 95% of people in employment have enough evidence to successfully verify their identity.

Only 76% of people in the over 75 age group are likely to be able to use Verify. This is due to them being less likely to have the evidence (such as photo card, driving licence or passport) needed to assert an identity or loans or a mortgage which provide evidence of activity history. Technological access to smart phones and tablets[24] can also be a barrier. Table 12 shows only 5% of people aged 70 or over have a mortgaged property so the proposals are unlikely to affect this age group disproportionately. Those who cannot use Verify can continue to use paper mortgages.

GDS also state people in professional and managerial occupations are more likely to be able to use Verify (97% compared to 84% of all over 18s) compared to non classified groups (unemployed, students, non classified occupations). This is due to them having the documents, technology and financial products required by Verify. Table 13 demonstrates the majority of owners with a mortgage are employed and the proposals are unlikely to affect non classified groups disproportionately.

Table 12: Housing tenure by age[25]

Age of household reference person[26]	Owner- occupiers			Social Housing	Private Rented
	Owned outright	Mortgaged	Total owner occ		
Under 25	0%	11%	11%	33%	57%
25 – 29	1%	34%	35%	19%	45%
30 – 44	5%	55%	60%	18%	21%
45 – 59	24%	49%	74%	16%	10%
60 – 64	60%	21%	81%	14%	5%
65 – 69	65%	10%	75%	20%	4%
70 – 79	71%	4%	75%	20%	4%
80 or over	67%	1%	68%	25%	7%

Table 12: Tenure by economic activity[27]

Economic Activity	Owned outright	Owned with mortgage, loan or shared ownership	Total owner occ	Social rented	Private rented or living rent free
In employment	12.88%	30.64%	43.53%	7.14%	13.07%
Unemployed (excluding full time students)	0.30%	0.38%	0.69%	1.41%	0.99%
Unemployed: full time students	0.00%	0.01%	0.01%	0.05%	0.09%
In active (eg retired, long-term sick, disabled etc)	17.65%	2.45%	20.10%	9.02%	3.89%
Total	30.85%	33.49%	64.33%	17.62%	18.04%

24 These technologies enable fewer pieces of identity evidence to be lodged with Verify.

25 Source: General Lifestyle Survey (2011), Table 4.9. ONS: "Wealth in Great Britain 2010-12" Table 3.15.

26 "Household Reference Person" is the term now used for the person who would have formerly been called the "Head of Household".

27 Source: 2011 Census (Nomis) Figures are for the tenure by economic activity of the Household Reference Person.

8.1.2 Gender

The proposals are unlikely to affect any gender disproportionately. Whilst males are more likely to own a property, both genders would benefit from the savings that can be calculated when a digital mortgage is used.

Table 14: Property ownership, with or without mortgages by gender[28]

Gender of household reference person	Owned outright	Owned with mortgage, loan or shared ownership [29]	Total owner occ	Social rented	Private rented or living rent free
Male	13.19%	33.81%	47%	5.94%	12.98%
Female	7.03%	14.26%	21.29%	5.26%	7.51%
Total	20.22%	48.08%	68.30%	11.20%	20.50%

8.1.3 Ethnicity

White people are much less likely to need a mortgage (51% of White British owner occupiers compared with 84% for Black African).

Table 15: Tenure by Ethnic Group[30]

	Total households	Owned outright	Owned with mortgage	Total Owner Occupied	Percent o/o buying with mortgage	Social Rent - Council	Social Rent - Other	Private Rent	Other / Rent Free
White British	19,608,888	33.61%	34.47%	68.08%	50.63%	9.03%	7.84%	12.41%	2.64%
White Irish	299,260	32.96%	28.52%	61.48%	46.39%	11.91%	9.87%	13.93%	2.81%
White Gypsy	20,462	21.61%	12.17%	33.78%	36.02%	24.19%	17.68%	20.14%	4.21%
White Other	972,210	14.55%	22.36%	36.91%	60.57%	6.14%	5.67%	47.93%	3.35%
Mixed White/Black Carib'n	109,960	8.18%	22.87%	31.05%	73.65%	22.72%	20.31%	22.98%	2.93%
Mixed White/Black African	40,803	6.66%	21.67%	28.33%	76.50%	18.59%	17.94%	31.87%	3.26%
Mixed White/Asian	74,207	15.23%	32.91%	48.14%	68.35%	10.28%	9.19%	28.17%	4.22%
Mixed Other	76,325	11.98%	26.21%	38.18%	68.64%	13.63%	12.30%	31.78%	4.10%
Asian Indian	451,408	26.30%	42.33%	68.63%	61.67%	3.61%	3.74%	20.97%	3.05%
Asian Pakistani	276,193	22.59%	40.51%	63.10%	64.20%	7.00%	6.23%	19.39%	4.28%
Asian Bangladeshi	104,664	8.57%	34.50%	43.07%	80.10%	19.42%	15.46%	18.30%	3.75%
Asian Chinese	136,155	22.02%	28.75%	50.77%	56.63%	5.16%	6.01%	32.12%	5.94%
Asian Other	260,950	13.15%	31.01%	44.16%	70.22%	9.36%	7.66%	33.68%	5.14%
Black African	348,226	3.68%	20.02%	23.70%	84.48%	24.28%	18.07%	30.56%	3.39%
Black Caribbean	293,367	14.29%	31.18%	45.48%	68.57%	20.76%	18.90%	13.02%	1.84%
Black Other	89,476	6.48%	21.21%	27.69%	76.60%	25.86%	21.93%	21.70%	2.82%
Arab	80,658	10.10%	16.65%	26.75%	62.25%	12.73%	11.25%	45.25%	4.01%
Any other	122,832	13.35%	24.63%	37.98%	64.85%	15.79%	10.86%	31.29%	4.08%
All Groups	23,366,044	30.84%	33.49%	64.33%	52.06%	9.45%	8.18%	15.26%	2.78%

8.1.4 Disability

The main issue would appear to be whether the changes affect the visually impaired. All our digital services are designed for accessibility, as required by Government Digital Service standards. They are designed to allow for screen reader software.

We sent the consultation paper to the main representative body, the Society of Visually Impaired Lawyers, for their comment. They did not reply to the consultation, but we will still take on board any comments they may make later.

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[30] Source: 2011 Census (Nomis) Figures are for the ethnicity of the Household Reference Person.

8.1.5 Religion

Because of the way they are structured, Islamic mortgages will not, initially, be suitable for the digitial mortgage service. They involve additional deeds such as transfers or leases. In due course we hope to build a digital transfer system so that digital transactions can be combined.

Islamic finance represented a very small part of UK mortgage market at about £500m (0.3%) in 2013. Such mortgages are also available to non-Muslims. The effect of our proposals will be very slight.

8.1.6 Sexual orientation

We are not aware of any impacts relating to sexual orientation, and none were raised in the consultation responses. The ONS statistics in Table 16 do not differentiate between same sex and opposite sex couples.

8.1.7 Pregnancy or maternity

We are not aware of any impacts relating to pregnancy or maternity, and none were raised in the consultation responses. Our records do not record maternity status, but people with babies are less likely to be property owners than the population at large.[31]

8.1.8 Gender reassignment

We are not aware of any impacts relating to gender reassignment and none were raised in the consultation responses.

8.1.9 Marriage and Civil Partnership

Married people are more likely to own property than single people or cohabitees. This means they are more likely to have borrowed money by way of mortgage. However those who have been divorced or separated are least likely to be property owners, and their property wealth is lower.

Table 16: Tenure and net property wealth by marital status[32]

	Do not own property	Less than £50,000	£50,000 but < £125,000	£125,000 but < £250,000	£250,000 but < £375,000	£375,000 but < £500,000	£500,000 or more	All Households
Men								
Married	17	11	19	26	13	6	9	100
Cohabiting	39	18	18	14	6	2	3	100
Single	38	12	18	17	7	3	5	100
Widowed	32	..	18	25	14	6	4	100
Divorced	49	6	20	16	5	..	2	100
Separated	49	17	15	11	..	..	..	100
All men	30	12	18	21	10	4	6	100

[31] 49.5% of households with children aged 0-2 are landowners compared with 70% for all people in Table 16 (Source: Nomis, 2011 Census)

[32] Source: Wealth and Assets Survey, Office for National Statistics (married and cohabiting categories include same sex relationships)

Women								
Married	17	11	19	26	13	6	8	100
Cohabiting	40	18	18	14	6	2	3	100
Single	40	12	17	16	7	3	5	100
Widowed	32	2	15	29	14	4	4	100
Divorced	46	6	17	20	7	2	2	100
Separated	56	13	14	11	..	..	..	100
All women	31	11	18	21	10	4	6	100
All Persons	30	11	18	21	10	4	6	100

8.2 Competition

We have considered whether our proposals will have any effect on competition. We do not think that they will in themselves alter the balance of the market or prevent new entrants to the market. The effects on small businesses are discussed in section 8.3.

We have also considered whether the digital mortgage will cause lenders to deal with HMLR direct, rather than through conveyancers. There is nothing to stop lenders doing this now, but most choose not to. If lenders undertook conveyancing in-house they would need to employ skilled conveyancers to examine title to ensure they have good security for their loans. They would also need to insure against fraud and error. Most lenders prefer to rely on external conveyancers and we do not expect that to change.

8.3 Small Business

Access to the remortgage business, and conveyancing market where a mortgage is needed, is mainly determined by the lenders. They decide who may be on their panel of approved conveyancers. It is claimed that some lenders cut conveyancers from their panels based on the number of transactions with HMLR.[33]

It is not yet possible to calculate any impacts from new digital conveyancing documents other than the digital mortgage. Our digital mortgage will only be available to customers who use Business Gateway, initially. Smaller firms generally use Business Gateway through intermediary case management systems. The case management service providers will be able to adapt their systems to include the new services once they are tried and tested in public beta. It appears that most small firms succeed by becoming more digitally enabled. They are encouraged to do so by their regulators, and HMLR will do all it can to make it easy for all customers to use the new services, whether directly or through an intermediary. HMLR works with the intermediaries whenever new services are offered. We expect the intermediaries to adopt them as it will be in their commercial interests to do so. No charge is made for access to the schema or the online services.

However this may not be so great an issue as it seems. We know that there has been considerable consolidation in the re-mortgage market. We completed 1,513 single mortgage applications on 2 June 2016. In all they were submitted by 235 different firms, but the 44 Business Gateway customers who lodged such applications accounted for 75% of all applications.

If in due course lenders choose to completely digitise their mortgage business, then it may lead to a number of small firms being dropped from their panels, unless they invest in a case management system that includes the digital mortgage service. They could still work for lenders who use paper deeds.

8.4 Environment

Moving to digital mortgages and other digital conveyancing deeds will use less paper, as there will be no need for conveyancers or the signer to print out the documents.

33 Law Society Gazette “Lender Panel Restrictions Hit Smaller Firms” (5 October 2015)

Based on the expected take up of digital mortgages in table 2 above and assuming 2 sheets of paper saved per application (either as the mortgage deed or envelopes), we estimate the change will save 50 metric tonnes of carbon dioxide over the 10 year project lifecycle.[34] We are not yet able to calculate any savings in relation to digital deeds other than mortgages, but there should be additional benefits when we introduce digital transfers and other digital conveyancing documents, which we will assess in a Regulator Assessment when we start work on them.

Table 17: Carbon savings associated with digital mortgages

Year	Projected take up	CO2 savings in tonnes
2017/18	20,000	0.67
2018/19	105,000	3.53
2019/20	120,000	4.03
2020/21	140,000	4.70
2021/22	180,000	6.05
2022/23	180,000	6.05
2023/24	180,000	6.05
2024/25	180,000	6.05
2025/26	180,000	6.05
2026/27	180,000	6.05
Total		**49.22**

34 One ream of 500 sheets has a carbon footprint of 8.4kg (ACCA – Carbon Accounting for Small Business)