

# New study on conveyancing shows benefits of deregulation

A study by independent consultants on the EU markets for legal services associated with house and land sales (conveyancing services) finds that consumers pay less on average for conveyancing services and have greater choice under deregulated systems, with no loss in quality. Member States are being encouraged to review the findings and consider appropriate reforms where appropriate.

The market for conveyancing services is worth about 17 billion euro per annum and efficiency savings of even a few percent could result from deregulation and potentially save consumers millions of euros each year.

The study led by ZERP at Bremen University comprises an analysis of the effects of professional regulation on the efficiency and performance of the conveyancing services market.

Conveyancing services comprise, for example, pre-contract searches, transfer deed drafting, signature certification and deed registration in the Land Registry.

This market is of direct interest to consumers and of high overall economic significance. It is estimated that property turnover in the EU27 for 2005 was almost 1,800 billion euro (16% of EU27 GDP) with the corresponding turnover in conveyancing services being around 16.7 euro billion.

### Different models

The study, surveying 21 EU countries, is the first of its kind and integrates a legal and economic approach. The different regulatory systems under which conveyancing services are provided were categorised into four regulatory models for analysis:

The traditional, highly regulated Latin notary system which exists in most continental EU countries. This model is characterised by mandatory involvement of notaries, quantitative restrictions on entry (*numerus clausus*), fixed fees and strict market conduct regulation.

The deregulated Dutch notary system under which no *numerus clausus* exists. Fees are negotiable and market structure and conduct regulation is less strict.

The lawyer system existing in the UK, Ireland, the Czech Republic, Slovakia and – to a lesser extent – Austria. This features quality control of professionals through licensing and professional exams, negotiable fees and lower levels of market structure and conduct regulation.

The Scandinavian licensed real estate agent system under which real estate agents provide legal services too. This system exists in Sweden, Finland and Denmark, each with its own characteristics. This model has little regulation on market entry, conduct and structure and has negotiable fees.

### Conclusions

The legal part of the study assesses the justifications for restrictive professional regulation in this market. The study comes to the conclusion that, when put to the test, most of the arguments put forward do not seem to justify restrictions of the sort that feature in highly regulated systems.

The economic part examines empirically how professional regulation affects the market for conveyancing services by measuring the degree of regulation, the quality of services in a broad sense (using the results of a user survey) and level of fees. It examines the interplay between these using different classical econometric methods. This concludes that high levels of regulation generally go hand in hand with high prices whilst not resulting in higher levels of quality.

The Commission will now present the study to Member States, highlighting its results and asking for their reactions while encouraging them, when necessary, to consider appropriate reforms.