Price competition in the 2010 notary’s practice
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Summary and conclusions

Introduction
The Notaries Act of October 1999 has gradually eased control of the rates in the estate sector and has also made it easier for new notaries to set up office. Commissioned by the Hammerstein Committee, EIM carried out a study in 2005 on the relation between the price and the quality of the work done by notaries. This study did not detect any relation between a low price for a deed and the presence of errors in or the quality of the deed. EIM carried out the same study in 2010 in order to gain insight into the experiences of notaries and chain partners with the market effect in the notary’s practice and the consequences of price competition and the economic downturn (especially the considerable contraction of the estate market) on operational management and on certain aspects of quality in services provided by notaries.

The following research questions are essential for gaining insight into this matter:
1 To what extent are there any differences between predatory pricing offices and non-predatory pricing offices and predatory pricing regions and non-predatory pricing regions in:
   - the number of errors registered by the land registry and mistakes in deeds as well as the quality of deeds in the opinion of chain partners?
   - efficiency, the use of quality standards and office organisation?
   - client orientation as perceived by chain partners (such as estate agents, mortgage consultants, project developers): availability, expediency of action, transparency of price and product?
   - the financial situation of an office?
2 What are the developments in comparison to the results of the 2005 EIM study?

The procedure and options of the study are in keeping with those of the 2005 study. This means:
- the option of carrying out the study in four regions (three predatory pricing regions and one reference region);
- research of land registry data (drawing attention to non-registry and requests for improvement);
- telephone survey of business relations in the four regions (40 per region);
- interviews with notaries in the four regions (four per region).

Work accuracy
Work accuracy has been measured by examining data in the land register. The register counts the number of times when errors are committed in or in the presentation of deeds (drawing attention to non-registry and requests for improvement). Errors were committed in an average of 2.7% of the deeds. Furthermore, no effect can be detected on the quality of the deeds as a result of price competition, in so far as this can be ascertained by means of the Land Registry data. This especially concerns form and completeness. The legal quality of the content cannot be checked by means of these registrations.

The consequences of the downturn in the estate market are clearly visible in the average number of deeds per office, which in 2009 dropped to approximately 60% of the number in 2004. In addition, a slight increase, 0.2%, in the number of errors can be detected in 2009.
**Notary's practice business relations**

During the study, 160 estate agents, mortgage consultants and project developers are asked whether they are satisfied with the notaries in their vicinity and what developments they have noticed in the market for notary services in the past few years. This has created an image of the notary's practice where competition in price is still important, but where the importance of high quality is returning to the forefront to a larger extent. Quality has become more important than price in the selection of a notary office. Competition results in (more) pressure on prices but also a stimulus to improve quality. Chain partners see that quality aspects such as client orientation and expedient action have further improved and that the quality of the deeds has remained at the same level on average, according to the business relations. On the other hand, chain partners are, on average, detecting errors a bit more often. The downturn of the estate market has strengthened competition in the notary's practice, and has resulted in a better price-quality relation in general (pressure on the prices and more attention to quality).

**Development in operational management of the notary’s practice**

Interviews with notaries, both predatory pricing and non-predatory pricing, comprise the last part of the study. This presents the image that the notary’s practice has stabilised somewhat. There is still price competition and predatory pricing offices are still active. However, the fierceness of the competition has abated in various regions. Predatory pricing offices of the first order still charge low prices, but usually no longer the lowest. Furthermore, the provision has divided itself in two parts. On the one hand, there are the traditional notary services with ample time for the client, consultation, etc. On the other, there is the bulk market, in which standard products (especially deeds in the register practice) are offered at low prices. Providers in the bulk market are separate notary offices in part, but there are also traditional offices servicing the bulk market with a B brand or a branch. There appears to be room for both the traditional market and the bulk market.

The developments in the notary’s practice have seen to it that notary offices are watching costs and efficiency even more closely and that they set up their processes more efficiently (using procedures, models and checklists, among other things, and using ICT options). Re-organisation of processes lowers the costs, so that the rates can also be reduced, but also contributes to quality (both the quality of content and the attitude towards the client). Of course there are also offices (including predatory pricing offices) where quality is or appears to be lower (as perceived by various notaries interviewed), but said interviews do not show that this is occurring to any great extent.

The economic crisis and the crisis in the housing market have strengthened the competition in the notary's practice. The turndown in the housing market has been chiefly compensated by (sometimes considerable) contraction of staffing (natural turnover but also forced resignations). This may have resulted in a slight increase in the number of errors. Moreover, there is some concern among notaries as to whether sufficient, qualified personnel will be available for the notary’s practice in future.

**Conclusions**

On the basis of the results of the three research activities, the following conclusions can be drawn concerning the developments in the notary market, which answer the research questions:

- creation of a division into bulk market and a traditional notary service market;
- some stabilisation in the extent of price competition;
- further improvements in efficiency, optimisation of processes and the use of quality systems;
- further improvement of quality aspects such as client orientation and expedient action, and maintaining the level of the quality of the deeds;
- no unambiguous effect from price competition on the number of (register) errors in estate deeds (both for predatory pricing offices and non-predatory pricing offices, and both in predatory pricing regions and non-predatory pricing regions);
- the return of a slight increase in the price competition due to the crisis in the housing market;
- contraction of staffing has been used to compensate for the consequences of the crisis in the housing market;
- reduction in notary income due to competition and the crisis in the housing market;
- no unambiguous differences in the effects from competition and the crisis in the housing market between predatory pricing offices and non-predatory pricing offices, and between predatory pricing regions and non-predatory pricing regions.