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SUBJECT: Cypriot Property Developers in the United Kingdom

Dear Prime Minister,

We are writing to you regarding a matter of great concern to many of our constituents who have bought property in the Republic of Cyprus.

As you are no doubt aware, over 50 000 British buyers of Cypriot properties are yet to receive their title deeds and are thus not the legal owners of their homes. The consequences of this for buyers are far-reaching and include being liable to high property charges, being burdened with huge legal fees, being unable to sell the property and being encumbered with the mortgage of a developer who has gone bankrupt. Title deeds and full legal ownership cannot be transferred to buyers until developer mortgages are settled in full.

Given the worsening economic outlook for Cyprus and its property industry, the risk of developer default and the repossession of these homes can only become much greater. The developer debt has doubled in size in the last three years and now stands at nearly €6Billion.

Cypriot developers and their agents in the UK

Some of the larger Cypriot developers have registered sales offices in the UK, whilst they and others attend UK property exhibitions. Additionally, there are UK agents and websites which promote Cypriot property. These outlets all have one thing in common: *none* of them mention the huge risks associated with buying in Cyprus. The Channel 4 website, for example, apart from having a picture of the occupied *Northern* Cyprus heading the section, promotes a scheme whereby a safe UK home can be part exchanged for an unsafe Cyprus property without title deeds.

UK Government's promise

Lord Jones of Cheltenham has previously raised the matter in the House of Lords. In one question he specifically raised the subject of Cypriot developers being prevented from selling in the UK. Below is the Hansard entry:

Question: Asked by Lord Jones of Cheltenham

To ask Her Majesty's Government further to the Written Answer by Lord Malloch-Brown on 8 June (*WA 117*), whether they will take steps to close down the United Kingdom offices of Cypriot companies selling property and ban the promotion of Cyprus property at exhibitions of overseas property held in the United Kingdom; and

what further steps they will take to protect United Kingdom citizens from individuals who retain title deeds after properties in Cyprus have been bought. [HL4263]

29 Jun 2009 : Column WA6

Lord Brett: We will not take any steps to close down the UK offices of Cypriot companies selling property or ban the promotion of Cyprus property at exhibitions of overseas property held in the UK unless we receive evidence of **illegal behaviour** [emphasis added]. Our high commission in Nicosia continues to support the work of the Cyprus Property Action Group.

Illegal Behaviour

We believe and are currently seeking confirmation from the European Commission that Directive 2005/29/EC (Unfair Commercial Practices) is habitually broken by Cypriot developers by their withholding of title deeds from buyers. This Directive was brought into UK law on the 28th of June 2008 (**2008 No. 1277 - Consumer Protection from Unfair Trading Regulations 2008**) and is enforced by the UK Office of Fair Trading (OFT).

We believe that the failure to inform potential buyers that the title deeds for their homes will be withheld for an unspecified time and that the land on which their property is built is encumbered by a developer mortgage, two of the most common deceptions by Cypriot Developers that occur on UK soil, are "**misleading actions**" under Part 2 ('Prohibitions'), section 5 ('Misleading actions') of the Consumer Protection Regulations 2008 No. 1277 and "**misleading omissions**" under Part 2 ('Prohibitions'), section 6 ('Misleading omissions') of the same legislation.

Request for Action

The undersigned trust you will agree that, *on UK soil at least*, British citizens need to be afforded more consumer protection against the unfair practices of Cypriot developers.

We are disappointed to discover that the OFT, contrary to the wishes of the Minister for Europe, David Lidington, have so far declined to investigate these matters, citing 'other priorities' as the reason.

We therefore respectfully urge you to ensure that the OFT's priorities include investigating the illegal practices of Cypriot developers as soon as possible, including taking the appropriate measures to ensure adequate consumer protection. We have written to the Chief Executive of the OFT and the Secretary of State for Business, Innovation and Skills with the same request. It is important to remember that EU member states could be liable to pay damages to individuals who have been adversely affected by the non-implementation of an EU Directive. We can confirm that the European Commission is now referring British buyers who complain directly to them to the OFT.

Finally, we would urge that the British Foreign and Commonwealth Office website is updated to strengthen the warning to prospective buyers of the potential pitfalls of buying property directly from Cypriot developers. We have also written to the Foreign Secretary on the matter.

We thank you in advance for your personal involvement in this matter.

Yours Sincerely,

Daniel Hannan MEP