



Legal considerations

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Before you engage a builder, it's important to check that they have the appropriate licenses and warranties in place – because if they don't and something goes wrong, you can be left paying for their mistakes. The Department of Fair Trading estimates that about 90% of people go ahead and hire a builder without even checking that they have the right license!

Warranties

When you're hiring a builder, don't be afraid to ask to see evidence that they have workers' compensation, public liability, all-risk and home warranty insurance documents. Their licence number should also appear on anything they give you to sign.

Contracts

The contract your builder will prepare should be a standard building industry contract. The areas that will be specific to your build, and that should be clearly laid out in the contract are: the timeline of the build, the cost and payment schedule, the detailed and approved plans of the house and specifications, the cooling off period and the deposit required on signing the contract.

The time line of your contract will depend on the builder and also the size of your home. It will also be affected by weather, but one thing to be aware of is if the Christmas holidays occur during your build there is an industry-wide three week break. Some trades will work in that time, but your builder should allow for 3 weeks extra for Christmas to be safe.

Specifications

Check carefully that the specifications are as you agreed with the builder – once you've signed the contract, anything that's not in the fixed-price contract is a 'variation' and variations will cost you more and could delay your project.

Funding

The builder will need to know up front how you will fund the build, so the contract should also list who the mortgagee is and the funding you have in place. If you aren't sure about your finance when you sign the contract, there should be a 'cooling off' period in which you can withdraw from the agreement.

When you sign the contract you will be asked to pay a 5% deposit, and this should be less whatever you have already paid for the tender to be prepared. If you do cancel the contract during the cooling off period, you will be refunded some of your deposit, but of course you won't get back any money your builder has already spent on the works they have already carried out and the fees they have already paid.

BetterBuilt Tips

- Check your builder has workers' compensation, public liability, all-risk and home warranty insurance documents
- Check that the builder shows their licence number and any relevant membership numbers on their paperwork
- Check that the contract is a standard building industry contract
- Check that the timeline is clear, and that any known time extensions (such as Christmas) are accounted for
- Check that the fixed price and schedule of payments is clearly laid out – your bank will need this to release your funds
- Check the plans and specifications are exactly what you agreed – anything that is not in the contract will be counted as a 'variation' after you sign, and will cost you more
- Check the cooling off period, especially if you are not 100% sure of your funding.

Useful Links



www.fairtrading.nsw.gov.au



www.hia.com.au