

MEDIA RELEASE

Monday, 9 July 2012

Time to build new consumer protections from the bottom up

The consumer protection framework in the domestic building industry needs a complete overhaul according to the Consumer Action Law Centre. In its response to a Victorian Government consultation paper, Consumer Action urged the Government to take decisive action, arguing small reforms around the edges would do little to help consumers seeking redress for projects that have gone wrong.

Gerard Brody, Director of Policy at Consumer Action, said consumers in the domestic building market are often making one of the biggest financial investments of their lives, lack the expert knowledge to ensure the work is being carried out correctly, and don't fully understand the complex contracts they sign. 'Added to this, fixing a mistake once a house has been built isn't as simple as returning a product to a store, and current laws make dealing with a building dispute a nightmare.'

Consumer Action's submission argues that the current system is not set up in a manner conducive to effective regulation or consumer protection. One issue of concern is a recent report by the Victorian Auditor General¹ which cast considerable doubt on the effectiveness of regulatory bodies.

'The regulators are responsible for registering building practitioners and upholding standards within the industry, so the fact that the Auditor General made quite negative comments about their effectiveness is a real concern. We're worried that industry representatives may be over-represented in the current system,' said Mr Brody.

Consumer Action is also concerned about the dispute resolution processes within the industry.

'Our legal service has firsthand experience dealing with consumer disputes in the domestic building industry. The problem with the conciliation service is that it's voluntary for builders and, unless the consumer's dispute is worth over a hundred thousand dollars, we wouldn't recommend taking on a builder in VCAT—there's no guarantee that consumers will have their costs reimbursed, and the time and stress involved can be all consuming. Even if the consumer wins, they may not be able to get any money out of the builder or the warranty insurer,' said Mr Brody.

Consumer Action's submission recommends:

- that the industry dispute resolution system be mandatory for builders, free for consumers, and be empowered to make binding determinations;
- that the Government undertake a detailed review of the enforcement framework and sanctions imposed on builders;
- that the Government review the governance model of the Building Commission and Building Practitioner's Board and consider a complete restructure to ensure that conflicts of interest and other identified concerns are addressed; and
- that the home building warranty insurance scheme be overhauled so that it offers coverage when a builder won't complete or repair, not only where a builder is 'dead, disappeared or insolvent'.

¹ [Compliance with Building Permits, Victorian Auditor-General's Report, December 2011](#)

'We're pleased and encouraged that the Government has released a discussion paper with such wide parameters. We hope that this is the start of a process which delivers tangible benefits to Victorian consumers,' said Mr Brody.

[Submission to the Victorian Government's consultation on the domestic building consumer protection framework.](#)

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