



Building and Energy's Top 10 Tips

Choosing a builder and signing a home building contract

1. Use a registered builder



By law, home building work that requires a building permit and is valued at more than \$20,000 must be carried out by a registered builder.

The registration system is designed to ensure that the building service provider has the appropriate qualifications, knowledge, experience and business stability.

Building and Energy's builders' register will confirm registration type and expiry date, and show any conditions on the type of work a builder can carry out.

Useful links:

- [Register of builders](#)
- [Helpful checks when choosing a building service provider](#)
- [A guide to the building approvals process in Western Australia](#)

2. Seek out independent reviews



As with any service, it is worth speaking to more than one builder to compare what's on offer for your budget, but keep in mind that the cheapest option may not necessarily be the best.

Ask for referrals and speak to former clients about timeliness, quality and adherence to the contract. Online reviews may also be helpful but are not always objective or validated.

Media statements about builders that have been convicted of an offence under building legislation or have committed a disciplinary breach in the last six years are published online, so checking the list for your builder is worthwhile. The State Administrative Tribunal website can also be searched for building matters.

Occasionally a builder can enter administration or liquidation before Building and Energy is notified of the change of status and before the register of builders can be updated. While this is rare, if you are concerned, the Australian Securities and

Investments Commission allows you to purchase a current and historical company extract search, which should show whether the company has gone into liquidation or administration.

For individuals, the Bankruptcy Register Search is available through the Australian Financial Security Authority. While someone's past financial issues may not reflect their current situation, the search shows if they have had a discharged or undischarged bankruptcy.

Useful links:

- [Building and Energy disciplinary media statements](#)
- [State Administrative Tribunal](#)
- [Australian Securities and Investments Commission](#)
- [Australian Financial Security Authority](#)

3. Clarify the cost of preliminary work



Before entering into a building contract, you may engage a builder to prepare a unique set of plans and technical papers for your particular building and site, often called a Preparation of Plans Agreement (PPA).

PPA services are separate from those covered by the *Home Building Contracts Act 1991* (the HBCA) (see Tip 5) and PPA costs may not be refundable if you do not enter into a building contract with the builder involved.

4. Read and understand all parts of your contract, including the fine print



A building contract is a complex document and usually comprises a contract (including a schedule of particulars, addenda or appendix), drawings and specifications.

Most local governments charge a fee for a copy of technical drawings, so it's worth finding out if your builder will provide you with your home's engineering specifications. If you engage your own building inspector to monitor the

construction of your home it is likely he or she will request access to these drawings.

Home building contracts in Western Australia are not required to include a 'cooling off' period, so you usually cannot back out of a contract if you change your mind. It is vital to read the contract thoroughly and understand each component, including the fine print. Ask for clarification on any aspects you do not understand and consider independent advice from a lawyer, building expert or other relevant consultant.

As well as understanding what's included in your contract (and what's not), you should be clear about your obligations and the type of contract you are entering into. The most common type is a lump-sum contract in which a figure is calculated for the project's total cost. An alternative is a cost-plus contract, in which costs are calculated as a running tab.

House-and-land packages

If you are buying a house-and-land package, you will have two contracts: a land sale contract with the developer and a home building contract with the builder. The information in this guide relates only to the building contract (including deposits, home indemnity insurance and other rights and protections under the HBCA). House-and-land customers are encouraged to seek further information on land sales and off-the-plan purchases.



5. Be familiar with the HBCA and its requirements



In general terms, Western Australia's HBCA regulates contracts between the home owner and the provider of home building services or associated work, where the fixed-price contract is valued between \$7,500 and \$500,000. The HBCA applies even if the service provider is not a registered builder.

Under the law, the builder must provide the owner with a copy of the 'Notice for the Home Owner', which summarises the requirements of the HBCA, before the owner signs the contract.

Under the HBCA, home owners, or a person authorised by a home owner, whose contract is valued at less than \$500,000 is entitled to inspect the home building work, provided an inspection takes place within the builder's normal working hours; or does not unreasonably impede or interfere with the building work. If your contract is valued above \$500,000 check with your builder whether you or someone you authorise is able to inspect the building work and seek your builder's approval in writing.

Useful links:

- [Home Building Contracts Act fact sheet](#)
- [Notice for the home owner](#)

6. Document all discussions in writing

Verbal agreements may hold little weight should a dispute arise. Try to document all discussions in adequate detail and have them confirmed in writing. Keep all your property documentation in good order from day one.



7. Be aware of maximum deposits and when to make progress payments



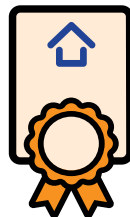
For projects covered by the HBCA, building service providers are allowed to obtain a deposit from the client of no more than 6.5 per cent of the total cost of the work, prior to work commencing.

Once the work has started, any progress payments must only be for tasks actually performed or materials already supplied – for example, a builder cannot demand a progress payment for the purchase and delivery of bricks until the bricks are on site. However, for cabinetry work (where the work completed off-site is valued at more than 50 per cent of the total contract), builders may demand a deposit of up to 20 per cent of the total cost of the work.

Useful links:

- [Building contracts and progress payments](#)
- [Guide on price increases to home building work contract](#)

8. Ask for a copy of the builder's home indemnity insurance certificate



A policy of home indemnity insurance (HII) is compulsory for residential building work valued above \$20,000, with the exception of associated work in isolation (such as swimming pools, carports, pergolas or landscaping, unless they are part of another applicable contract).

HII may cover the home owner, and subsequent owners, against the loss of a deposit (up to \$40,000) or the completion or rectification of building work (up to \$200,000) should the builder die, disappear or become insolvent within six years from the date of practical completion.

Before commencing work or demanding a deposit or payment, the builder must take out HII and give the home owner an insurance certificate.

Useful link:

- [Home indemnity insurance fact sheet](#)

9. Check the builder's details are consistent on all documents



The service provider's details should be the same across all documents including contracts, invoices, receipts and the HII policy.

It is particularly important to ensure that the registered building contractor's name is the same as it appears on the 'Register of builders'. A legitimate physical address should also be provided in case legal documents need to be served.

Check that the Australian Business Number (ABN) listed actually belongs to the business. You can do a free search through the Australian Business Register.

Useful links:

- [Register of builders](#)
- [Australian Business Register](#)

10. Be aware of time limits for rectifications and disputes



Under the HBCA, builders are required to rectify any building work defects, at no extra cost to the owner, when notified in writing within four months of practical completion.

Building and Energy may be able to deal with contractual disputes relating to lump-sum home building work contracts only (not cost-plus contracts) between \$7,500 and \$500,000, provided the complaint is lodged within three years from when the cause of the dispute arose.

Complaints about the standard of workmanship can be lodged with Building and Energy, for building work of any value, within six years of the completion of the works.

Useful link:

- [Dispute resolution](#)



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Industry Regulation and Safety**
www.lgirs.wa.gov.au

Regional Offices:

Goldfields/Esperance	(08) 9021 9494
Great Southern	(08) 9842 8366
Kimberley	(08) 9191 8400
Mid West	(08) 9920 9800
North West	(08) 9185 0900
South West	(08) 9722 2888

Building and Energy Division

Level 1 Mason Bird Building
303 Sevenoaks Street
(entrance Grose Avenue)
Cannington Western Australia 6107
Locked Bag 14, Cloisters Square
Perth WA 6850

Call: 1300 489 099

Email: be.info@lgirs.wa.gov.au

www.lgirs.wa.gov.au/building-and-energy

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