

*A quick guide to the
rights and responsibilities of
BSA licence holders*

facts for licensees



Helping Queenslanders Build Better

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FOREWORD

Dear Licensee,

This booklet is designed to inform you of your rights and responsibilities as a BSA licence holder.

The BSA is charged with improving standards, equity and confidence in Queensland's building industry.

We are here to help you comply with the requirements of the various Acts, policies and regulations that govern the industry and play an active role in educating contractors and consumers to help improve standards and support the industry.

We also have a role in ensuring a level playing field by taking action against unfair competition from unlicensed contractors, and contractors performing defective work.

If you need more information you can find it on our website at www.bsa.qld.gov.au or you can call us for the cost of a local call from anywhere in Queensland on **1300 272 272**.

We trust that the information we provide will be useful and assist you to achieve success as a BSA licensee.



Ian Jennings

General Manager

Building Services Authority

INTRODUCTION TO THE BSA

The Building Services Authority (BSA) regulates the Queensland building industry. We are a statutory authority established under the *Queensland Building Services Authority Act 1991* (QBSA Act).

Our charter is to regulate the building industry through:

- ❑ licensing contractors
- ❑ educating contractors about their legal rights and responsibilities
- ❑ educating consumers about their rights and obligations
- ❑ handling disputes fairly and equitably
- ❑ protecting homeowners against loss through the Queensland Home Warranty Scheme
- ❑ implementing and enforcing legislative reforms and, where necessary, prosecuting people not complying with the law.

We licence builders and trade contractors, including specialist trades such as fire protection, landscaping, pest control and building design.

CONTRACTOR AND CONSUMER ADVICE

We provide information, publications, contracts and advice to contractors and consumers throughout Queensland. This assistance is provided through:

- ❑ our statewide toll-free number 1300 272 272
- ❑ customer service centres in all BSA offices
- ❑ our website - www.bsa.qld.gov.au
- ❑ media releases and articles
- ❑ fact sheets and booklets
- ❑ DVDs
- ❑ seminars throughout Queensland
- ❑ participation in trade and industry shows.

Our customer service officers can provide information ranging from licensing advice, including licence checks and details about licence holders, through to information about the Queensland Home Warranty Scheme and BSA's dispute resolution procedures.

LICENSING

All builders, building designers and most trade contractors must be licensed to carry out building work under the QBSA Act.

To obtain a BSA licence, certain financial, experience, technical and managerial standards have to be met. We are responsible for assessing licence applications, issuing licences, and ensuring that licensees continue to meet the required standards.

QUEENSLAND HOME WARRANTY SCHEME

All BSA licensees who perform eligible work over \$3,300 (including GST) must pay a Queensland Home Warranty Scheme premium when working directly for consumers. There is more information on this scheme later in this booklet and in our brochure 'Insurable Residential Construction Work'.

The only exceptions are licensees working as subcontractors for a principal contractor, or working for a person who holds an Owner Builder Permit. The Queensland Home Warranty Scheme does not cover Owner Builders.

DISPUTE RESOLUTION

At the BSA we have a Resolution Services Division that provides information and assistance for consumers and contractors in disputes over defective or incomplete building work. We are not there to represent a particular party. Instead, we aim to work with both consumers and contractors to resolve building problems.

CONTRACTS

We offer a range of BSA-produced plain-English contracts that cover all types of domestic building work and comply with the relevant legislation. We also offer sub-contracts. BSA contracts include:

- ❑ the *Major Works Contract* – a comprehensive kit recommended for large projects valued at over \$40,000, including those involving designated stages for the construction of an entire home
- ❑ the *Minor Works Contract* is suitable for renovations and extensions valued between \$3,300 and approximately \$40,000.

NOTE: These contracts come with all the necessary supporting documentation including Contract Information Statements, General Conditions and a full range of forms to help you implement the contract (e.g. forms for progress payment and extension of time claims, and for recording defects, variations, etc.).

- ❑ The one-page *Contract for Small Building Projects* – a simple document recommended for conveniently recording the essential details of smaller renovation and repair projects valued up to \$3,300.

Copies of all these contracts are available for free download from our website or for purchase from your nearest BSA office.

YOUR LICENCE, YOUR RESPONSIBILITIES

FINANCIAL REQUIREMENTS FOR LICENSING

A licence will only be granted if you meet our financial requirements. The aims of these requirements are to ensure BSA licensees are financially viable, and to improve business practice in the building industry. This will help protect licensees, sub-contractors, homeowners and others from financial loss. You must satisfy our financial requirements at all times to obtain and retain your BSA licence.

We will advise you of your Allowable Annual Turnover (AAT). If at any time your actual annual turnover exceeds your AAT by 10% or more, you **MUST** notify us and seek written approval. If this happens, you may have to give us updated financial documentation.

Your licence may be suspended or cancelled if you do not give us updated financial information when requested.

OCCUPATIONAL LICENCES

There are two types of occupational licences:

1. **BSA Fire Protection Occupational Licence** –

Any person carrying out or supervising fire protection work requires a BSA fire protection occupational licence from 1 January 2011. For individuals who currently hold a contractor or nominee supervisor's licence, for the relevant fire protection work, you will not need to hold a BSA fire protection occupational licence as well. For companies which currently hold a fire protection contractor's licence, all persons carrying out work on behalf of the company must hold either a contractor, nominee supervisor or fire protection occupational licence to carry out fire protection work. There are some exceptional circumstances provided under the QBSA Act where a person may carry out fire protection work under another occupational licence or authorisation without holding a BSA fire protection occupational licence. For further information in relation to fire protection occupational licensing requirements please refer to our booklet 'Fire Occupational Licensing'.

2. **Other occupational licences** – these are issued by other organisations and government departments such as: the Plumbing Industry Council; Department of Employment, Economic Development and Innovation (Division of Mines and Energy); Electrical Safety Office; and Queensland Health.

If you hold a licence in Plumbing, Drainage, Gas Fitting or Termite Management Chemical, your BSA licence is subject to you holding the appropriate occupational licence at all times. For example:

- ❑ if you hold a BSA Plumbing and/or Drainage licence, you are also required to hold an occupational licence with the Plumbing Industry Council

- ❑ licensees holding a BSA Gas Fitting licence must also hold a licence with the Division of Mines and Energy
- ❑ if you hold a BSA Termite Management Chemical licence you must also hold a licence issued by Queensland Health.

Your BSA licence will be suspended or cancelled if you do not hold a current occupational licence. Therefore you need to ensure your occupational licence is always valid.

CHANGE OF ADDRESS

If you change your address or any of your personal contact details, you **MUST** notify us within 14 days of the change.

You can change your address with us by calling 1300 272 272, emailing updatemydetails@bsa.qld.gov.au, or submitting the 'Change of particulars' form.

All correspondence from us to you is sent to the postal address you last gave to us and is deemed to be served under the QBSA Act.

If you do not notify us of your change of contact details, you may not receive correspondence such as your annual renewal notice and you risk having your licence suspended or cancelled.

NOMINEE CHANGES

Nominee

Every company needs a licensed nominee, who is the company's technical expert and is responsible for ensuring adequate supervision on site.

If you are a nominee for a licensed company and you wish to withdraw as nominee for the company, you **MUST** complete and return to us a 'Nominee Form'. When this form is received, we will update the company licence details to show you are no longer the nominee. By notifying us that you are no longer nominee for the company, you relinquish your responsibility as nominee. This will ensure you cannot be held responsible for work performed by the company after that date.

Company

If a company ceases to have a nominee or changes its nominee, the company **MUST** complete and return the 'Company Nominee Form' to us within 14 days.

If a company does not have a nominee for more than 28 days, it risks suspension or cancellation of its licence.

Further, if after the 28 days have elapsed the company continues to carry out building work or undertakes to carry out building work without a nominee, the company and each of its directors commit an offence.

The maximum penalty for this offence is \$25,000.

If a company fails to inform us of a new nominee, the company also risks prosecution under Section 55 of the

QBSA Act, for which the maximum penalty is \$2,000.

ENGAGING OTHER TRADES

If you hold a trade contractor licence (e.g. Carpentry, Painting, Waterproofing, etc.) you can only engage other contractors to perform the same work as your licence class allows. For example, a carpenter can only engage other carpenters.

Builders with the BSA licences listed below can engage any appropriately licensed trade contractor:

- Builder Low Rise
- Builder Medium Rise
- Builder Open
- Builder Restricted to Kitchen, Bathroom and Laundry Installation
- Builder Restricted to Shopfitting
- Builder Restricted to Structural Landscaping
- Builder Restricted to Swimming Pool Construction
- Builder Restricted to Special Structures.



It is an offence for a builder to engage an unlicensed trade contractor, and they must therefore ensure all direct sub-contractors on their sites are licensed.

Engaging an unlicensed trade contractor to perform building work may result in us initiating prosecution under Section 51B of the QBSA Act. The maximum penalty is \$8,000 for a first offence, \$12,000 for a second offence, and \$16,000 for third and subsequent offences.

Sub-trade contractors are not required to hold a BSA licence. A sub-trade contractor is one who contracts only with a licensed trade contractor and never a builder or consumer. A sub-trade contractor can only perform work within the scope of the licensed contractor.

RENEWING YOUR LICENCE

To maintain your BSA licence you must renew it every year. The renewal due date is the anniversary date of when your licence was first issued.

HOW WILL I KNOW WHEN MY RENEWAL IS DUE?

The expiry date is shown on your BSA licence card. One month before your licence renewal is due, we will send you a renewal notice advising you of your renewal date. You have until 4.30pm on your renewal due date to pay the renewal fee and provide the required financial information. It is critical you keep your address details up to date with us so you do not miss your renewal letter and risk having your licence suspended or cancelled.

WHAT WILL HAPPEN IF I DON'T RENEW ON TIME?

If you do not renew your licence by the renewal due date, your licence may be suspended. Suspension prohibits you from carrying out or undertaking to carry out any building work. This includes signing building contracts, providing quotes or tenders, or completing work already in progress. Continuing to do any of these activities while your licence is suspended may result in prosecution.

If your licence is suspended for three months or more, it may be cancelled. If your licence is cancelled, you will have to reapply and satisfy all BSA licensing requirements at that time. You should therefore ensure you renew your licence each year by the due date.

WHAT DO I NEED TO PROVIDE TO RENEW MY BSA LICENCE?

To renew your licence you need to pay the annual fee and provide financial information that satisfies our financial requirements. If your turnover is more than \$300,000 per year, you will have to provide an Independent Review Report or Audit Report from your accountant every year. If you hold a supervisor grade licence you only need to pay the annual fee.

HOW CAN I RENEW?

The renewal notice will advise you of the amount payable. There are a number of options available to renew your licence:

BSA PhonePay - 1300 272 272

PhonePay is a quick and easy service that allows you to renew your licence over the phone. Ring 1300 272 272 and give your licence number, renewal number, nominated turnover and credit card or direct debit details (if previously arranged).

If your anticipated annual turnover for the next licence year is higher than \$300,000 you can pay your fee using PhonePay. However, you will still be required to provide a financial report completed by your accountant by the due date to renew your licence

by post

mail your payment, completed renewal form and financial documentation (if applicable) to GPO Box 5099 Brisbane QLD 4001

in person

visit your nearest BSA office and provide payment, the completed renewal form and financial information to a customer service officer.

WHEN WILL I GET MY NEW LICENCE?

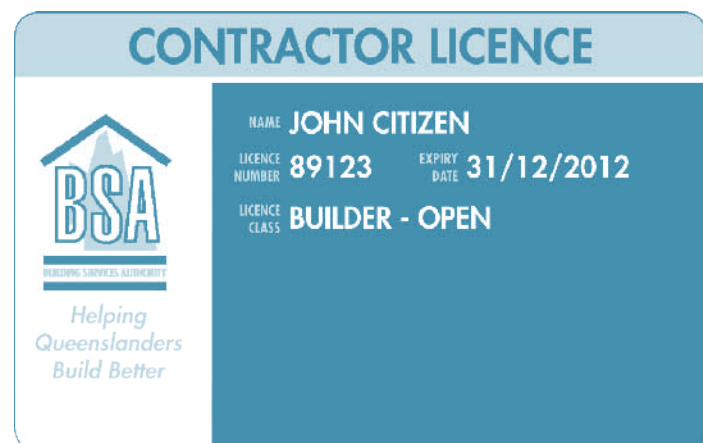
When your licence renewal is completed, we will send you a letter confirming the approval and your Allowable Annual Turnover for the year ahead. Your licence card will be sent to you approximately three weeks later.

BSA LICENCE CARDS

Your BSA licence card comes with certain important legal obligations you should be aware of.

WHAT IS THE LICENCE?

A BSA licence is issued to authorise a licensee to carry out and/or supervise a certain class of building work.



When your licence application is approved, we issue a licence of the appropriate class(es). The licence is in the form of a card. It states:

- licensee's name
- licence number
- the class of building work the licensee is entitled to perform
- the grade of licence held, and
- any restrictions that may be applicable to the licence.

Your BSA licence is your entitlement to operate legally as a builder, certifier, trade contractor, supervisor, fire protection practitioner or building designer in Queensland. As you are responsible for any building work performed under contract with your licence, you should ensure you are the only person using your licence.

PENALTY FOR LICENCE LENDING

The improper use of a licence card, certificate, number or PhonePay PIN is an offence under Section 51 (1) of the QBSA Act which may result in the BSA initiating prosecution action, for which the maximum penalty is \$25,000.

WHAT IF MY LICENCE CARD IS STOLEN OR LOST?

You should immediately notify us in writing so the card can be revoked. Additional or replacement licence cards will attract a small fee.

WHAT IS REQUIRED IF MY LICENCE IS CANCELLED?

The legislation requires you to return any previously issued licence cards to us within 14 days of receiving notice of the cancellation.

PENALTY FOR NOT COMPLYING

A person who fails, without reasonable excuse, to return their licence card after it has been cancelled commits an offence under Section 53(1) of the QBSA Act which will result in us initiating prosecution action. The maximum penalty is \$8,000.

ADVERTISING AND SIGNS

Advertising, including on-site signs, is a valuable tool for attracting new business. Your signs and advertisements, however, must meet legal requirements under the QBSA Act.

WHAT IS AN ADVERTISEMENT?

The definition of an advertisement under the QBSA Act and the associated Regulation is very broad and includes spoken words (e.g. television or radio advertisements) as well as printed material. For example, advertisements would include but are not limited to:

- Yellow Pages advertisements
- advertisements on the side of a vehicle
- newspaper advertisements, and
- radio/television advertisements.

ADVERTISING REQUIREMENTS

A licensee who publishes or causes to be published any advertisement in connection with their business must ensure that the advertisement:

- contains the licensee's name
- states that the contractor is licensed under the QBSA Act and states their licence number
- includes the licensee's licence details (e.g. John Smith, QBSA Act Licence No. 00000) in an easily legible and reasonably prominent form (for printed material), and
- clearly states the licensee's licence details (for spoken material).

WARNING!

You must not use a BSA logo in any advertising.

PENALTY FOR NON-COMPLIANT ADVERTISING

You may be prosecuted for not complying with advertising legal requirements. The maximum penalty is \$3,500.

EXAMPLES OF COMPLIANT SIGNS

Individual

<p>Joseph Brown Kitchen Renovations Call 0400 000 000 QBSA Act Licence No: 00000</p>

A Company

<p>ABC Construction Pty Ltd We service all Brisbane suburbs Call 1300 000 000 QBSA Act Licence No: 00000</p>

Business Name

<p>Jim's Roofing Licensee: James Cooper Call: 0400 000 000 QBSA Act Licence No: 00000</p>
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Business Name

<p>X & Z Builders Pty Ltd Trading as: X & Z Builders Call 3000 0000 for a quote QBSA Act Licence No: 00000</p>

ON-SITE SIGNS

If you are the principal contractor on a site, you must exhibit a sign on any building site for which you are responsible. You must ensure that the sign:

- is made of weatherproof materials
- has a surface area of no less than 0.5m²
- is printed in letters no less than 50mm high
- contains the name under which you are licensed as a contractor under the QBSA Act and the number of your contractor's licence
- is exhibited at a prominent position on the building site, and
- can be easily read from the nearest street alignment.

PENALTY FOR NON-COMPLIANT SIGNAGE

You may be prosecuted for failing to erect a sign that complies with the legislation. The maximum penalty is \$2,000.

SUBCONTRACTOR SITE SIGN REQUIREMENTS

If you are acting as a subcontractor on a site, you are not required by law to exhibit a sign on the site. If you do choose to erect a sign, it must comply with the advertising requirements (see above).

CONTRACT REQUIREMENTS

In Queensland, written contracts are required for almost all types and sizes of building projects. Two pieces of legislation, the *Domestic Building Contracts Act 2000* (DBC Act) and the *Queensland Building Services Authority Act 1991* (QBSA Act), set out the details which must be included in the contract documents.

Essentially, it is the nature of the building work to be performed (domestic or commercial), and who you will be doing it for (i.e. dealing directly with the homeowner or subcontracting to a principal contractor), that determine which legislation applies and the format of the contract to be used. It is very important that you understand your contractual obligations and use appropriate contract documentation. Failure to do so may result in costly disputes and leave you exposed to the risk of prosecution, contract termination and loss of revenue.

FOR DOMESTIC BUILDING WORK CONTRACTED DIRECTLY WITH THE HOMEOWNER

If the contract price for the work (including labour, materials and GST) exceeds \$3,300, the contractor must use a written contract signed by both parties which complies with the requirements of the DBC Act.

Below are some of the key DBC Act provisions relating to domestic building work:

- ❑ there are limits to the size of deposit you can take. You cannot exceed these limits, even if the homeowner agrees. The limits are a maximum deposit of 10 per cent for work valued at less than \$20,000, and 5 per cent for work valued at \$20,000 or more. There are also provisions regarding progress and completion payments
- ❑ where relevant and required for the work, you must promptly give the homeowner 'foundations data' (e.g. soil tests and contour surveys), certificates of inspection, and other contract-related documents.
- ❑ when calculating the finish date or the time required to carry out the contracted work, you must make reasonable allowances in the contract for certain types of delays (e.g. inclement weather, non-working days, etc.) where there is a reasonable likelihood that the delays may affect the time required to carry out the work
- ❑ you must give a BSA-approved Contract Information Statement and a signed copy of the contract to the homeowner within five business days of entering the contract
- ❑ there is a "cooling-off" period of five business days to protect homeowners against high pressure salesmanship (**NOTE:** The homeowner must give written notice and pay certain costs to the

contractor if they intend to withdraw under the cooling-off provisions)

- ❑ variations must be recorded in writing and approved by the owner before work commences (unless the variation work must be carried out urgently and it is not practicable to document it beforehand), and work must commence before payment is sought.

A Cost Plus Contract is unlawful unless it is necessary to carry out some of the work before a lump sum price can be given, e.g. rectification of termite damage where the contractor needs to remove plasterboard to determine the extent of work required.

IS A QUOTE ACCEPTABLE AS A CONTRACT?

A quote is acceptable for jobs valued at \$3,300 or less. A quote is not acceptable for domestic building work with a contract price of more than \$3,300 and performed directly for the homeowner. You must use a DBC Act-compliant contract for this type of work. You can only use a quote for this type of work if it satisfies all the DBC Act requirements, and is signed by the homeowner.

Using a quote or other non-compliant documentation may lead to prosecution and lead to financial loss if a homeowner is aware of the legislation and refuses to pay at the end of the job. We are aware of a number of contractors who have experienced financial difficulties as a direct result of using incorrect contract documentation.

FURTHER INFORMATION ON THE DBC ACT

For more information, refer to our booklet 'Domestic Building Contracts Act 2000 – What Contractors Need To Know', and our Fact Sheet 'Contract Checklist' on our website www.bsa.qld.gov.au under Builders/Contractors > Your Responsibilities > What contract?

FOR COMMERCIAL OR DOMESTIC BUILDING WORK PERFORMED AS A SUBCONTRACTOR TO THE BUILDER

The DBC Act requirements referred to above do not apply if you have no direct contractual arrangement with a homeowner (i.e. either because the work is commercial or because you are working on a home as a subcontractor dealing directly with the builder, not the homeowner). Instead, Part 4A of the QBSA Act applies. The contractual requirements relating to commercial work or subcontractual arrangements are much less detailed than those applying to domestic building work.

Below are some key QBSA Act provisions relating to commercial contracts and subcontracts:

- ❑ a written contract is needed whenever the work requires a licence (i.e. generally for work exceeding \$3,300 in value, although pest control, plumbing and draining, gas fitting and electrical work of any value must be covered by a written contract)
- ❑ the obligation to have a written contract that complies with the legislation rests with both parties – the head contractor and the subcontractor
- ❑ the contract must include the scope of the contracted work, the contractor's name and licence number, the cost and payment arrangements, any agreement about retentions or securities, the completion date, and the address of the site where the work is to be carried out
- ❑ you must record in writing any directions given under the contract.



FURTHER INFORMATION ON COMMERCIAL CONTRACTS AND SUBCONTRACTS

For more information, refer to the booklet 'Contractual Obligations, Demerit Points and Bans' on our website www.bsa.qld.gov.au under Builders/Contractors > Your Responsibilities > What contract?

HOW TO MEET YOUR CONTRACTUAL REQUIREMENTS

The easiest way to satisfy the legal requirements is to use a contract that has already been developed by the BSA or one of the major industry associations.

NOTE: We offer standard sub-contracts. Major industry associations also produce sub-contracts. When deciding which contract to use, you should compare them to see if they meet your particular needs. We also sell a range of BSA-produced domestic building

contracts, with full supporting documentation, suitable for all types and sizes of building projects. See the section 'Introduction to BSA' in this booklet or our website www.bsa.qld.gov.au > Publications and Products > Contracts and Associated Docs for more details.

Alternatively, you may develop your own contract that is tailor-made to your individual requirements. If you choose this option, however, it is essential you seek legal advice to ensure your documentation is completely compliant with the relevant legislation. Inappropriate or incomplete documentation greatly increases the risk of disputes and may expose you to fines or prosecution for breaches of the DBC Act or QBSA Act and, in some cases, to losses due to an inability to fully enforce your demands for payment.

'PERIOD SUBCONTRACTS' AND 'WORK ORDERS'

During the course of your work as a subcontractor in the building industry you may use or be asked to use these documents. So what are 'period contracts' and 'work orders'?

A **period contract** is a contract developed by a head contractor to cover repetitive work of the same type (e.g. plumbing, carpentry, etc.) performed by subcontractors at a range of locations over an extended period (e.g. tiling performed at many houses or units over a 12 month period by one contractor).

A **work order** is issued by the head contractor and gives details of an individual job to be performed by a subcontractor under a period contract. The period contract and work order, read together, must contain all the items required under Part 4A of the QBSA Act. Some items will be in one document (e.g. the specific location of individual jobs will be in the work order), while other details will be contained in the other document (e.g. the pay rate, say \$60 per hour, will probably be set out in the period contract).

If you are uncertain about your rights and obligations under a period contract or work order, or you are seeking to develop these documents for your own regular use as a head contractor, you should obtain legal advice.

BUILDING AND CONSTRUCTION INDUSTRY PAYMENTS ACT 2004 (BCIPA)

The BCIPA provides an alternative for contractors, subcontractors, consultants and suppliers in Queensland to obtain payment for construction work or the supply of related goods or services.

Using the BCIPA means costly and lengthy disputes over payment or the unreasonable withholding of payments are far less likely to occur.

The booklet 'BCIPA Adjudication Information Kit' is available from BSA offices and the Building and Construction Industry Payments Agency website at www.bcipa.qld.gov.au

QUEENSLAND HOME WARRANTY SCHEME

As previously stated, all BSA licensees who perform eligible work over \$3,300 (including GST) must take out cover under the Queensland Home Warranty Scheme when working directly for consumers.

Any BSA licensee who carries out work covered by the scheme directly for a consumer must pay a Home Warranty premium, not just house builders.

The only exceptions are licensees working as subcontractors for a principal contractor, or working for a person who holds an owner-builder permit for the relevant construction.

In most cases, any building work with a contract value in excess of \$3,300 will require the payment of a Queensland Home Warranty Scheme premium. To find out if your job should be covered, read the brochure 'Insurable Residential Construction Work' on our website, obtain one from your nearest BSA office, or call 1300 272 272.

HOW DO I PAY HOME WARRANTY PREMIUMS?

PhonePay

The fastest and easiest way to pay premiums is to use your phone. No paperwork is required!

The PhonePay service for paying home warranty premiums and licence renewals operates 7am to 5pm Monday to Friday.

To access PhonePay you will need two things:

- your BSA licence number
- a PIN (like the one you get from your bank)

If you don't already have a PIN or you have lost or forgotten your PIN, please call our Customer Contact Centre on 1300 272 272. We will post you a new PIN within 24 hours.

Once you have your BSA licence and PIN you can call the PhonePay service and take out the required cover within minutes.

You can set up a direct debit facility by calling our Customer Contact Centre.

In Person

You can pay your premium in person at any BSA office. See the back page for office locations. It can take up to seven working days for premiums paid by this method to be processed.

Information Required For Home Warranty Cover

You will need to give our customer service operators the following information:

- the real property description of the site i.e. lot, plan type and number
- full site address
- advise whether it is new construction or an alteration and/or addition to an existing building
- description of the works
- owner's name, phone number and address
- the full value of the works
- the date of the contract

The premium must be paid immediately. This can be done via credit card (Visa or Mastercard) or a pre-arranged direct debit.

ISSUING THE POLICY

If you use PhonePay, once your information is received and premium received, a policy will be issued to the owner by post within 24 hours and a receipt (confirmation of cover) issued to you immediately.

This confirmation of cover can be faxed to your nominated person, such as a certifier, to allow the approval of plans. Issue of a confirmation of cover will generally occur within 30 minutes of your call.

If you choose to arrange cover by mail or in person please allow up to seven working days for processing.

The BSA must also be advised of variations to the contract sum using the same method by which you took out the original cover.

Each month we will issue you with a statement showing details of all home warranty transactions you have made. This statement can be used for preparing your Business Activity Statement.

Remember, if you have any questions please phone 1300 272 272.



BUSINESS MANAGEMENT

Running your business well is just as important as performing your job well. We offer the following tips for running a successful business.

FORM POSITIVE RELATIONSHIPS WITH CLIENTS

Client satisfaction and positive customer relationships are key factors in a successful business. A good measure of client satisfaction is referrals to family and friends. If your past clients are happy with your work, most of your jobs will come through referrals.

Successful businesspeople form a positive relationship with their clients and keep them informed during the construction process. It is a good idea to meet with the customer regularly during the construction process and inspections should be arranged at the completion of each stage.

KEEP APPROPRIATE PAPERWORK

Keeping appropriate paperwork in line with all the requirements of the *Domestic Building Contracts Act 2000* also assists in running a successful business. Successful BSA licensees will discuss, at the quote stage, the full details of work their client requires and try to give their client a fixed price. They will also ensure they have an appropriate contract in place and that any variations to the contract are agreed upon by both parties and are recorded in writing. They also make sure there is a payment schedule, contract information statement and cooling off period in place.

COMMUNICATE EFFECTIVELY

The most successful BSA licensees give their clients information first-hand and allow clients to talk about the building project with the on-site supervisor. This means their concerns can be discussed openly, thus reducing the potential for disputes further down the track.

BE REALISTIC

When successful business people make a promise to a client, they keep it. They are mindful, however, not to give the client a higher expectation on a project than they can deliver. For example, builders will sometimes promise high-quality work will be completed by the

completion date. Owners often interpret this to mean perfect-quality work that will be completed on time no matter what - even if it has been raining steadily for the past two weeks of the contract. Misunderstandings can leave an owner disappointed and unhappy.

To run a successful business, you should always be realistic when quoting for jobs and drawing up timelines. During building booms, successful business people take into account shortages in qualified tradespeople and allow for this in their construction timelines. Some may even close their books to new work when they discover they cannot start projects for more than 12 months.

SURROUND YOURSELF WITH GOOD STAFF

Good business people realise they are only as good as the staff they employ and will surround themselves with competent, committed, professional people who share the company ideals. The most successful BSA licensees say good staff are found through a comprehensive interview process which includes an extensive referee check. Job satisfaction and a healthy salary help to retain good staff.

MONITOR COMPANY FINANCES CLOSELY

Keeping a close eye on company finances is also a factor that makes some BSA licensees a cut above the rest. Watch your cost control and cash flow. Some builders believe their business is going well because their staff are signing up new contracts and the work under construction is on time. Not allowing for price increases, overheads etc. reduces their profit margin which can lead to problems with cash flow down the track.

COMPLY WITH CURRENT STANDARDS AND LEGISLATION

It is essential to keep up with legislation and Australian Standards and ensure that you and your staff comply with all necessary requirements. We run educational shows and seminars across Queensland that can help keep you up to date with new legislation, standards and regulations. Visit our website for more information.

The image shows a collage of financial documents. The primary document is a Balance Sheet with the following key figures:

Category	Value
Total Income	\$139,000
Equity	\$593,000
Debt up capital	\$10,000
Capital profits reserve	\$11,000
Dividends	\$2,000
Current year earnings	\$4,000
Previous year earnings	\$4,000
TOTAL EQUITY/CAPITAL DEFICIENCY	(\$16,800)
CURRENT ASSETS	\$583,500
CURRENT LIABILITIES	\$481,300
TOTAL NON-CURRENT ASSETS	\$149,000
TOTAL NON-CURRENT LIABILITIES	\$32,000
TOTAL ASSETS LESS LIABILITIES	\$205,000

Other documents visible include a Profit and Loss Statement showing a net profit before tax of \$212,000 and a Loan Schedule listing various loans such as 'Loan - excavator' for \$278,000 and 'Loan - Toyota truck' for \$200,000.

CUSTOMER COMPLAINTS

Dealing efficiently with customer complaints is an essential part of a successful business.

Customers have every right to complain when contracted work is left incomplete or not done in a competent manner. Professional contractors quickly respond to customer complaints as a top priority. In doing so, you will keep your client satisfied, as well as save time and money.

IF YOU RECEIVED A COMPLAINT TODAY, HOW WOULD YOU DEAL WITH IT?

A customer complaint can work to your advantage and end up being an opportunity to turn your dissatisfied customer into an advertisement for your business. Plan ahead so you can respond immediately to customer complaints.

Here is a suggested step-by-step guide to handling a customer complaint:

- 1. Take time to deal with the complaint when it first comes in** – that way you will get to the heart of the matter quickly and you're more likely to satisfy the customer. Sometimes professional reassurance is all that is needed. Remember, they are (usually) not experts in building matters.
- 2. Stay calm.** See things from the customer's point of view. The customer must be dissatisfied for some reason, even if you think they are wrong. If you respond in an aggressive manner, the matter will only get worse. Consider what other issues may have initiated the complaint.
- 3. Identify the problem.** Listen to what the customer is saying, and make sure you understand. Ask what they expect you to do, and then write it down with as much detail as possible.
- 4. Decide what can be done.** Even when the complaint may be unjustified, it may be worthwhile trying to make the customer happy to keep their business. A simple explanation may be all that is required. Sometimes it may be worth 'walking the extra mile', and doing more than you feel you need or are obliged to do for the customer. Perhaps you could arrange a second opinion to confirm your view. In some instances this second opinion may actually show things you were not aware of.
- 5. Keep a record.** If you write everything down, there will be less chance of misunderstanding in the future. Many contractual disputes arise because there is nothing in writing, or if there is, the details are ambiguous.
- 6. Fix the problem.** Tell the customer what solution you can offer and make sure they understand you. If the customer accepts this, act straight away to resolve the matter quickly and efficiently.

Don't be afraid of complaints. For each customer whose complaint you handle well, most will become loyal and recommend you to many other potential customers. A systematic approach will help you maintain and increase your business.

WHY YOU SHOULD ACT QUICKLY TO RESOLVE COMPLAINTS

Improved relations with your clients

The moment you act to resolve the problem, you show your customer and potential customers that you care about their concerns and the standard of your work.

Even if you believe that talking to your customer will not solve the problem, it is beneficial to telephone your customer and discuss the matter. In doing so, you remind the customer that you are willing to take positive action to solve the problem. Taking this step early in the process eases tensions, laying the foundation for positive negotiations during the dispute resolution process, should the matter proceed that far.

We have found that many complaints arise because of misunderstandings when owners and contractors do not communicate with each other about problems, contract variations and other important matters. Many problems are resolved simply through talking and listening to your customer.

When discussing the problem with your customer, seek to clearly identify the expectation of the customer. Try to reach an agreement so that the customer understands that the problem will be fixed/completed to an acceptable standard within an agreed time.

If you believe the complaint is not justified, or the customer's expectations are at odds with the specification for the work, you should sit down with your customer and calmly explain the situation.

Improved community relations and business opportunities

By acting quickly to resolve the problem, you will improve the public's perception of your business and the building industry. You will also increase your business opportunities if you can avoid becoming involved in on going disputes. Act quickly to resolve your complaint and you will open up business opportunities which might otherwise be jeopardised.

CUSTOMER COMPLAINTS - DOs AND DON'Ts

- DO try to understand your customer's point of view
- DO record complaints, both verbal and written
- DO what you have agreed to and act promptly
- DO use complaints positively to avoid a repeat of the problem in the future
- DO NOT make unrealistic promises
- DO NOT rely on verbal commitments.

BUILDING DISPUTES

If a customer complaint cannot be resolved, the customer may complain to the BSA. We have a role in preventing building disputes through educating builders, trade contractors, building designers and consumers.

While we succeed in resolving more than 90 per cent of disputes without recourse to the Queensland Civil and Administrative Tribunal (QCAT), a lack of documentation, particularly regarding variations, continues to undermine efficient dispute resolution. It is essential that contractors and consumers properly record agreements, obligations and responsibilities to avoid confusion and minimise the likelihood of long and costly disputes.

WHAT CAUSES DISPUTES?

Disputes between builders, trade contractors, building designers and consumers occur for many reasons, including:

- inaccurate or incomplete documentation
- poor communication
- unsatisfactory work
- delays, and
- lack of knowledge of building practices.

HOW TO AVOID DISPUTES

As a builder, trade contractor or building designer you should ensure that:

- your BSA licence is current and appropriate for the work to be done
- a full description of the proposed work, the time this work will take and a detailed schedule of the costs involved should be given to the consumer in writing
- any discussions about variations (such as price changes) are fully documented and given to the consumer
- all parties understand their responsibilities as well as their rights
- a contract is duly signed, and
- homeowners are given a copy of the relevant Contract Information Statement and foundations data (if required) at the appropriate time.

DISPUTE RESOLUTION

We provide an equitable and effective dispute resolution service for disputes between BSA licensees and consumers concerning building defects.

When a consumer's attempts for an amicable solution with their building contractor break down, they usually contact us for advice. The consumer is advised to take the following steps:

- convey their concerns in writing to their building contractor, giving them a reasonable time (say, 14 days) to rectify the defective work
- if the problem can't be resolved, the consumer is then advised to complete a Residential and Commercial Construction Work Complaint Form
- the licensee will then be forwarded a copy of the items of concern listed in the complaint form and a letter asking them to respond to us about the complaint
- even after the complaint form has been completed, we negotiate with both parties to resolve the dispute prior to a site inspection by our technical representative.

Where a satisfactory outcome cannot be reached through negotiation, we can help at the site inspection by:

- determining responsibility for defects, and
- directing the contractor to rectify any defects or complete the works.

If the contractor is required to rectify defects, a time frame is set in which the work is to be performed. In some cases, an extension of time may be necessary. Any extension is subject to our approval.

QUEENSLAND CIVIL AND ADMINISTRATIVE TRIBUNAL (QCAT)

Where our determinations are not agreed to, licensed builders, trade contractors and subcontractors, building designers and consumers are all entitled to take domestic building disputes to the QCAT.

The QCAT provides cost-effective dispute resolution, particularly for domestic building disputes of a contractual nature.

More information on the QCAT's procedure can be obtained by calling 1300 753 228 or from the QCAT website at www.qcat.qld.gov.au



DEBT RECOVERY SYSTEM

It is important licensees understand how the Queensland Home Warranty Scheme works, what happens if we pay out a claim on work you have performed, and what you should do if we seek to recover money from you.

For us to maintain a viable and effective Home Warranty Scheme, it must recover debts from the party at fault. In 2009-10 we maintained a high level of recoveries collecting \$2.79 million.

The Home Warranty Scheme exists to cover consumers against contractors who do not take responsibility for their work. Apart from claims paid under the "no fault" provision of the subsidence policy, the scheme does not protect licensees and gives no protection to a contractor for defective or incomplete work. The building contractor is not a beneficiary under the scheme and is legislatively and contractually responsible.

If a consumer makes a complaint about defective or incomplete work, we will investigate. If the work is found to be defective and the responsibility of the licensee, we will generally seek rectification of the defect by the licensee. If the licensee fails to rectify, the consumer may be entitled to a claim under the Home Warranty Scheme policy.

If we pay a claim, the money will be recovered from the building contractor who was at fault. Recovery deters licensees from ignoring their responsibility by holding them accountable for defective work they perform. This approach also helps uphold industry standards.

WHAT DEBTS DOES BSA RECOVER?

For every claim paid under the scheme, we determine from which party or parties recovery may be sought.

BSA recovers:

- claims paid by the Queensland Home Warranty Scheme
- the amount of QCAT disciplinary orders
- Magistrates Court fines
- legal costs orders, and
- overdue Home Warranty Scheme premiums.

In the case of company debts, we can hold the company's directors and former directors liable for the debts of the company (pursuant to s111C of the QBSA Act). This becomes necessary when the company becomes insolvent, and allows us to recover funds from the directors.

WHAT HAPPENS IF I DON'T FOLLOW A 'DIRECTION' OR PAY A DEBT?

In the majority of cases we attempt, through request and then official 'direction', to have the responsible contractor rectify or complete the work.

If the contractor fails to comply with the direction to rectify or complete the work, the matter is then considered as a claim under the Queensland Home Warranty Scheme.

If we pay a claim and determine the building contractor is responsible, we will give the building contractor a notice of demand seeking payment. If this is ignored, we may commence legal proceedings through the QCAT or the courts. While this allows the parties an opportunity for their "day in court", it can also be a costly and stressful process for everybody concerned.

Once a judgment ordering payment to the BSA has been made, a number of enforcement options are available if payment is not forthcoming, including demerit points and bankruptcy proceedings which can result in a BSA licence being cancelled.

The following case shows how ignoring a direction from us can hurt you:

Mr Contractor was found to have caused defects and was directed to rectify them within 28 days. Mr Contractor failed to rectify, the matter became a warranty claim and we paid \$4,700 to have the defect rectified. \$4,700 was the more economical of two quotations provided by contractors to rectify the work.

Mr Contractor ignored our letter of demand for payment of the \$4,700 and during a subsequent telephone call Mr Contractor alleged he could have completed the work for less than \$4,700. This was not a defence as Mr Contractor had ignored his opportunity to fix the defect.

Mr Contractor refused to pay the claim, so we commenced legal action and obtained court judgment for \$5,800 including \$1,100 in legal costs and interest. Mr Contractor finally realised he faced the prospects of bankruptcy and licence suspension and paid the full amount of \$5,800. If he had rectified the defect at the outset, he most likely could have done the work for less money and less stress. Not only is he out of pocket, but the judgment debt also appears on his credit history and may affect his chances of obtaining future credit.

WHAT SHOULD YOU DO IF WE SEEK RECOVERY FOR AN INSURANCE CLAIM FROM YOU?

Do whatever you can to avoid being in this situation. If we issue you with a direction, rectify the defects within the specified time or seek a review of the decision in the QCAT. The worst thing you can do is ignore the direction.

If you are the subject of a recovery action, contact us to discuss your options. Ignoring a letter of demand can make things worse for you.

Be open and honest about your financial situation. If you honestly believe you cannot afford to pay the claim, we will ask you for a detailed account of your financial status.

Seek financial or legal advice from a qualified professional where necessary. Often an accounting or legal professional will provide you with logical options.

Don't become another statistic. If you are involved in a dispute with us, deal with the issue - don't ignore it. It will not go away and the cost to you will escalate as the matter progresses.

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