

## XXX House (Residents) Limited

### Presentation for APPG for EBE Inquiry into Quality of New Build Housing in England session on 23 November 2015

1. Mr Jeronimus and I represent the lessees who are also the freeholders of a block of ten flats on three floors. With the exception of one disabled resident, all are pensioners who have downsized from larger properties.
2. We understand that your committee has copy of our email of 10<sup>th</sup> November. From the list of defects you can see that our building has leaked at both ends: rainwater through the roof and groundwater in the lift shaft pit.
3. In 2004 the builder sold our ten luxury flats for an average price of £489,000 giving a total sale price of approximately £5 million. During the first ten years the cost of rectifying defects has been well in excess of £80,000.
4. We will now give you a short summary of the reasons for the defects and conclude with our recommendations on what measures should be introduced to improve build quality, particularly of retirement flats.
5. The four reasons for the defects were:
  - 1) Poor workmanship.
  - 2) An apparent lack of day-to-day site quality control.
  - 3) Change of specification from a guaranteed product.
  - 4) Miss-assignment of the National House-Building Council's Buildmark policy.

Neither Guildford Borough Council's Building Control Department nor the builder has been forthcoming on whether a suitably qualified full-time site inspector was employed for the duration of construction. Spot checks without day-to-day monitoring are inadequate. For this reason the Building Regulations Completion Certificates as issued by local councils Building Control departments are all worthless as a measure of build quality.

6. In 2004 the NHBC had 89% market share of the building defect insurance market. We believe that this dominant market position and NHBC's close relationship with the building industry has been a major influence on current building standards. Here is why:

- a) The builder is only responsible for rectification work within the first two years. In the years 3 to 10 the NHBC is responsible. This does the opposite of promoting long-term quality and is a disincentive for the builder to apply high-tech innovative branded products with a guaranteed life span. Unfortunately a guaranteed and architect specified product can be replaced with another as long as the builder can show that his product meets building regulations!
- b) In 2004 the NHBC Buildmark policy excluded cover for features such as flat roof coverings because of the high failure rate. Unknown to us the builder

replaced the architect's specified branded 12-year guaranteed flat roof covering with an unknown brand. The roof failed after less than 7 years. Our new roof has a guarantee of 20 years at a cost to us £44,572. In effect the NHBC premiums paid by the builder were kept low and the NHBC market share kept up at the expense of the homebuyer.

c) Why do builders and the NHBC collude to assign Buildmark insurance policies to flat buyers as a separate transaction after the lease has been signed and sealed? In our case the leases expressly appointed a separate company with responsibility for the management and maintenance of the estate including the responsibility for insuring the building. In effect the party with the professional competence to examine the suitability and deficiencies of the Buildmark policy with regard to a building structure is denied this responsibility. The NHBC has ignored our request to explain this anomaly. The Financial Ombudsman Service writes to say that the issue of assignment is outside their remit. We say the FOS is a toothless tiger and unfit for purpose. Of the 17 defects listed in our schedule 12 are in common areas and account for £79,600 in rectification costs.

Based on our experience we suggest the following 5 measures should be introduced:

1. It should be a legal requirement for building projects over a certain value and/or a minimum number of living units to have a qualified inspector on site on a day-to-day basis for the duration of the build.
2. All insurance policies for building defects should make the builder responsible for defects occurring during the first 5 years after completion. Where products with guarantees have been specified by the architect the builder must assign the guarantee to the freeholder or estate management company.
3. The practice of builders substituting specified branded products with others, even though the latter meets building regulations, should be banned unless the architect/civil engineer agrees in writing to the change.
4. The current practice of assigning building defect insurance policies to lessees instead of the freeholder or estate management company should be made illegal. This is particularly relevant to blocks of flats.
5. The Financial Ombudsman Service remit should be revised to include control over assignment of insurance policies.