

Rort claim on builder insurance

DESPERATE homeowners have begged the State Government to overhaul building insurance laws, claiming most builders' warranties are a sham that offer no protection when major defects are discovered.

One in six Victorians paying for home building and renovations meet problems, most of them related to unfair and unlawful trading practices.

But although government agencies can inspect shoddy work and force builders to fix problems, they rarely do so, instead advising owners to pursue builders through the Victorian Civil and Administrative Tribunal, where cases can drag on for years, with legal costs of more than \$100,000.

One owner says VCAT warned her efforts to force her builder to fix major defects could take years, with costs so high that, even if she won, she might lose her house to pay them.

Owners have called on Premier Ted Baillieu, who while in Opposition described insurance cover for building consumers as "next to useless", to match Queensland's compulsory insurance scheme that allows homeowners to claim from an insurance company, which then pursues builders.

Phil Dwyer, head of pressure group the Builders Collective of Australia, said consumers had better warranty protection buying a \$30 toaster than they did for a \$300,000 house.

"It's a gigantic scam," he said.

"People pay for insurance and get a policy, but it's absolutely worthless.

GRAEME HAMMOND

Once there are problems, people have nowhere to go."

Building insurance is compulsory for domestic constructions in Victoria, but Victorian law allows payouts for defective work only when builders die, disappear or become insolvent.

Anne Paten, whose dispute with builders over her "mess" of a house in Strathmore has dragged on for five years without resolution, said an entire industry had developed to feed off the misery of homeowners.

Lawyers demand \$80,000 up front to fight builders and building consultants charge \$400 an hour to inspect houses and \$20,000 to provide a written report so cases can go through VCAT.

The insurance industry and Housing Industry Association also reap profits from a system that benefits few of its customers. In the six years to 2008, insurers collected almost \$90 million in building warranty premiums, but received only 1300 claims, of which more than 70 per cent were rejected.

Gil King, executive director of HIA Victoria, said the number of owners experiencing major problems was small. He said the problem was not with insurance, but a tangled consumer protection system that bounced owners between the Building Commission, Building Advice and Conciliation Victoria, Consumer Affairs and VCAT.