

ICW Consumer Code for New Homes

Desktop Audit 14th December 2023

Background information

International Construction Warranties Limited (ICW) was incorporated in 2015. The business provides structural defect warranties for the construction industry. ICW is an appointed representative of ES Risks Ltd which is authorised and regulated by the Financial Conduct Authority.

ICW achieved Stage 2 approval for their Consumer Code in October 2016. Every builder or developer who takes out an ICW structural warranty policy must sign up to the Code. The Code is applicable to all homes where the ICW structural warranty policy was issued on or after 1st October 2015.

Audit Process

The focus of the audit was on

- Member Application Process
- New members
- Existing member Inspections/Audits
- Membership Withdrawal and Sanctions for Non-Compliant Member Businesses
- Marketing and Advertising by Member Businesses
- Terms and Conditions and Other Pre-Contractual Information

Member Application Process

A request for cover is received usually via the ICW website. All applications for ICW Warranty cover are entered onto the system and are reviewed by the underwriting team. ICW undertake their 'know your customer checks' to establish the risk to the business.

An interim quote is offered, subject to acceptance of Code obligations. There are standard acceptance measures to satisfy the underwriter's criteria. This includes accounts history, build experience etc to establish the applicants 'bona fides'.

The underwriting team seek to establish the applicant's integrity and competence as a builder by validating them via the Federation of Master Builders website.

Financial creditworthiness is also an important part of the application process, anyone who has been bankrupt is unlikely to be accepted. For each new application, the financial due diligence is repeated.

The Smart Search system used provides ICW regular updates highlighting any issues, changes in directors or changes in risk status throughout the relationship with the member. The ICW team also refer to the website of the Health and Safety Executive to review records of prosecutions.

There have been 1220 applications since the last audit. Two new member applications were reviewed during the audit. Each showed evidence that the above checks were made.

Best Practice:

ICW continue to invest considerable time and resources to ensure the integrity and competence of their applicants, consequently enhancing consumer protection.

New Members

Builders and/or developers subscribe to the scheme rather than becoming members. It is a condition of getting warranty cover that builders/developers sign up to the Code and ICW requires re-subscription each time the builder/developer requests additional insurance cover. Many developers are repeat business or have been subscribers to other building warranty codes e.g. NHBC.

ICW directly employ a team of 35 surveyors and have a number of self-employed subcontracted surveyors who visit each new build site at least seven times and ensure the quality of the build at each stage. These inspections start with an initial overview visit for the surveyor to familiarise themselves with the plans for the build and develop a relationship with the developer. The first visit also confirms the developers' understanding of the Code its' benefits and obligations.

Any key issues are identified including any need for training on the Code, which would be addressed before any new homes are marketed. The surveyors have a prompt in their reporting systems to ask developers about where they display the ICW & CTSI logos. Developers are reminded again at the last stage of the inspection process of the requirements of the Code.

Existing Member Inspections/Audit

Each build is subject to a rigorous inspection regime by an ICW surveyor (who all have relevant construction qualifications) who visits each site seven times during the project, four times for conversions e.g. office blocks converted to flats, barn conversions. Every unit within each build is inspected. There is a final visit to sign-off the build and enable the new home insurance certificate to be issued. Each surveyor uses an electronic pad to photograph and record key stages of the build. The surveyors have quarterly meetings and an annual conference. ICW surveyors and staff visit each site to ensure that the mandatory Code literature is available for buyers of properties.

The reports also cover certification from Building Control, Electrical Safety, Gas Safety, Energy Performance and Engineers Report. Any issues that remain unresolved may be excluded from warranty cover. Any such exclusions are highlighted in the deeds of the property and will be raised by the buyers solicitor in the course of the property purchase.

A digital training package was launched in early 2023 alongside the ICW Learning and Development programme which will centralise the training process and provide real time and accurate audit data for ICW. This will ensure that an open, timely, auditable

and effective communication channel is open between ICW and the builders/developers and their staff.

The Consumer Standards Director for ICW has carried out a schedule of site visits across the UK to sites that have on-site sales offices. An audit and review of the operation of the Code along with an assessment of the builders/developer's knowledge and understanding of the Code is carried out.

It was originally planned that the ICW Consumer Standards Director would visit sites across the UK which have a sales office, to audit and review the operation, knowledge and understanding of the code. The findings were to be part of the annual review.

A single site visit was carried out but it has been decided that auditing is now to be predominantly remote.

Recommendation

A new auditing programme has been implemented and this should be further developed and documented. A combination of on-site, online and desktop is typical in this sector.

Membership Withdrawal & Sanctions for Non-Compliant Member Businesses

ICW Code members do not leave, they remain members of the ICW Structural Warranty Register for the life of the warranty. The warranty lasts 10 years in total and is transferable if the buyer sells the property.

The Code provides for a Disciplinary and Sanctions Panel to be convened if necessary. The panel consists of two insurance professionals, a Trading Standards professional, a Construction industry professional, and a Surveyor or Engineer (e.g. RICS). The Disciplinary and Sanctions Panel is empowered to consider any allegations of a breach of the ICW Code.

Any non-compliant business faces a range of sanctions including a requirement to re-train, a formal warning or a refusal by ICW to issue the final Insurance certificate. Ultimately suspension, termination, legal action against the builder for breach of the Code and notifying other relevant warranty providers.

Marketing and Advertising by Member Businesses

ICW members are provided with copies of the 'ICW Consumer Code for New Homes' and a practical guide called 'Getting to Know Your New Home'. These documents are clearly marked with the ICW & CTSI Approved Code logo.

The use of the ICW logo in sales offices is included in the audits by the Consumer Standards Director.

Terms and Conditions and other Pre-Contractual Information

The Code requires that terms and conditions and any pre-contractual information be supplied for assessment. These are reviewed by ICW and any issues addressed with the builder/developer.

To date no examples of non-compliance have been identified.

Customer Service Provisions

ICW have developed and rolled out a training programme in relation to the content and requirements of the Consumer Code for all ICW staff and ICW developers. A pool of online training materials is available for developers.

Consumer Complaints Process

ICW use a complaint flowchart. To date, in 2023, 310 complaints were received. The main areas for complaints are snagging and deposits. A 'snag' is a small defect or issue that remains outstanding in a new property after building work has been completed. ICW have recently implemented a new snagging list. The builder/developer is responsible for snagging for the first two years after practical completion.

A Claims Team has been established under the control of the Claims Manager. The team take all complaints & enquiries and steer homeowners in the right direction for how to best resolve their issue. Complaints and warranty claims can be logged on the ICW Website and will be responded to within 48 hours. The team follow a policy of ensuring that every complaint is touched at least every 30 days to ensure they are efficiently resolved.

ICW now use CEDR (Centre for Effective Dispute Resolution) for ADR services. There have been 60 cases referred to CEDR, to date in 2023.

Below is a breakdown of complaints received in 2023. ICW highlight an increased number of complaints and believe that this is due to the recent increase in property sales and post covid building boom.

Total No of Notifications - 1215
Related to Consumer Code - 310

Type of Complaint	Total No	Stage 1	Stage 2
Snagging	307	247	60
Pre-Sale/Reservation Agreement	3	3	0

Stage 1 - Resolved prior to ADR
Stage 2 - ICW refer case for ADR

In addition, two developers were internally sanctioned during 2023 with a further case adjourned.

Customer Satisfaction and Feedback

ICW surveyors visit each site to ensure that the mandatory literature is available for buyers of properties. On site surveys are conducted for compliance with membership rules and promotion of the Code. All members were found to be in possession of the ICW literature required by the Code.

A new process has been recently launched where a link/QR code is shown on the Change of Details form. This is supplied to the home buyer with the ICW warranty certificate and is completed by the home-owner upon purchase of the property. This will take them to a SurveyMonkey survey. Results are yet to be evaluated

Conclusion

The code is well written, comprehensive and fully complies with the requirements of the CCAS Consumer Codes Approval Scheme.

ICW continue to evolve their monitoring systems, recently introducing a new route for the home-owner to leave feedback.