

The ICW Consumer Code for Homebuilders

Audit June 2019

Background information

International Construction Warranties Limited (ICW) was incorporated in 2015. The business provides indemnity insurance for residential and commercial buildings. Approximately 40% of current business falls within the scope of the code. ICW is authorised and regulated by the Financial Conduct Authority.

ICW achieved stage 2 approval for their Consumer Code in October 2016. New clients who are deemed to fall within the scope of the code have to sign up to the scheme if they wish to be provided with Insurance cover. The code is applicable to all structural warranty policies issued on or after October 2015 when the buyer has made a complaint to the builder within 24 months of completion.

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. ICW undertake 'know your customer checks' and establishes the risk to their business. An interim quote is offered but subject to acceptance of Code obligations. This includes accounts history experience etc to establish the applicants 'bona fides'.

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

New Members

Builders and/or Developers effectively subscribe to the scheme as opposed to becoming Members. They sign up to the code and all of its provisions as without that 'sign up' they will not get cover from ICW. ICW requires them to re-subscribe each time the client receives a quote for insurance cover. All clients are either repeat business or have been subscribers to other building warranty codes eg NHBC.

ICW will visit each site at least 5 times to ensure the quality of the build at all stages. These inspections provide an opportunity to check that certain criteria of the Code are met. However dependent on the outcome of those visits up to ten visits may be made to check that remedial work has been carried out. At all of those visits Code compliance will be verified.

The initial inspection by the technical team will be followed by a visit from one of the partners or Code Administrator. This visit provides an opportunity to develop a rapport with the client but to also confirm their understanding of the Consumer Code where its benefits and obligations are explained as part of the sign up process. The initial visit also identify any key issues including the need for training on the Code that may need to be addressed before the new homes are marketed.

There have been approximately 1200 new applicants in the preceding 12 months.

The sponsor provided an electronic copy of two new member completed applications which were checked by the auditor. Each showed evidence that the above checks were made.

An on line training protocol is being developed and intended to be launched in Q3 of 2019 which will centralise the training process and provide real time and accurate data for ICE management. This will ensure that an open, timely, auditable and effective communication channel is opened between ICW and builders and their staff.

Existing Member Inspections/Audit

Each build is subject a minimum of four visits by an ICW surveyor (who all have relevant construction qualifications) .Each surveyor has an electronic pad to photograph and record key stages of the build. There is a final visit to 'sign off' the build and enable the 'new home insurance certificate' to be issued. There are currently 14 salaried surveyors.

The sponsor was asked to supply five of the most recently completed audit sheets for members electronically .The sponsor has indicated that no audit sheets exist as such, but there is a draft set of questions that are intended to be used as an online self-assessment questionnaire which will be monitored and is intended to ensure that home builders have read and understood the code. The surveyors will have the

questionnaire as an application on their electronic pads and can go through the questionnaire on site with home builders.

The sponsor provided one example of a final sign off by an ICW surveyor in the form of a New Build Technical Audit Report Stage 4. The report covers insulation, drainage, sealing on doors, windows and other openings, health and safety, condition of glazing, testing of smoke alarms and gas appliances and any outstanding actions to be completed before sign off. The report also covers certification from Building Control, Electrical Safety, Gas Safety, Energy Performance and Engineers Report.

The Consumer Code is a compliance requirement as part of the purchase of a construction warranty. Experience to date shows that the code is operating effectively together with requirement for builders. to address any minor issues within the first two years after purchase.

Membership Withdrawal and Sanctions for Non- Compliant Member Businesses

As such ICW Code members do not leave in so far as they remain members of the ICW structural warranty register for the life of the warranty which is transferable.

The code provides for a Disciplinary and Sanctions Panel to be convened consisting of two. Insurance professionals, a Trading Standards professional, a Construction industry professional, and a Surveyor or Engineer (eg RICS).

The Disciplinary and Sanctions Panel is empowered to consider any allegations of a breach of the ICW consumer code.

Non-compliant businesses face a range of sanctions including re- training, formal warning, requirement to re-train, 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.

No compliance issues have needed to be addressed by the Panel, but procedures are in place to deal with them if they occur.

There has been no requirement for the disciplinary process to be actioned.

Marketing and Advertising by Member Businesses

Members are provided with copies of the 'ICW Consumer Code for New Homes and a practical guide 'getting to know your new home'. The codes are clearly marked with the CTSI Approved code logo

Terms and Conditions and other Pre-Contractual Information

The Code requires that terms and conditions and pre contractual information must be supplied for assessment. These are reviewed by ICW and any issues addressed with the builder. Each member of the code is allocated dedicated member of ICW who manages their account. They have their personal mobile number and have 24/7 access for any queries.

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

Customer Service Provisions

ICW has employed a full-time trainer who has developed a virtual training platform to help all members train their staff on all elements of the code including customer services Provisions. Quarterly 'training' bulletins are sent out to members via email.

Builders have access to a learning package with multiple choice self- assessment question. Face to face training at appropriate locations is still offered.

All new members are given copies of the 'ICW Consumer Code for New Homes' the 'Home Buyers Guide Getting to Know Your New Home' and 'ICW Sompo Canopius Policy Document Residential Warranty' UK. All documents bore their version number to ensure document control.

Consumer Complaints Process

The complaints' process for the ICW code was examined. A complaint flowchart has been produced which is very comprehensive but detailed. ICW intends to simplify their process and revise the flowchart accordingly.

In 2018 there were 31 complaints received. The main areas for complaints concerned snagging and deposits.

With respect to snagging the builder is responsible for the first two years after practical completion. It was noted that only one complaint was referred to stage 3 ICW Independent Dispute Resolution Process.

ICW has indicated that deposits remain an area of concern as they have no control over the process. ICW have raised a submission with CTSI regarding this matter.

ICW has contracted with The Property Ombudsman for ADR services. This will move to a new organisation who has applied to CTSI to become an approved ADR provider.

Customer Satisfaction and Feedback

ICW surveyors and staff 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 requisite ICW literature.

Recommendations

- 1. Customer Satisfaction and Feedback-** ICW has acknowledged this is a challenging area as there is no direct contact with home buyers. However ICW should give consideration within the next 12 month period to introducing postal surveys and/or questionnaires for home buyers.
- 2. Changes to the Code-** ICW should give priority within the next 12 month period to a formal review of the code to make liability for issues clearer for home buyers within the first two years and the following eight years of warranty cover. This would make it clearer when the home buyer should contact the builder and when responsibility passes to the ICW.
- 3. Evaluation of the Code-** ICW should ensure that the on line training package described in the annual report is introduced within the stated timescale.

Conclusion

International Construction Warranties Limited is broadly fulfilling its obligations as a code sponsor and its membership is compliant with the Consumer Codes Approval's Scheme core criteria and the ICW Consumer Code.

The IPW responded positively to all queries raised. Overall this is a well-run and effectively managed code of practice and with the introduction of the auditors recommendations will improve the operation of the code.