

## The ICW Consumer Code for Homebuilders

### Audit December 2020

#### 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 1<sup>st</sup> 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**

Requests for cover are received usually via the ICW website. ICW then undertake 'Know Your Customer' checks to establish the risk profile of the applicant, this includes accounts, history, experience etc to establish the applicant's integrity and competence as a builder. An interim quote is offered which is subject to acceptance of Code obligations. Financial creditworthiness is an important part of the application process, anyone who has been bankrupt is unlikely to be accepted. The financial due diligence checks are repeated for each application for each new project.

## **New Members**

Builders and/or developers effectively 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. Mainly clients are repeat business or have been subscribers to other building warranty codes e.g. NHBC.

ICW now visits each new build site at least seven times and ensures the quality of the build at each stage. These inspections provide an opportunity to check that certain criteria of the Code are met. Also dependent on the outcome of the prescribed visits, further visits may be made to check that remedial work has been carried out.

For new members, the initial inspection by the technical team is followed by a visit from one of the partners or the Code Administrator. This visit provides an opportunity to develop a rapport with the client but to also confirm their understanding of the Code and its' benefits, and obligations are explained. The initial visit may also identify key issues including the need for training on the Code, which would need to be addressed before any new homes are marketed.

There have been approximately 8409 new applicants since the last audit.

Two new member applications were reviewed for the audit. Each showed evidence that the above checks were made.

An on-line training portal has been developed and is due to go live shortly. This will centralise training processes and provide real time and accurate audit data for ICE ICW management. This is intended to ensure that an open, timely, auditable and effective communication channel is opened between ICW, it's member builder/developers and their staff.

**Recommendation:**

The roll out and success of the training portal should be assessed and monitored throughout the next 12 months. This should be covered in the next CTSI Audit.

### **Existing Member Inspections/Audit**

Each build is subject to a rigorous inspection regime by an ICW surveyor (who all have relevant construction qualifications). Each surveyor uses 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. Each inspection is carried out by ICW salaried surveyors with self-employed subcontracted surveyors used where required.

It was planned that the Consumer Standards Director for ICW would carry 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 would be carried out. The findings were to be part of the annual review. However, due to the COVID-19 pandemic, this has not been carried out as it constitutes non-essential travel. It is hoped that these audits can commence early next year when restrictions are eased.

**Recommendation:**

The results of these visits should be covered in the next CTSI Audit.

The auditor was provided with an examples of audit reports by ICW surveyors in the form of a New Build Technical Audit Report Stages 1, 2, 3 & 4. Also, Conversion/Rebuild Technical Reports - Initial, Intermediate and Completion. The reports cover insulation, drainage, sealing on doors, windows and other openings, health and safety, condition of glazing, testing of smoke alarms, gas appliances etc and list any outstanding actions to be completed before full sign-off. The reports also cover certification from Building Control, Electrical Safety, Gas Safety, Energy Performance and Engineers Report.

## **Membership Withdrawal & Sanctions for Non-Compliant Member Businesses**

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. 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.

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 since the last audit.

## **Marketing and Advertising by Member Businesses**

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 CTSI Approved Code logo.

The use of the ICW logo in sales offices will be included in the audits by the Consumer Standards Director when they commence in 2021.

## **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 employs a full-time trainer and 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.

The online training package, which includes self-assessment questions, is about to be launched. Its effect will be evaluated by the Consumer Standards Director on his visits to sales offices in 2021.

## **Consumer Complaints Process**

The complaints process for the ICW Code was examined. A complaint flowchart is used. Since the last audit 294 complaints have been 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 drafted a new snagging list for implementation in due course. The builder/developer is responsible for snagging for the first two years after practical completion.

ICW currently use Clavey Consulting for ADR services.

## **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.

## **Conclusion**

A formal detailed review of the Code, the ICW Home Buyers Guide and associated documents had identified a number of areas where improvements could be made and there has been a rewrite of the Code and Home Buyers Guide. These were due to be signed off by ICW and sent for approval by CTSI, however the COVID-19 pandemic has delayed completion and work on this is scheduled to re-commence in January 2021.

Furthermore, the imminent appointment of a New Homes Ombudsman Service may impose a mandatory code on the builders of all new homes in the UK and the possibility of a mandatory snagging inspection checklist is also being considered.