

Thursday, April 10, 2008

ADVANCE BUILDING PAYMENTS CAN BE VERY RISKY

The State Government has warned South Australians about the risks of paying too much in advance for building or renovation projects.

Consumer Affairs Minister Jennifer Rankine today made the warning following a number of complaints to the Office of Consumer and Business Affairs (OCBA) from residents in the Port Augusta region.

The residents are at financial risk after paying large progress payments in advance for building work that has not been completed.

Minister Rankine today reminded South Australians that, by law, builders can only ask for a maximum deposit of \$1,000 for domestic building work contracts that exceed \$12,000 – along with costs to reimburse any third party for professional services.

Once the building work has begun, the builder should then only claim genuine progress payments for work that has actually been completed.

“Paying too much in advance is simply risky,” Minister Rankine said.

“If the company folds - or is slow to complete or start the next stage of the building project - then consumers can be left in the lurch.

“People who pay progress payments before the work is completed may also damage their legal entitlements.

“While building indemnity insurance has certain protections for consumers, generally, the insurance may not cover progress payments made in advance.”

Minister Rankine said smaller jobs costing less than \$12,000 should only require a deposit of 10 to 15 percent.

“Some people may genuinely think that paying more in advance results in quicker or better service,” she said.

“But paying more upfront just carries too many risks.”

Consumers who may be experiencing difficulty with a builder are encouraged to contact OCBA on 131 882 (local call cost) or for information visit www.ocba.sa.gov.au