

21 January 2019

Hon Mick de Brenni  
PO Box 2457  
Brisbane Q 4001  
E: [hpw@ministerial.qld.gov.au](mailto:hpw@ministerial.qld.gov.au)

Dear Minister

I am writing to draw your attention to a growing problem for many building contractors as a result of the tightening of housing finance practices and the timing for paying the QBCC's Home Warranty Insurance premiums.

Currently building contractors are required to pay Home Warranty Insurance premiums to the QBCC prior to the earlier of the following:

- 10 business days after the building contract date, or
- commencement of the building work.

This is now causing cash flow problems for contractors who are bearing a cost they are not liable for, often for extended periods (many months), and frequently for contracts that end up crashing.

Many consumers – particularly first home buyers and investors – do not have cash for the deposit. They rely on bank finance to pay the contractor the deposit.


The recent tightening of bank lending practices in the wake of the Royal Commission means that increasingly building contracts subject to finance are significantly delayed, or not proceeding at all. Delays of four months and more are commonplace.

Both of these events are having an impact on contractors. Where there is a delay in approving finance, contractors are carrying the cost of the HWI insurance premium. And where the building contract falls over due to lack of finance, the contractor has to apply to the QBCC for a refund.

We expect that housing finance will tighten further during 2019, exacerbating this problem for building contractors right across the state.

We are seeking your agreement to amend the *Queensland Building and Construction Commission Act* so that the Home Warranty Insurance premium must be paid prior to the earlier of the following:

- 5 business days after the consumer pays the deposit to the contractor, or
- commencement of the building work.



This will reduce the burden on the QBCC in refunding HWI premiums, as well as reducing the strain on contractors' cash flow. We are confident that this change will not have any additional impact on the risk to home owners.

If you or your office require any further information on this issue, please contact Paul Bidwell on 3225 6420.

Yours sincerely

Grant Galvin  
Chief Executive Officer

