



## SOLICITORS PURCHASING A RENOVATOR

Many people undertake renovations to a property in the hope of increasing their capital. Depending upon the type of improvements, you may be required to obtain approvals from the Local Council, the Building Services Authority and a number of other statutory authorities. Failure to obtain such approvals may allow a prospective purchaser to "wriggle out" of the contract at the last minute.

When a Solicitor does a conveyance it is rare that he personally inspects the property. All searches are done through the appropriate Government bodies and in the case of our firm also by answers to questionnaires which are answered by our client. These answers do not always reveal whether improvements have been effected in accordance with statutory approvals.

The only way to ascertain this is by means of a compliance search. A compliance search is not merely a building inspection but also an inspection of the plans of any improvements and alterations to see whether they comply with the Council records and requirements.

Various builders carry out building inspections but not all carry out compliance inspections.

Purchasers should be very careful to specifically instruct your builder what you want from them.

Similarly if you wish to have the property inspected for white ants and termites you should be aware this is separate from a Building or compliance inspection and that the inspectors have separate training and licensing requirements.

When selecting a building inspector, you should ensure that they carry a suitable "professional indemnity policy". The reason for this is self evident. If the builder omits to advise you properly and you suffer loss, then your claim against the builder is backed up by the insurance company's ability to pay rather than merely the builder who may be operating under a limited liability company and have no substantial assets.

The Building Services Authority ("BSA") provides that any improvements carried out by a non-registered builder or owner builder to a certain value may prevent the property from **even being legally offered for sale** unless certain approvals and disclosures are made.

The Building Services Authority also provides that where work is carried out by a registered builder to a value in excess of statutory threshold then the builder effects an insurance policy with the BSA which covers any damage you may suffer as a result of faulty workmanship or faulty materials. This insurance policy lasts for a period of 6 years and if the property is sold prior to that time the balance of the term of the insurance policy is transferred across to the new purchaser. It is therefore important to

ascertain when any improvements were done to the property and whether or if there is any residual term left on the insurance policy to be transferred.

When calculating the value the Act also includes a value for labour even if you have done the work yourself and not had to pay a labour component.

Obviously the Act does not provide for maintenance items such as painting but may include alterations to walls, foundations, heating, ventilation, water supply, drainage and sewerage. A lot of these items are also covered under the requirements of the local Council and you may need to obtain approval from both the Council and the BSA.

Because of the changes in the law over time the question of statutory approvals and the fulfilment of statutory requirements will often depend upon what improvements have been effected and when.

Undertaking any renovations or improvements it is always a good idea (even if doing the work yourself) to obtain a valuation on the property or at least a real estate agent's appraisal and calculate how much you will be spending on the improvements. You then need to ensure that the value of your improvements do not over capitalise the property given the area in which it is located.

Obviously the whole point of the exercise is not only to give you a better living environment but also to make a profit.

### INSPECTIONS AND SEARCHES MAY REVEAL THAT THE HOUSE THAT JACK BUILT IS REALLY "JERRY BUILT".

