

Home Renovation Fraud Tip Sheet

This tip sheet provides information on:

- How to choose a contractor
- The value of a detailed contract
- How to protect yourself from liens
- Your cancellation rights and contract requirements

Please note that this information is intended to provide general information and is not a substitute for legal advice.

How to choose a contractor

The best way to find a contractor to repair or renovate your home is through satisfied customers. Ask around. Have any of your friends or neighbours had similar work done? Were they happy with the work and the price? Check the work. Does it meet your standards? Ask the contractor for the names of customers in your area and see if you can look over the projects.

Describe the project in writing as completely as you can. Include the type and quality of materials you want. Give the same details to all prospective contractors, so they'll know what the job requires and be bidding on the same work.

Get written estimates from more than one business. An estimate should contain a description of the work to be done, the type and quality of materials to be used, the start and completion dates, the total price, guarantees and method of payment. An estimate is not a contract.

See “Working with prepaid contractors” on page five for how to find out if the company should be licensed and bonded.

Check tradespeople's qualifications. Ask to see the pocket certificates issued by Alberta Advanced Education and Technology.

Phone the Better Business Bureau. It keeps a record of complaints received against member contractors working in the area.

Beware! Avoid contractors who:

- Knock on the door to tell you they just happen to be doing some work in the area and can give you a "special price". Most problems relating to home renovations involve contractors who solicit contracts door-to-door.
- Promise a discount if you allow them to use your home "to advertise our work". They have probably made the same offer to everyone.
- Offer "lifetime" warranties that are only as good as the life of the company.
- Quote a price without seeing the job.
- Demand a large down payment "to buy materials". Most reputable contractors can maintain charge accounts with their suppliers.
- Refuse to give you a written contract outlining what they will do, or won't allow you to get other estimates.
- Only have a post office box for an address, a telephone answering number or the address of their answering service.

The value of a detailed contract

Verbal contracts can be difficult to prove so a written contract is best. In some cases the law says that the contract must be in writing and contain specific information. (See "Working with prepaid contractors")

Contracts for large home improvements can be complicated. If you're not sure of something in the contract, ask for an explanation. If you're still in doubt, take it to a lawyer.

The Lawyer Referral Service (call 403-228-1722 in Calgary or toll-free 1-800-661-1095 in the rest of Alberta) will give you the names of three lawyers. You may contact all three. There is no charge for the first half hour.

Once you sign a contract, it is legally binding – so read it carefully. Does it accurately describe the work to be done? It's important that you and the contractor agree on the exact job.

Any blank spaces on a printed form should be filled in with NA (not applicable) or NIL (nothing). Strike out anything you don't agree with, and make sure you and the contractor initial the change. You can also ask that the contract be rewritten.

Contract checklist

In addition to the information found in “Prepaid contract requirements”, renovation contracts should also include:

- A detailed description, with sketches if appropriate, of the work to be done. Write in the quality and type of materials to be used. Include all work that is being subcontracted, such as plumbing and wiring;
- Assurance that the contractor will get all necessary permits and that all work will be done according to local codes. Ensure that inspections by local authorities will be done at the proper times;
- A statement that the contractor is responsible for removing all debris as soon as construction is completed;
- A statement that the contractor will repair or replace property damaged during the work;
- A statement of all warranties, explaining what is covered, for how long and what will be done if problems arise;
- A statement of the contractor's public liability and property damage insurance;
- The contractor's Workers' Compensation Board number (if the contractor is not covered by the board, check with your insurance agent or broker to find out if your policy will cover any claims);
- A statement outlining any cancellation rights; and
- Signatures of you and the sales representative for the business.

Changing the contract

To protect you and the contractor, make sure changes to the contract have your written approval and a signed statement from the contractor, giving the extra cost (or reduction). If you are financing the work with a loan, find out if someone from the financial institution must approve the change.

Paying for the work

A down payment is seldom required on a routine home repair or improvement job. Even large projects are often done without a cash advance. If a down payment is required, make it as low as possible. Most small jobs take no more than a few days to do, so payment is usually made after the work is completed.

If your project is large, the contractor will likely ask you to make "interim" payments (made in between starting and completion dates). Make payments only for work that has been completed. Always keep back some money to ensure the work is completed to your satisfaction.

Avoid "progression" clauses that call for payments at specific times, no matter how much work has been done. You could be left with an unfinished job that's fully paid for.

Make sure you get a signed receipt for all payments. Paying by credit card may give you charge-back rights if work is not done.

How to protect yourself from liens

If a contractor does not pay his suppliers and subcontractors, they can place liens on your property. A lien is a notice that someone is claiming a right to be paid out of the value of a particular piece of property. If a lien is registered on your property, it will be difficult to mortgage or to sell your property until the lien is removed.

You can find out if a lien has been registered by checking your certificate of title at a registry agent. You can get copies of land title records for a fee.

Builders' Lien Act

You can protect yourself from a lien by using the provisions of the *Builder's Lien Act*. The Act requires you to hold back 10 per cent of the value of the work or materials supplied up to the time the payment is made. You should keep the holdback money for 45 days after the work has been completed, the materials have been received, or the contractor has given written notice stating the renovation is ready to use.

The holdback money is to be used to pay suppliers and workers who have registered liens. Before you make any payment, check your certificate of title to make sure no one has registered a lien. Talk with a lawyer for more information about the *Builders' Lien Act* and for advice if a lien is registered against your property.

When is the job complete?

Don't be in a hurry to declare a job complete! Wait until everything you have been promised has been done before making the final payment, signing a completion certification or any other document that releases the contractor from further responsibility.

If the contractor asks for immediate payment and assures you he will be back "in a few days to finish everything off", tell him his cheque will be ready then too.

If you have problems

No matter how much care you've taken in selecting a contractor and preparing a contract, things can go wrong.

If the completion date passes or it seems that the contractor has abandoned the job, send the contractor a registered letter. This letter should state when you expect to have the job completed, and that if that deadline is not met you will hire another contractor to complete the work with the money remaining from the original contract. Do this only after you have received an estimate from another contractor.

Many disagreements can be settled through discussion and compromise. If these don't work, you may have to take the contractor to court.

If you think some of the work is not up to Building Code standards, report it in writing to your municipal inspection department. If the work doesn't meet Code requirements, the contractor will have to correct it at his or her own expense.

The Better Business Bureau can help with some consumer complaints.

If a job was misrepresented, or the supplier defaulted on a prepaid contract, or if you suspect the business is not following the requirements of the *Fair Trading Act*, contact the Service Alberta Consumer Contact Centre toll-free at 1-877-427-4088 or online at www.servicealberta.ca

Working with prepaid contractors

Special regulations apply to contractors in Alberta if:

- They accept money before work is complete; and
- They look for work or discuss or finalize a contract away from their normal place of business – for example, in your home.

Contractors who carry out both practices must be licensed under the *Fair Trading Act*. They must also be bonded by a bonding company. You can find out if a contractor is licensed and bonded by contacting Service Alberta or by checking the Service Alberta website.

Prepaid contract requirements

If a prepaid contract is worth \$200 or more, the contractor is required by the Act and the regulation to give you a written contract. It must contain:

- Full names and addresses for yourself and the contractor and the name of the salesman if applicable;
- The company's telephone number and fax if applicable;
- The date and place of the contract;
- A detailed description of quality or type of materials to be used, and the services and work to be carried out under the contract with a price breakdown for all;
- The completion date of the services to be provided;
- A statement of your cancellation rights;
- The total price of the contract and the terms of payment;
- If the goods and/or services are to be provided later, the delivery date for the goods and the start date for the services as well as the date when all services will be completed and goods provided;
- Full credit disclosure including details about any security taken for payment; and
- Signatures of you and the sales representative for the business

See the “Contract checklist” for other information that should be included in your contract.

The contractor must give you a copy of the written contract at whichever time comes first:

- On or before the date the work begins; or
- Within 10 days after you sign the contract.

Your cancellation rights and the contract requirements

When a written contract has been solicited, agreed upon or signed at your home, the *Fair Trading Act* lets you cancel it without giving a reason. You must do so no later than 10 days after receiving your copy of the contract. Notice of cancellation is considered to be given on the date the letter was postmarked or delivered.

You can cancel a contract by any means as long as you can prove the date that you cancelled the contract. Ways to give notice include in person, by registered mail fax and courier. Keep a copy of your notice.

You can cancel the contract by sending or delivering the notice to the business or the salesperson at any address on the contract. If you don't know how to reach the supplier, contact Service Alberta.

You may keep goods delivered to you under the contract until the seller refunds your money or returns any trade-in you may have given as part of the sale. The seller must provide you with a full refund within 15 days of cancellation. You should then allow the seller to pick up the goods. The business should pick up the goods within 21 days of cancellation.

If the work started before the end of the 10-day cancellation period, you can still cancel the contract. However, the contractor can demand that you pay a reasonable amount for the work that was done up to the time you cancelled. The contractor must refund your money before the demand can be made.

Extended cancellation rights

Your cancellation rights can be extended for up to one year from the day the contract was signed if:

- The seller wasn't licensed when the contract was signed;
- The sales contract didn't include all the required information found in Section 35 of the *Fair Trading Act*, including the required cancellation statement;
- All the goods were not provided within 30 days of the delivery date specified in the contract or an amended date agreed to in writing by the buyer and seller;* and
- The services were not started within 30 days of the delivery specified in the contract, or an amended date agreed in to writing by the buyer and seller.*

*Note: If you accept delivery of the goods or authorize services after the 30-day period, you cannot cancel the contract.

For more information:

Service Alberta
Consumer Contact Centre
Toll-free: 1-877-427-4088
Edmonton: 780-427-4088
Web: www.servicealberta.ca

Alberta Seniors and Community Supports
Alberta Seniors Information Line
Toll-free in Alberta: 1-800-642-3853
Edmonton: (780) 427-7876
Web: www.seniors.gov.ab.ca