

## Industry calls for tighter rules on pre-purchase inspectors

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Professional groups associated with the building and real estate industries have called for stricter regulations for pre-purchase inspectors.

The Home Owners and Buyers Association (HOBANZ), the Real Estate Institute (REINZ) and the Royal Institute of Chartered Surveyors (RICS) are all recommending a mandatory standard to regulate building inspectors.

HOBANZ, REINZ and RICS have all said the current, voluntary NZS4306: 2005 standard is deficient and at the very least a mandatory standard requiring inspectors to have professional indemnity insurance is needed.

HOBANZ president Gray said the Department of Building and Housing had ignored recommendations that new regulations covering pre-purchase inspectors be included in new laws covering builders, Mr Gray said.

But the NZ Institute of Building Surveyors is not as convinced that regulations would help and the Department of Building and Housing has said regulating inspectors is not within its mandate.

In a letter to the department earlier this year, RICS recommended home inspectors carry professional indemnity insurance and be regulated by appropriate codes and disciplinary procedures.

"The feedback was the department would rather communicate to consumers the issues rather than prescribe an accreditation or enforce a standard on home inspectors and their inspections," RICS Oceania New Zealand manager Andrew Crosby said.

"We said this opens up potential problems for the sellers and buyers of real estate with overzealous inspection reports and also deficient reports [missing stuff], because there is no consistency in the quality of reports or the quality of the home inspectors/surveyors doing the reports. In RICS' view the public is not adequately protected."

But NZ Institute of Building Surveyors president Phillip O'Sullivan said the current standards were variable and he had seen good and bad.

One of the biggest problems with pre-purchase inspections in the residential market was liability under the Consumer Guarantees Act 1993 and the Weathertight Home Resolutions Services Act 2006.

### Potential liability problem

"It makes it from a risk/reward point really difficult for anyone who's good at their job to want to take it on because you cannot contract out of liability. For a fee of a few hundred dollars you end up with a potential liability of several hundred thousand dollars, so it doesn't make a lot of sense," Mr O'Sullivan said. "So the people who are good in that area will find other work which is more rewarding and less risky, so the gap is filled by people who are less capable and who are unaware of the risks they are taking on."

Making the NZS4306 standard mandatory would not solve the problem but the legislation itself needed to change, he said. He likened it to company auditors being liable only after gross negligence had been demonstrated.

"I don't think regulation in that area is particularly the answer. It's been very hard to get licensed building practitioners going, so I don't think the government has the appetite to go further. With all due respect they don't really have the skill set or the understanding of the problem."

REINZ was focused initially on assisting members with the issues that recommendations on pre-purchase inspections presented for its members as real estate licensees but had expanded its concerns to what issues with the reports meant for consumers, REINZ chief executive Helen O'Sullivan said.

"We are more focused on what the outcome should be for consumers, who need to be able to interpret and rely on these reports in making their purchase decisions and suggest that the detail of what the qualifications and standards should be should be set by specialists in this area."

"The department isn't responsible for licensing inspectors, as they are not carrying out building work as per the Building Act 2004. The reason for this is because the law does not require these types of inspections; they are a consumer protection measure prudent buyers can take up," a department spokeswoman said. The department was keen to ensure people made informed decisions on property purchases and that property inspectors were competent and compliant with standards and industry best practice. The department recommended buyers do background and referee checks on anyone they hired for pre-purchase inspection work, she said.

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