

Should I make an upfront payment to my builder?

Wednesday, 05 February 2014

A reader sent in the following query: Is it generally expected to make an upfront payment to a builder before he has started with construction?

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What is the normal building industry practice?

Les advises:

You have just stepped onto the first mine in the minefield that makes up all the bad parts of the building industry.

I have posted an article on "Paying your builder " on the site which you can read but to answer your question... here goes.

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As an architect, I only use builders who can fund a small portion of the work and then pay them for work that has been completed, ie. foundations, then floor slab level, then walls, etc. Work out a payment schedule with your builder whereby he will be paid once a particular stage is reached. Get your architect to guide you through this process otherwise your money could easily disappear into a big hole. Many small builders cannot operate without a deposit but there is an easy way of getting around that which will safeguard your money and keep your project on track.

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The first and probably most important point is that you should NEVER pay your builder in cash, not for anything or at any time or for any reason. Always pay money into his bank account. If he does not have one, then get another builder. If he has a bank account then he can be traced and you have a record of the flow of money.

The second point to realize is that he will be taking your money to purchase items that you could quite easily pay for yourself. If he asks for money to buy materials, simply ask him to tell you what he needs and who you need to pay to have it delivered and pay the supplier directly. If your builder requires money for wages, get the amount that he needs and pay it into his account in time for him to draw the money and pay his staff. If you have a rough payment arrangement and a schedule worked out with your builder before he starts with any work on site, then this will not be a difficult thing to do. If he is not able or willing to work out a payment schedule with you, then I would advise that you get another builder because you are more than likely heading for a disaster.

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I sincerely hope that you have a well detailed and properly priced quote and not a lump-sum quote from your builder. With a lump-sum quote, goodness knows what quality he will be giving you or what he will be charging for items like electrical work or plumbing or roof or any number of items. There is also an article on the site, "Your House Specification " which you can read.

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The last point is that you should only use builders who are prepared to sign a building contract with you. There is a very basic contract that you can get off the AAB website or you can contact the Master Builders Association in your area for one of theirs. Please don't engage any builder without a building contract in place between you.

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I could go on for ages. I hope that you don't mind the strong views that I have on the subject but 40 years in the building industry has taught me a few things and it is my only wish that you have a good building experience.Â If you have any questions or doubts regarding what you are being asked to do by your builder, please contact me again, even by phone if you wish to do that.