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New Build Warranties

Phil Robinson

I am proposing to buy a “newbuild” property and I have been told that as the house comes with a warranty, I don’t need to do a survey. Can you please explain the role of the warranty?

When a building company starts to build a new development, it is very common for them to engage a third-party company to provide a warranty scheme to offer to their buyers. This is commonly a company such as NHBC, although there are numerous companies which will provide this service to the construction industry. Ultimately the provider is insured by a reputable insurance company, who underwrite the policy.

These third-party insurers will work hand in hand with the builder to oversee the development as it is constructed and ultimately agree a warranty scheme with the builder, which they can offer to their buyers and any mortgage companies involved.

The third-party insurer will sometimes also take over the role of building control for the development from the council, and as part of their overall scheme sign off each property to confirm that it is building regulation compliant at the end of the build.

Ultimately the property can then be offered with a 10-year warranty against structural defects, which makes the property more appealing to a buyer and is often a mortgage condition imposed by their mortgage company. For the first 2 years the scheme normally includes all aspects of the build and then the remaining 8 years, provides insurance for structural defects.

However, whilst this does provide buyers and their mortgage providers with a safety net if defects are discovered in the future, it does not negate the overall need to have a trained surveyor review the property before you commit to buy. Ultimately it would be wise to discuss your proposed purchase with a surveyor before exchanging contracts and discuss with them what they would recommend.

I am buying a house which has been built by a smaller building company, who are offering an architect’s certificate instead of a newbuild warranty. Am I still protected against any future defects in the construction of the house?

Whilst the third-party insurance companies do normally offer a wide variety of new build warranty schemes, it is not always practical or financially viable for a builder constructing a smaller scheme to provide one.

In these instances, they will likely arrange with their architect for them to oversee the build and provide a certificate to confirm that the property has been constructed correctly and in accordance with the relevant planning and building regulation approvals.

This certificate is then backed by the individual architect’s professional indemnity insurance, usually for a period of either 6 or 10 years and again provides some recourse to a buyer if faults are discovered in the structure of the property during that period.

Ultimately as with the new build warranty it is effectively an insurance policy upon which you would be entitled to claim should future faults be discovered in the build, which the architects should have identified.

In respect of either a new build warranty or an architect’s certificate, it is important if you are using a mortgage to buy the house, that you check before exchange contracts that it is acceptable to your particular mortgage company.

