

Why contracts are valuable

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If you're a homeowner doing residential building work that will cost \$30,000 or more (including GST), you must have a written contract with your building contractor.



Video: Build It Right – consumer protection measures

Understand the information you should get from your contractor before you build or renovate.

Build It Right – consumer protection measures
[\(https://www.building.govt.nz/projects-and-consents/why-contracts-are-valuable/video-building-consumer-protection/\)](https://www.building.govt.nz/projects-and-consents/why-contracts-are-valuable/video-building-consumer-protection/)

We also recommend you have written contracts with everyone involved in your building work that you are paying directly. Even if the work costs less than \$30,000, it's a good idea to always have a written contract so that you are legally protected and know what you're paying for.

Each person you have a contract with must give you a checklist and disclosure statement if the work meets the \$30,000 threshold or you ask for this information. They must give it to you before you sign the contract and can be fined for not doing so.

If your main contractor is not arranging subcontractors, you will need to have a contract with any other contractors you employ for your project, such as plasterers or painters, if their work meets the \$30,000 threshold.

Design work is not considered building work in relation to the \$30,000 threshold, but you should have a contract with your design professional anyway, as this can be a significant cost.

You can read about [building work and residential building contracts \(http://www.legislation.govt.nz/act/public/2004/0072/latest/DLM6371109.html\)](http://www.legislation.govt.nz/act/public/2004/0072/latest/DLM6371109.html) (section 362B of the Building Act) on the New Zealand Legislation website.

Written contracts give clarity

A written contract protects you and sets out both parties' rights and obligations. It should help ensure the work is done according to your expectations and key matters are agreed before the work begins. Verbal and handshake agreements are also legally enforceable but there can be less certainty about what has been agreed.

A written contract is good for:

- confirming the price of the build
- setting out the roles of each contractor
- confirming any subcontractors
- setting start and finish dates for your work
- planning the payment schedule
- defining an acceptable quality of work

- detailing the materials and products used for your build
- confirming who pays for any council fees
- understanding what to do if there are defects
- detailing simple procedures for any disputes
- stating any ongoing maintenance work.

Consumer protection – disclosure and checklist (<https://www.building.govt.nz/projects-and-consents/why-contracts-are-valuable/consumer-protection-disclosure-and-checklist/>) has more information.

Your rights and obligations (<https://www.building.govt.nz/getting-started/your-rights-and-obligations/>) has information for homeowners and building professionals about quotes, contracts, implied warranties and how to identify defects.

The contract document

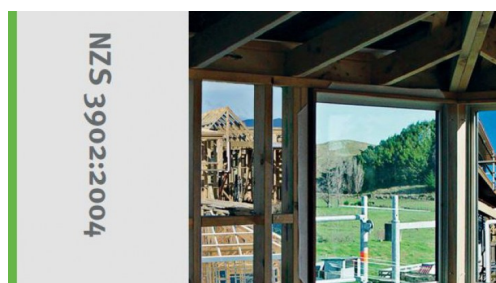
Most contractors will have their own form of contract which they adjust to your project's specifications. You never have to accept a contract straight away. You can negotiate and discuss any changes you would like.

We recommend you get a lawyer to look over the document before you sign it.

Contracts for your building project (<https://www.building.govt.nz/projects-and-consents/why-contracts-are-valuable/contracts-for-your-building-project/>) will help you understand what to put in each contract document.

NZS 3902:2004 – Housing, alterations and small buildings contract

This Standard is a 'plain English' standard building contract for use by property owners who want to engage someone to build their house or to undertake alterations or other building work of a simple nature. It is intended to be fair and clearly understood and sets out the rights and responsibilities for all parties.



New Zealand Standard NZS 3902:2004 Housing, alterations and small buildings contract

Download a free copy
(<https://www.standards.govt.nz/sponsored-standards/building-standards/nzs3902/>)

Types of contracts

There are three different types of contracts you can have with your builder. They are:

- full contract
- labour-only contract
- managed labour-only contract.

The payment terms and schedule are different in each contract. You can also arrange your own payment schedule with your builder. Ensure you include this in the contract you sign.

You may pay your main contractor or other tradespeople hourly, weekly, or for a fixed or set price. Make sure you understand and confirm the payment schedule in your contracts.

If your contract does not set out a payment schedule, the default provisions set out in the Building Act apply:

- At the end of each payment period the contractor can serve you with a payment claim. This must be in writing.
- Once you receive this, you can either pay the claimed amount before the due date (20 working days after service of the payment claim) or provide a payment schedule to the contractor.

Full contract

The builder becomes the 'main contractor' under a full contract, and project manages the whole building process. They may take care of:

- getting a building consent
- supplying and arranging all the building materials and products
- hiring subcontractors such as the plumber, electrician and tiler
- health and safety on site
- working with the architect or designer
- arranging council inspections and the necessary stages
- letting the council know if variations or amendments arise during building
- arranging for the final inspection and issue of the code compliance certificate
- anything else you discuss, agree on and include in the contract.

Under a full contract, the builder is responsible for the quality of their own work and their subcontractors' work. You are able to work with the builder to make decisions that may arise during the build.

Labour-only contract

You are responsible for project managing the whole building process yourself if you have labour-only contracts with the tradespeople you hire. The tradespeople will only be responsible for the trade you have hired them to complete.

Unless you have arranged for your designer to take on a project management role, you may be responsible for:

- getting building consent
- making sure the work meets Building Code requirements
- buying and managing materials, products and supplies
- finding and hiring other tradespeople you may need for the project
- health and safety on site
- arranging council inspections
- communicating any variations or amendments to the council.

Make sure the role of each tradesperson is clearly defined in any written contracts you may have with them. Each tradesperson you hire is still obligated to produce quality work.

If you fail to organise the building process, such as hiring subcontractors, buying materials and arranging building inspections, then each tradesperson may be held up. This can cost you and your tradespeople in the long run.

Managed labour-only contract

A managed labour-only contract means the builder takes care of the day-to-day management of the build. You can arrange for them to have additional responsibilities if they agree to it.

You or your builder may be responsible for:

- pricing the job

- getting consent
- organising materials, supplies and products
- hiring subcontractors
- arranging inspections
- communicating with the council.

You need to communicate about the roles you will each take on to avoid delays or failing to complete crucial stages of the building process.

Make sure you document each of your roles and responsibilities in the contract to avoid crucial stages of the build not being completed.

Contracts with subcontractors

You do not need to have contracts with your builder's subcontractors, but their names should be listed in the contract with your builder.

[Hiring subcontractors \(https://www.building.govt.nz/projects-and-consents/planning-a-successful-build/scope-and-design/choosing-the-right-people-for-your-type-of-building-work/hiring-subcontractors/\)](https://www.building.govt.nz/projects-and-consents/planning-a-successful-build/scope-and-design/choosing-the-right-people-for-your-type-of-building-work/hiring-subcontractors/) has more information.



New Zealand Government

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- with a Weathertight Services claim, it is published under section 12 of the Weathertight Homes Resolution Services Act 2006.