

WINEVVS

Residents furious after builder being pursued over combustible cladding goes into administration

By James Oaten

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PHOTO: Combustible cladding was discovered on the Anstey Square complex in Brunswick after a fire spread from one apartment to another in 2017. (ABC News)

Residents in apartments bound in combustible cladding fear they will have no option but to pay millions of dollars to make their homes safe again, after construction company Hickory placed its subsidiary, H Buildings, into voluntary administration.

H Buildings was facing up to 13 claims for rectification works in the Victorian Civil and Administrative Tribunal, four of which are cladding related, when it was placed into voluntary administration in August, administrators confirmed.

One of those claimants is a Brunswick apartment complex, Anstey Square, which was revealed to be wrapped in non-compliant combustible cladding after a faulty air conditioning unit sparked a fire that spread from one balcony to the one above in 2017.

Creditor documents show residents are seeking \$3.8 million from H Buildings for rectification works, which include costs to replace the combustible cladding, but residents have been told legal avenues for compensation are now virtually gone.

Key points:

- A major Melbourne building company facing millions of dollars in claims for combustible cladding has gone bust
 - Residents in Brunswick were seeking millions of dollars from H Buildings to remove cladding that's been deemed dangerous
 - Apartment owners are refinancing their home loans to meet the cost of repairs
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"I'm feeling quite hopeless," resident Andy White said.

"Extremely frustrated and very anxious because we're having to come up with significant sums of money in a hurry."

Residents in the apartment complex were already dealing with skyrocketing insurance costs after the cladding was identified as non-compliant.



PHOTO: Andy White has been financially crippled by the combustible cladding on his apartment. (ABC News: James Oaten)

The latest news has forced Mr White to put his business plans on hold indefinitely, while others in the apartment block are refinancing their home loans.

"We're on the property ladder and all of a sudden the rung that we're on has been broken," Mr White said.

"It was by no fault of our own that that rung of the ladder has broken.

"Owners are left saying, 'Great, I've got no money, I've got no life, and I can't sell.'"

Remedial costs could reach tens of millions

London's Grenfell tower disaster, where 72 people died after fire rapidly spread through combustible cladding, forced the Victorian Government to commission a statewide audit.

So far, around 100 apartments have been ordered to remove the potentially dangerous material.

The Victorian Building Authority has identified about 45 high-risk apartments.

H Buildings is the first major builder to go into administration since the audit.

Documents show residents in an apartment complex in Stawall Street, Richmond, are seeking \$15 million for rectification works, while a Torquay owners corporation is also seeking \$15 million.



PHOTO: The Grenfell Tower fire in London was the catalyst for a statewide Victorian audit for combustible cladding. (Reuters: Toby Melville)

Building inspection company Roscon has identified other H Building apartments that require cladding rectification works, but have not progressed to VCAT.

"We're working on between five and 10 buildings at the moment," said Sahil Bhasin, the national general manager of Roscon.

"Clients are looking anywhere between \$3 million for rectification, all the way up to \$25 million."

In a statement to the ABC, Hickory said the company was placed into administration because of mounting legal costs in an unrelated case in Western Australia.

It vowed to rectify "any issues that have been identified as original building faults," but would await further advice from the Victorian Cladding Taskforce about who should pay for remedial works.

It said its buildings met the "standard practices" that existed at the time, and all works had been "signed off as compliant both before and after they were built".

Administrator John Lindholm said he was not expecting H Buildings to pay for multi-million-dollar cladding claims.

"H Buildings' position is they've done nothing wrong in relation to cladding," Mr Lindholm told the ABC.

Apartment owners 'left high and dry'

Building experts fear H Buildings is the first of many builders that will go into administration, leaving residents to foot the bill to repair or replace cladding.

"The reality is that builders are at liberty to set up companies as they see fit," said lawyer Andrew Whitelaw, of Whitelaw Flynn Lawyers.

"If they chose to put a company into administration for certain financial reasons then so be it."

At the heart of the problem is a 2002 Victorian government decision to exempt builders from taking out home warranty insurance if an apartment block was taller than three storeys.



PHOTO: The Victorian Cladding Taskforce identified 1,369 buildings which most likely have dangerous, combustible cladding. (ABC News: Margaret Burin)

The warranty allowed residents to make claims against the insurer for rectification works, even if the building company went bust.

Mr Whitelaw said it was unfair for high-rise apartments to be uninsured while other home buyers are covered.

"The whole idea of the warranty insurance scheme was to protect homeowners in circumstances where the builder may not be able to carry out the rectification works that would be required," Mr Whitelaw said.

"I think [the insurance] should be there. It's good consumer protection for those that are buying into high-rise apartments."

It's a point Mr Sahil from Roscon agrees with.

"Consumers that are purchasing apartments in buildings that are over three storeys are left high and dry," he said.

"A consumer should feel protected."

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