

# How could you possibly forget the world's most accurate watch?

What has the efficiency of a chronometer got to do with wood preserving? Shirley Priest explains

**T**he World's Most Accurate Watch – accurate to one second in 300 years. Comes with a full 12 months' unconditional guarantee.' So ran an advert in a leading national newspaper some years ago, and if that doesn't warn you to beware of guarantees probably nothing will. It was the same back in 1983, when many remedial chemical manufacturers were agonising over the word 'warranty' or 'guarantee' and how much protection should or should not be given to the homeowner with a guarantee from a contractor using that manufacturer's products. Only too often in those days 30-year protection turned out to be a product-only guarantee. When a claim arose, the representative would happily turn up at the complainant's



door, offer them a can of insecticidal or fungicidal fluid, or damp-proofing fluid in full and final settlement, and then offer to get one of their approved installers to treat the problem for the appropriate fee.

Another nice little earner was 30-year protection which came into force if the contractor who did your job 'financially failed'. At that time there was a preponderance of small contractors, often one-man bands, operating in the field. Their businesses were very personal to themselves and when they left the business, there was little worth buying. Consequently it was almost impossible to sell the businesses and at the age of 60-65 (or – in one case I personally know – 73) they had no choice but to simply lock up the door and walk away from the business. Naturally, when the claims started coming in they were rejected on the

grounds that the contractor had not financially failed, but simply gone out of business and it takes a brave consumer to throw good money after bad trying to force financial failure on a business that perhaps ceased trading several years ago.

It was against this background that the members of the BWPDA decided to set up their own guarantee protection company, the Guarantee Protection Trust. This would issue guarantees that would come into force if a BWPDA member ceased trading for any reason whatsoever and would cover re-plastering where guaranteed by the contractor, the movement of units, and reasonable re-decoration to the affected areas. This guarantee was for a 20-year period as opposed to the chemical manufacturers' 30-year guarantees, though I personally can't think of any chemical

manufacturer that has remained under the same ownership for as long as 20 years.

At our High Wycombe office we receive three or four telephone calls each day from people who are desperate to know if they have a back-up guarantee, as they have a problem and have just discovered that the contractor has gone out of business. Unfortunately, in 95 per cent of cases the answer is that they do not – either because their contractor was not a member of the BWPDA, or if the contractor was a member of the BWPDA the property owner at that time chose not to pay the small additional premium for GPT protection. Most of these ask for a list of members in their area to ensure that they are not caught in the same dilemma again.

Another three to four calls a week are from people who have just had work carried out by non-BWPDA members and now want to know if they can have a GPT guarantee, being unhappy with the guarantees on offer from that contractor. Unfortunately again, the answer is no.

With several of today's guarantee schemes appearing to offer comprehensive and secure protection, it could be asked if there is still a need for an organisation such as the GPT. The answer is categorically 'yes'. We continually look at the many guarantees offered by manufacturers and examine what is behind them. One company advertised 'full insurance-backed guarantees with eight years of financial backing from a fully independent guarantee company'. The reality was that the company had been founded 18 months before, had only two shares which were in the names of the directors of the manufacturing company, in the year examined had an income of £2,500 and was charged a management fee by the manufacturing company of £3,500, leaving a £1,000 deficit. When last heard of, the Financial Services Authority was investigating this company.

Another manufacturer offering insurance-backed guarantees from its in-house guarantee company had receipts in that company of £100 with an administration charge from the parent company of £1,000. Though technically backed through another bond company, that company only had £3,000 assets which would cover one small dry rot job.

In reality, most of these companies do not have any contingency reserves at all against claims, relying on either side-stepping the claim or at least keeping them down to a minimum in any given year and taking the cash out of current income. In a period when the GPT paid out £58,000, one manufacturer suggested to me that we employ his surveyor on a part-time basis on the grounds that 'he can get out of anything'. I was informed that in the year where this amount of money had been paid out by the GPT, he paid out £105.67, which he needn't have done but felt sorry for the woman.

Offshore insurance companies provide their own problems in that it is impossible to find out anything about their assets, profitability or even (often) their owners. Another point to be aware of is that most insurance-backed guarantees have insurance on an annual basis whereby the insurance backing is only valid as long as the master policy is in force.

The GPT insurance policies are issued by NIG for the full 20-year period and, should the Guarantee Protection Trust for any



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reason cease to exist, NIG would honour those guarantees throughout their lifetime. We currently have on our books over a quarter of a million guarantees issued for building societies, local authorities, architects, specifiers, national bodies, NHBC, National Trust, English Heritage etc.

If you are working in local authorities, architect practices, specifying, building societies or other public bodies, you should remember that you have a duty of care with regard to the cash with which you are entrusted. If you spend hundreds, thousands or even millions of pounds of rate-payers' or members' money you have a duty to ensure that it is protected; it can't be long before some rate-payer will sue a public authority for not protecting his cash.

A local authority in the North took advice on this and was told categorically to insist on a back-up guarantee independent of any manufacturer. Such authorities are very conscious of the risk because 70 per cent of the contractors they have used over the last 20 years are no longer in existence. Fortunately their rate-payers money is now GPT secure, and they are not paying twice to have the same job done out of current revenue.

A question often asked is: 'Is it a restrictive practice to specify that the work carried out must be by a member of the BWPDA able to offer a GPT guarantee?' The answer is 'no'. Legal opinion from DLA is that: '...membership of the BWPDA is open to all competent undertakings engaged in the ... activities. The objectives of the BWPDA are to improve and maintain quality, workmanship and customer protection...

'On the basis of the matters set out above, we advise you that a requirement imposed...that an undertaking wishing to tender ... should be a member of the BWPDA does not constitute restrictive or anti competitive conduct ... (it) is the only effective means by which the minimum acceptable competence and standing of a contractor can be conveniently determined.' (The full text of the advice is available on request.)

Of course some manufacturers offer perfectly fair and transparent guarantees and they would join me in recommending that if you want to know how much your guarantee is worth, insist that the people offering you a guarantee produce the following:

1. A certificate of insurance for the full 20 years.
2. The accounts of the company actually offering the guarantee.
3. Details of their contingency reserve where they are offering a guarantee.
4. Declaration of the amount of claims they have paid out over the last three years (ours are in our accounts available to everybody).

You may have your eyes opened!

Better still, why not follow the advice of the National Association of Estate Agents and the Royal Institution of Chartered Surveyors – as published in *The Guardian* in 1998: '...use a contractor who is a member of the BWPDA...able to offer a GPT guarantee'. Shirley Priest is Company Secretary of the GPT and has been with the company in various positions for the majority of its existence. Further information on the GPT is available at [www.gpt-protection.co.uk](http://www.gpt-protection.co.uk) or by telephoning 01494 447049 or faxing 01494 465194.