

# TIPS FOR DEALING WITH BUILDERS AND TRADESMEN ...

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**Most property investors, whether landlords or developers, will need to deal with builders and tradesmen as part of their property business. For many property investors, understanding the norms or 'how things should be done' is a dark art ... no one wants to be taken advantage of, but no one wants to be unreasonable either.**

**This article draws on the experience I have had both as a property investor of 20+ years, and of various clients, and provides some tips as to how renovation and building projects should ideally be managed.**



## 1. Select a builder carefully – do your homework

**Ask to visit some current projects**, not just old ones. Ask the current clients if there have been any delays or arguments, and how they were resolved. Cashflow issues can hit builders quickly, so agree only to a pre-agreed payment plan with staged payments linked to work actually done (no time-defined stage payments, eg weekly / monthly). If a builder is running multiple current projects, funds from one site can be used to keep another site going ... until cash dries up and then you are left with an unfinished site.

**Word of mouth recommendations are generally best**, as some of the 'rating' websites have a low bar for quality, and are

more about collecting a fee from the builder. Be careful about working with builders who are not VAT-registered, or who want cash only, or who want you to pay them via their granny's bank account! Ask local estate agents and letting agents for referrals, and keep your eye open for local sign-written vans – note the progress on their work and observe how the site seems to be operating.

**Ask for breakdowns of bills**, so that you can check if they are reasonable. Agree day-rates for the builder and his team, so that you can check whether the overall charge appears reasonable (though it's not practical to be TOO precise, you want to know that if the agreed rate is £200 per day for a team of four, then the weekly wage bill should be £4,000 ... if it's a little more or less you can let that go, but you have to have a way of checking the number you are asked to pay).

**If the builder operates via a company**, get a feel for the business at Companies House ... how long has the company been trading, are accounts up to date, do they look solvent, who are the directors (not necessarily who you thought was the 'boss'), is there a pattern of company involuntary dissolutions etc?

**Check on insurance**, ask to see evidence of up to date Public Liability and Employers Liability cover ... if their insurer won't pay a valid claim, your home or BTL insurance won't pay, that is for sure!

**A reputable builder should not mind these enquiries** (asked politely of course); if anything, it allows them to differentiate themselves from the competition. But, if they ARE offended, comfort yourself with what they would have been like if you asked some difficult questions once they had your money!

## 2. Agree a project budget and plan

**Never tell a builder what your budget is** – tell them what you want (use the plans to flesh out the details) and let the builder price it up. Provide good project drawings and detailed specifications so that the builder knows exactly what you want.

**Draw up a contract**, with as much detail as possible about the works, the timescale, the budget, payment details etc. A good contract can prevent disputes down the line as both parties can revert to the contract to remind themselves what we agreed at the outset, to avoid 'misunderstandings'.



**Wherever possible, pay for the materials yourself**. Ask the builder to negotiate the price, specification and volume of materials required for the project with the merchant, but then buy the materials yourself. Sense-check the order, ie check the specification is what you wanted, query any items that appear to be 'over-ordered' (some builders have been known to over-order and use the 'free' excess materials on another job!).

**This means that you own the materials** if the builder goes bust during the project, and that you are only financially exposed to the builder's (and team) labour day-rate. However, do make sure that the timing of materials ordering is coordinated with the builder, so that there aren't materials onsite that aren't yet needed (which could be damaged), and that the right materials for the stage of the job are on site in good time. Do your own research about what each part of the job entails, and talk to merchants about the order to get a feel for whether it is about right.

**If there are other trades involved** (electricians, plumbers etc), ask for a quote for these and pay them separately – don't pay for other trades via a single builder (as the price may be 'padded'). That's not to say that you should engage subcontractors yourself, but just make sure that the price is agreed between you, the builder and the other trades, and you pay the trades directly.

**Pay immediately**, once the builder's wage and timing is agreed – many builders have to pay their workers week to week, and bang

on time, eg by Friday evening, so prompt payment is only fair.

**Pay your architect to project manage**. Obviously, this is only relevant for larger projects, but by paying the architect to manage a project, the builder will only be paid when project milestones are reached to the architect's satisfaction. The architect will also make a retention for snagging. Self-managing a large project with a large budget is risky for all but the most experienced property investors.

## 3. Get involved!

**Be on site most days**. For most projects, expect to be on site most days, possibly even every day for larger projects. This acts as a deterrent to the builder not to work too slowly or be up to no good, and enables accountability. Even with the best builders and trades, misunderstandings and mistakes happen, and bear in mind that this property is YOURS, so ultimately it's your property and money on the line.

**Much of the big, heavy construction work on larger projects is completed relatively quickly, straightforwardly and cheaply**. Much of the expensive, time-consuming and fiddly work is the finishing, electrics, joinery, kitchens, bathrooms, decorating, so much of the work and cost is 'back-ended' – so don't pay too much upfront.

**Check on productivity**. Not all builders and trades are lazy, but some are, and some are if

they know they aren't being watched! It is not unknown for a day to begin with a 20-minute smoke / breakfast break, mid-morning long break, hour for lunch and a 4pm finish. The builder himself could be spending most of the day chatting on his phone, and do half days as he's managing another job. And don't forget the builder "POETS" (Piss Off Early Tomorrow's Saturday) slogan, meaning a Friday lunchtime finish (notice how many white vans are in pub car parks on Friday afternoons!).

**Some property investors are naïve**. The above is meant to be tongue-in-cheek, and most builders and trades don't need someone standing over them, but some property investors are naïve when dealing with builders and trades. Being on site, and checking productivity and progress against plan, is prudent. As auditors say – "trust, but verify!"

## 4. See things from the builder's point of view

**Don't ask five builders for a quote** – doing so just wastes everyone's time. Many local builders will know each other, and if they found their builder competitors had already quoted, many just wouldn't turn up. A good builder will put quite a bit of effort into producing a quote, especially when materials prices are volatile, so it's only fair to whittle down the list of potential builders before asking for quotes.

**Be nice, and relax**. You've done your homework and have a project plan and payment schedule agreed ... time to let the builder do his job. Keep an eye on things, but there is nothing worse than a client telling the builder his job, nitpicking about minor details, and expecting literally everything to go perfectly to plan.

**Supply plenty of tea and biscuits** to keep the workers happy (and on-site!). The occasional bacon butty wouldn't be refused either ... a few thoughtful treats shows you are on the same side.

## Finally ...

If you think about it, most builder problems can be solved by proper communication, sufficient planning and effective project management – the key to the success of any property renovation or building project. And, don't forget to offer a recommendation to future clients if you are a happy with the work.

*Get in touch*



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FYPN 182 August 2023

69