



## Tarion Warranty Corporation

### Special Report by the Auditor General of Ontario—October 30, 2019

#### Why We Did This Audit

- In 2018, the Legislature's Standing Committee on Public Accounts passed a motion requesting our Office conduct a value-for-money audit of Tarion Warranty Corporation (Tarion) following increasing public criticism of Tarion.
- Our objective was to assess how well Tarion has been carrying out its mandate of regulating home builders and ensuring builders honour their mandatory warranties on new homes.

#### Why It Matters

- In 2018, approximately 60,000 new homes were built across the province. Effective oversight of homebuilders can protect new homebuyers from defects, and improve the quality of homes being built in Ontario.
- Buying a new house is usually the single biggest lifetime purchase for most people. It can be very difficult for homeowners to deal with builders that refuse to honour their warranties.

#### What We Found

##### Heading

- The majority of new-home buyers and their builders resolve most problems without the need for Tarion to intervene.
- Tarion has dismissed thousands of requests for help from homeowners because they missed the restrictive deadlines set by Tarion. Most defects are covered under warranty during the first year of occupancy—but homeowners can ask Tarion for help by submitting a form only in the first 30 days or the last 30 days of that first year. Between 2014 and 2018, Tarion refused assistance on about 9,700 requests because homeowners missed the 30-day deadlines. About 1,300 of these requests missed the deadline by a single day.
- Builders with poor warranty records continued to get licences from Tarion. Builders who refused to honour some of their warranties, causing Tarion to pay out compensation to new-home owners or arrange to fix the defect itself, were routinely able to renew their licences.
- Tarion gave builders too many chances to repair defects before stepping in. It could take up to 18 months to get Tarion's help to get a defect under warranty fixed.
- Two-thirds of Tarion staff who inspect defects and determine whether builders should have repaired them under their warranty did not have the appropriate qualifications, such as Ontario Building Code certification.
- The Ontario Builder Directory, an online directory maintained by Tarion, does not provide potential buyers of new homes complete information on builders' poor warranty records. Critical information, such as Ontario Building Code violations and past convictions for illegally building homes, are not on the directory.
- Tarion's senior management were awarded bonuses totalling 30% to 60% of their annual salaries for increasing profits and minimizing financial aid paid to homeowners who sought help from Tarion.
- Tarion's process to curb illegal building and the new laws currently in place in Ontario to deter illegal homebuilding are not fully effective. As a result, over the last 10 years, Tarion paid about \$19.8 million to new-home buyers to cover the cost of repairs on 869 illegally built homes.
- Over the last 10 years, Tarion paid about \$127 million to new-home buyers to resolve defects under warranty that the builders failed to honour. Tarion recovered, on average, about 30 cents on every dollar owed by builders and their guarantors.

## Conclusions

- In those cases where new-home buyers sought Tarion's assistance, Tarion's processes have not always been effective in helping homeowners resolve disputes with their builders and in ensuring builders honour their mandatory home warranties.
- Tarion did not rigorously monitor builders to ensure they consistently operated knowledgeably and with integrity. Some were re-licensed to build despite demonstrating problematic behaviour and, in some cases, not reimbursing Tarion for costs incurred to resolve defects.
- Until recently, the Ministry of Government and Consumer Services did not effectively oversee Tarion to ensure that it was accomplishing its mandate of helping new-home buyers.

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