



# News Release

For Immediate Release

October 30, 2019

## Tarion's Complex and Confusing Processes Left Some New Homeowners Without Assistance: Auditor General

(TORONTO) Tarion Warranty Corporation (Tarion) dismissed thousands of requests from owners of new homes for assistance in resolving disputes with their builders over defects because the owners could not successfully navigate Tarion's restrictive processes, Auditor General Bonnie Lysyk said in a Special Report released today.

"We found that the strong presence of homebuilders on the Tarion board of directors, combined with Tarion's internal requirement that it seek advance consultation with the Ontario Homebuilder's Association on any proposed changes to its regulations, created an imbalance at Tarion that favoured the interests of builders over homeowners," Lysyk said after her Special Report was tabled in the Legislative Assembly.

"Most new homebuyers and builders usually resolve most problems without the need for Tarion to intervene," Lysyk said, "but in cases where builders do not honour their warranties, it was often difficult and time-consuming for homeowners to navigate Tarion's processes."

The Special Report came at the request of the Legislature's Standing Committee on Public Accounts, which passed a motion last year asking the Office to conduct a value-for-money audit of Tarion. The Auditor General received the authority to do value-for-money audits of Tarion in December 2017.

Under the *Ontario New Home Warranties Plan Act*, builders must provide warranties on materials and workmanship for up to seven years on the new homes they construct. The cost of those warranties is usually factored into the selling price. Tarion is responsible to license builders and step in either with financial assistance or to arrange repairs when builders do not honour their warranties to new-home buyers.

Among the Report's findings:

- **Tarion dismissed thousands of requests for help from homeowners who missed Tarion's restrictive deadlines**—New-home buyers who cannot get satisfaction from their builder in the first year of occupancy can ask Tarion to intervene by submitting a form—but surprisingly, this submission is allowed only in the first 30 days and the last 30 days of that first year of occupancy (unless it is an emergency). Between 2014 and 2018, Tarion refused about 9,700 requests for assistance that fell outside one or two of the 30-day periods for filing.
- **Tarion's process could take 18 months before compensating a new-home buyer for a builder's defect**—When Tarion accepts a request for help from a new-home buyer in its first 30-day window, it can give the builder up to 180 days to fix a defect. The same maximum 180-day timetable applies to a request accepted in the second 30-day window, which comes at the end of the first year of occupancy. So Tarion could take 18 months to have the defect fixed or compensate a homeowner for a defect present in the home from the beginning.

- **Information provided by Tarion could confuse homeowners about Tarion’s role**—Tarion’s Homeowner Information Package, provided to homeowners, leaves the incorrect impression that it is Tarion, rather than their builder, that provides warranty coverage. Even the name “Tarion Warranty Corporation,” contributes to the confusion and could lead some people to incorrectly believe that they lose their warranty rights if they miss Tarion’s deadlines.
- **Senior management was rewarded for increasing profits at Tarion and minimizing payouts to homeowners**—Bonuses to senior management totalling 30% to 60% of their annual salaries were based partly on increasing profits, an approach that would appear better suited to a private-sector for-profit company than to a government-delegated not-for-profit corporation with a consumer-protection mandate.
- **Tarion continued to issue licences to builders with poor warranty records**—Some builders refused to honour some of their warranties, forcing Tarion to fix the defects or pay out compensation to homeowners, yet these same builders were routinely able to renew their licences without reimbursing Tarion. In those rare cases where licences were revoked, some builders were able to continue to build homes by creating a new company—and successfully obtaining a new licence from Tarion— or by partnering with an existing company.

Lysyk indicated that the province had already taken some steps to increase provincial oversight over Tarion, but there is still more to do, as highlighted in this Special Report, to ensure Tarion operates within the spirit and the intent of the *Ontario New Home Warranties Plan Act*.

“We received Tarion’s full co-operation during our work, and it has agreed to implement our recommendations. The Ministry of Government and Consumer Services has also confirmed that it will closely monitor that this happens.”

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