

Ontario government to set up new regulator for home builders, replacing Tarion

March 29, 2017



The Ontario government will be setting up a stand-alone regulator to oversee the province's home builders.

Minister of Government and Consumer Services Tracy MacCharles says the move will mean removing responsibilities from the Tarion Warrant Corp., which has overseen nearly all facets of the home building sector for the past 40 years.

MacCharles says Tarion has been responsible both for regulating builders and administering the province's new home warranties, but the system lends itself to the perception of a conflict of interest.

She says Tarion will effectively be split in half, maintaining administration of the warranty program while the government establishes a new regulator.

In a statement, a spokeswoman for Tarion says the firm has "serious concerns" with the move.

Legislation to establish the new regulator is expected to be introduced in the fall.

MacCharles says the change is designed to improve accountability and transparency for home buyers.

"Tarion is too far removed from government; its unique structure doesn't give my ministry the same oversight tools that it has for our other administrative authorities," MacCharles said in a prepared remarks to Toronto's Empire club on Tuesday. "We believe that consumers can be better protected by giving government the lead in making rules and setting standards."

In November 2015, the government appointed Douglas Cunningham, the former associate chief justice of the Ontario Superior Court, to lead a review into consumer protections for new home owners.

In MacCharles' remarks, she acknowledged that Cunningham had found fault with Tarion's complex structure and over-arching mandate, adding the retired judge had heard that both builders and homeowners questioned Tarion's objectivity.

In a statement sent to The Canadian Press on Tuesday, Tarion spokeswoman Laurie Stephens took issue with Cunningham's recommendations.

"We worry that the recommendations will have the effect of seriously weakening consumer protection; increasing costs for the administration and regulation of the warranty, new costs that ultimately new home buyers will have to pay; and creating barriers to entry for builders that could further impact a marketplace already struggling to keep pace with consumer demand," said Stephens.

Years earlier, the province's ombudsman had slammed the private company in a report and described it as a "puppet of the building industry."

"If we were doing this in 2017, would we give an organization all these multiple roles? The short answer is no," MacCharles said. "Why? Well, as Justice Cunningham noted in his final report, Tarion's multiple roles and responsibilities can give rise to a perception of conflict of interest, and could result in actual conflicts of interest."

The Residential Construction Council of Ontario said it is pleased to see that the report calls for dismantling Tarion's monopoly over new-home warranty service and moving to a multi-provider insurance system.

"Competition will give new-home buyers more options," president Richard Lyall said in a statement.

"Justice Cunningham's report encourages the Ontario government to enable new private-sector warranty-surety providers to enter the marketplace, just like British Columbia, Saskatchewan and Alberta," Lyall said. "This recommendation aligns home builders with consumer advocates."