

## **Building practitioners to face greater scrutiny as VBA gets new powers to stop phoenixing**

The Victorian Building Authority (VBA) is stepping up scrutiny of building practitioners who engage in illegal phoenix activity.

Stronger powers now in force give the VBA greater scope to scrutinise a building practitioner's corporate ties for evidence of illegal phoenixing.

Building practitioners with ties to a company that has entered external administration will have their involvement assessed through a series of credit history and background checks when they apply for registration or renewal.

The extra scrutiny means the corporate activity of building practitioners who have served as directors, secretaries or influential persons of companies that have entered external administration can impact on that practitioner's suitability for registration or renewal.

If the VBA confirms that a building practitioner served in any of these capacities in the two years prior to their company entering external administration, the VBA can refuse their registration or renewal, or issue a show cause notice requiring them to justify why they should be granted further registration.

This scrutiny will protect consumers from practitioners who deliberately structure their company's finances to avoid paying creditors, or those who have a history of ethical misconduct.

Illegal phoenixing occurs when someone deliberately liquidates a company and creates a new one to avoid paying debts or future liabilities.

In the building industry, this places creditors, employees and clients at risk of financial loss, incomplete projects or an inability to claim damages from a practitioner for defective building work.

The VBA's Executive Director – Service Delivery, Suzy Neilan, said the expanded powers give the Authority greater scope to stop building practitioners involved in illegal phoenixing from entering or remaining in the industry.

"Building practitioners who put profits ahead of ethical behaviour won't be able to hide behind a new company," said Ms Neilan.

"These expanded powers give the VBA greater scope to stop practitioners taking advantage of others by using company structures to avoid paying creditors or claims."

The VBA will take disciplinary action against building practitioners found to be involved with illegal phoenix activity.

The regulatory changes do not affect the plumbing industry.