



Home Renovation Industry — Better Governance for Creating Comfortable Homes

倡規範家居裝修 建舒適美滿之家



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Abbreviations

ADC	Asia Designers Community
ADC Scheme	"SGS x Home Journal Interior Design Service Excellence Certificate" Certification Scheme
ADR	Alternative Dispute Resolution
BAEDC	Building Affairs Expert Determination Centre (Pilot Scheme)
BC	British Columbia, Canada
BD	Buildings Department
BIC	Building Information Centre of the Buildings Department
BMWR	Building (Minor Works) Regulation (Cap. 123N)
BO	Buildings Ordinance (Cap. 123)
BRAVO System	Building Records Access and Viewing On-line System of the Buildings Department
C&ED	Customs and Excise Department
C&SD	Census and Statistics Department
CARI	Contractors' All Risks Insurance
CIC	Construction Industry Council
CICO	Construction Industry Council Ordinance (Cap. 587)
CIRC	Construction Industry Review Committee
CWRO	Construction Workers Registration Ordinance (Cap. 583)
DC	Decoration Contractor
DMC	Deed of Mutual Covenant
ECI	Employees' Compensation Insurance
HA	Hong Kong Housing Authority
HB	Housing Bureau
HD	Housing Department
High Court	Court of First Instance of the High Court
HKAS	Hong Kong Arbitration Society
HKBIA	Hong Kong Building Inspection Association
HKIS	Hong Kong Institute of Surveyors
HKMAAL	Hong Kong Mediation Accreditation Association Limited
ICU	Independent Checking Unit of the Housing Bureau
IFEC	Investor and Financial Education Council
MWCS	Minor Works Control System
PRH	Public Rental Housing
QMC	Hong Kong Q-Mark Council
RLDC	Reference List of Decoration Contractors
RMWC	Registered Minor Works Contractor
RSTCS	Registered Specialist Trade Contractors Scheme
SCT	Small Claims Tribunal
SOGO	Sale of Goods Ordinance (Cap. 26)
SS(IT)O	Supply of Services (Implied Terms) Ordinance (Cap. 457)
SSF	Subsidised Sale Flats
T&Cs	Terms and Conditions
TDO	Trade Descriptions Ordinance (Cap. 362)
TPLI	Third Party Liability Insurance
UCO	Unconscionable Contracts Ordinance (Cap. 458)
UK	The United Kingdom
US	The United States

Online Content

All websites and electronically available materials referenced in this Report were last accessed on 4 January 2024.

This Report can be downloaded from www.consumer.org.hk.

In case of any update, the latest version shall prevail.

Executive Summary

Home Renovation Industry in Hong Kong

In Hong Kong, the number of domestic households has been consistently on the rise, growing from 2.3 million in 2010 to 2.7 million in 2023. Most Hong Kong residents live in small-sized flats owing to the shortage of land supply and high population density in the city. With consumers' wish to optimise the use of limited space, the market demand for home renovation services has always been high. Following the momentum (i.e. increasing domestic households), the demand is expected to increase further. Moreover, given the issue of ageing flats in Hong Kong (at the end of 2022, around 51% private residential flats were completed in year 1989 or before), existing owners and households may require home renovation services to refurbish their flats. Regardless of the types of flats (e.g. public or private housing, first-hand or second-hand property), consumers in general are willing to pay a fair amount for customised home design with bespoke furniture for the sake of meeting their "dream homes".

However, home renovation can be a stressful process for many consumers, often involving complex procedures, high level of personal involvement and multiple touchpoints with traders. For consumers to sail through the home renovation journey, some level of knowledge about home renovation is inevitably required. Yet, the average consumer lacks the requisite experience, knowledge, awareness or means to properly appreciate the intricacies underlying a home renovation project, often ending up in having no choice but to rely on the trader's expertise.

Yet, the service quality varies drastically among different traders owing to the low entry barriers in the industry and the existence of a large variety of market players, ranging from sole proprietors to large-scale renovation companies. While there are companies of good quality and reputation, there could also be companies providing home renovation services without professional qualifications or business licences.

With such a fragmented nature, the industry has lacked a representative industry association to unite and mobilise the whole industry. As a result, despite different efforts made by individual stakeholders and market players in recent years that targeted to elevate the industry standards and educate consumers (such as increasing the use of advanced technologies in service provision and releasing industry guidelines), the effectiveness is limited, and the awareness and trust of consumers are still low.

Moreover, in the absence of a specific regulatory regime governing home renovation services in Hong Kong, consumers have to rely on general consumer protection laws and the common law, which do not offer specific protection. When disputes arise, it may be time-consuming and costly for both consumers and traders to settle.

Predicament of Consumers

Indeed, the Consumer Council (the "Council") has constantly received complaints from consumers pertaining to home renovation services in the past few years. From 2017 to 2023, a total of 1,205 complaints were recorded. The majority of complaints relate to quality of services, followed by late/non-delivery and price disputes. The common complaints included (i) defective work, (ii) completion delay, (iii) unscrupulous practices (such as unresponsiveness or poor attitude, ambiguous contractual terms and pricing and exertion of pressure/duress for

payment), (iv) abandonment/non-completion of projects, (v) price inflation and overcharging, (vi) home renovation companies disappearing or going out of business, and (vii) additional works carried out and charged for without the consumer's consent.

The Study

Recognising the unique characteristics of the home renovation industry in Hong Kong and the predicament of consumers, the Council conducted a comprehensive study on home renovation services in Hong Kong, titled "**Home Renovation Industry – Better Governance for Creating Comfortable Homes**" (the "**Study**"). The scope of the Study covered home renovation projects of various nature, size, and value in general; however, services in the nature of piecemeal repair or maintenance of specific fixtures or fittings within the residential property were excluded. The Study aimed to holistically understand consumer perception of the home renovation industry, identify problematic trade practices, and with reference to laws, regulations and consumer protection initiatives undertaken in other markets, propose recommendations that fit the context of Hong Kong for the consideration of the Government of the HKSAR (the "**Government**"), relevant statutory bodies, traders, and consumers.

From April 2022 to January 2024, the Council carried out the Study by adopting a mixed-method approach, which comprised (i) an analysis of complaint and litigation cases arising from home renovation projects, (ii) a consumer perception survey, (iii) focus group discussions with consumers who had home renovation experience, (iv) a review of advertisements published via different channels by home renovation companies and online matching platforms ("**traders**"), (v) mystery visits for first-hand experience in engaging traders, (vi) quotation analysis, (vii) in-depth interviews with traders and stakeholders, and (viii) desk research on relevant laws and regulations in selected markets. The Council hopes that the release of the Study could arouse awareness of the public and stakeholders of issues in the home renovation industry, thus the proposed recommendations could be adopted to safeguard consumer interests and to uplift the quality standards of the industry.

Deep Dive into Consumer Journey

Findings of the abovementioned methods are presented in the form of a consumer's home renovation journey. The journey could comprise various stages depending on the consumer's needs and budget, but in general, it can be divided into four stages, namely (i) awareness and information search, (ii) pre-commencement, (iii) commencement, and (iv) completion and follow-up. The Study examined different issues faced by consumers as well as trade practices of home renovation companies and online matching platforms at the four stages.

Awareness and Information Search Stage

As most consumers do not have technical knowledge about home renovation, they generally would conduct basic research to have a sense of the home renovation process. According to the consumer perception survey involving 505 respondents who had arranged home renovation in the past nine years or were planning to do so in the next three years, the top two sources of information were family, relatives and friends (93%), and online channels like websites, forums and social media (50%).

Despite the emergence of online matching platforms for home renovation services in recent years, they have yet to become a popular sourcing channel among consumers. More than two-thirds of the respondents reflected that they had never heard of online matching platforms,

and among those who had heard of online matching platforms, less than 10% indicated that they trusted the platform.

Furthermore, respondents expressed that when they chose a home renovation company, their main considerations were price and discount (79%) and company reputation (73%). Meanwhile, respondents also anticipated two main difficulties at this stage, which include finding it hard to compare quotations in different formats (58%) and having too many home renovation companies with varying levels of quality to choose from (55%). Apart from these difficulties, the respondents were also worried about certain trade practices, such as exaggerated promotions by the home renovation companies (58%), application of pressure to purchase expensive home renovation packages or additional items (52%) and rough quotations (49%).

In light of the aforesaid consumer concerns, the Council took a deeper look into the advertising tactics employed by traders and reviewed 225 advertising samples. Among the samples reviewed, some of the advertisements contained superlative and unverifiable claims and promises (e.g. "No. 1 (第一)" and "risk-free (零中伏)"), while some put forth ambiguous or untrue promotional offers (such as claiming in the advertisement to offer a free formaldehyde removal service which turned out to be chargeable upon enquiry). Consumers might easily be lured by these claims and offers that could not be realised in the end.

Meanwhile, low information transparency was another issue in this stage. Interviews with traders pointed out that it was hard for consumers to know the price range for conducting various kinds of renovation works, and that traders seldom provided consumers with a comprehensive work schedule, nor did they proactively inform consumers about legal and regulatory requirements in situation involving wall removal and other alteration of the flat. These may lead to disputes between consumers and traders at subsequent stages.

Pre-commencement Stage

To further understand issues faced by consumers and traders' sales tactics at the pre-commencement stage, the Council by way of mystery visits engaged 59 home renovation companies and 14 online matching platforms for quotations for pre-defined home renovation projects. The mystery visits uncovered some potentially unscrupulous sales practices. For instance, some traders made suspicious claims that they had not received any complaints before or that they pledged for a guaranteed completion; some did not honour advertising claims; and some refused to provide copies of the draft quotation for further consideration. Some of these problematic sales tactics might have constituted unfair trade practices under the Trade Descriptions Ordinance (Cap. 362) ("**TDO**"), such as false trade description, bait advertising or bait-and-switch, posing considerable risks to consumer interests.

During the mystery visits, some home renovation companies showed a lax attitude towards compliance with laws and regulations. In particular, despite the wide media coverage of the alteration of an alleged structural wall of a flat in a private residential development in Tseung Kwan O in May 2023, three quarters of the home renovation companies advised the mystery shoppers that wall removal could be carried out without due enquiry as to the nature of the wall, while 75% of the companies advised that the kitchen door could be replaced by a sliding door, which could violate the fire safety requirements under the Buildings Ordinance (Cap. 123).

The Council also evaluated a total of 40 draft quotations collected during the mystery visits, with professional advice and support from the Hong Kong Institute of Surveyors. Overall, the average score of the quotations was 58 out of 100, with only 8% scoring higher than 80,

reflecting that the majority of quotations were not comprehensive or detailed enough for proper comparison by consumers. The top three key items mentioned in the draft quotations were “lump sum of payment” (100%), “payment terms” (93%) and “exclusion of works” (85%).

Nevertheless, the mentioning of other crucial items was not necessarily common. For instance, only 60% to 70% of the quotations mentioned “project start date and end date/time for completion”, “method to deal with work changes requested by the client”, “provision of extension of time” and “defects liability/maintenance period”. On the other hand, items that were rarely mentioned included “declaration of compliance with statutory regulations” (20%) and “declaration of compliance with the fitting out requirements of the property management office” (8%). In terms of breakdown of works, only 38% of the quotations provided a detailed breakdown for all of the works. As regards pricing information, showing both the quantity and unit price for each work item in the draft quotations was uncommon. For example, only 28% of the quotations specified the quantity and 20% provided the unit price for each work item.

Undoubtedly, a proper contract, whether in the form of quotation or service agreement, is of vital importance from the perspective of consumer protection. The consumer perception survey also covered a series of agreement-related questions. For instance, respondents were asked what items they thought should be included in a home renovation contract. Most items listed in the survey (such as project start date and end date, excluded items and maintenance period) were considered indispensable by over 90% of the respondents. These findings reflected that the majority of respondents were conscious of the need for sufficient terms and conditions (“**T&Cs**”) to protect their interests.

However, laxity towards the importance of formal contracts among some respondents was undesirable. For instance, nearly 30% of the respondents considered a revised quotation unnecessary in the event of variation in orders, as long as there was some form of record documenting the change.

Commencement Stage

Even when the right home renovation company is chosen, consumers might still have various types of worries at the work execution stage. Top five worries were unfinished work (73%), defective work (61%), abscondence of home renovation company after payment (59%), home renovation company not willing to rectify defects (57%), and delay in work completion (56%).

Completion and Follow-up Stage

In fact, some of these worries did happen. Among the respondents who had experience in home renovation, one in five (19%) had disputes with the home renovation companies they appointed. The top three types of disputes were delay in work completion (61%), defective work (39%), and failure to rectify defects (30%). Fortunately, more than three-fourths of them could resolve the disputes with their home renovation companies eventually.

From trader interviews, the underlying reasons for the above disputes were attributed to a lack of monitoring authorities and industry guidelines for the home renovation industry to follow, and the divergence in views between consumers and traders as to the standards of workmanship.

In the consumer perception survey, the respondents were asked whether they would arrange third-party inspection upon completion to assess the quality of the home renovation works. The majority (80%) responded that they did not intend to do so, mainly because of the high

cost they anticipated. In fact, respondents desired other measures and initiatives more to better safeguard their rights and interests along their home renovation journey. The following section will cover consumers' wish list.

Stakeholders' Proposed Measures to Safeguard Consumer Rights

In view of the current home renovation industry environment, the Council asked consumers, traders and other stakeholders respectively for their views on some possible measures to safeguard consumer rights.

Consumers' Wish List

In the final part of the consumer perception survey, respondents rated the home renovation industry in Hong Kong in terms of their degree of confidence. The majority were neutral (67%), and the average score was 3.1 out of 5 for confidence in the industry. Nonetheless, those who had prior unresolved disputes with home renovation companies showed significantly lower confidence (2.4 out of 5), suggesting that consumers' experience of disputes posed negative impact on their perception of the industry.

To elevate the industry standards and thus consumer confidence, the respondents particularly supported four measures, i.e. establishing a blacklist scheme (66%), establishing a standard form quotation (40%), setting up a mechanism for handling issues and complaints (34%), and introducing a home renovation company licensing scheme (34%). However, some of these measures might not be viable in the eyes of traders.

Opinions of Traders

Owing to the lack of proper governance in the home renovation industry, interviewed traders pointed out that some bad apples have been able to get away despite their unscrupulous practices. For example, a problematic trader could easily disguise its identity by closing down the existing shop and opening a new one under another trade name, thus defeating the effectiveness of a blacklist scheme. As such, some traders suggested establishing specific authorities to oversee the industry, handle disputes between consumers and home renovation companies, and provide professional consulting services. Some others were of the view that establishing a licensing or registration scheme for specific home renovation works could prevent unscrupulous traders from absconding. Concurring with consumers' views, some traders also opined that as long as consumers are aware of the fact that price is not the only factor to consider, a mandatory standard form quotation could provide better protection for consumers through quantifying work items and standardising the T&Cs of home renovation services.

Opinions of Stakeholders

All stakeholders in the interviews agreed that consumer education is of paramount importance in raising awareness of the risks and liabilities involved in home renovation projects. Whilst most interior home renovation works such as internal plastering and painting do not require approval and consent of the Buildings Department ("BD"), other works such as layout alterations, window replacement and external wall improvements may affect the structural, environmental or fire safety of the property and require such approval. The risks of such contraventions may in some cases not be immediately apparent, but as responsible citizens, consumers should consult third-party professional advice to avoid regulatory pitfalls. Some

stakeholders pointed to the need for a centralised information dissemination platform to ensure accuracy and efficiency in the long term.

The private sector preferred industry self-regulation and supported the establishment of an accreditation or voluntary registration scheme of contractors who have met certain objective standards for consumers' reference. The criteria could make reference to the Registered Specialist Trade Contractors Scheme ("RSTCS") and Reference List of Decoration Contractors ("RLDC") of the Construction Industry Council ("CIC") and Hong Kong Housing Authority ("HA") respectively, with such adaptations as desirable to tailor suit the home renovation industry. In fact, private sector and professional associations have been promulgating guidelines, different accreditation/certification schemes, alternative dispute resolution ("ADR") mechanisms and online matching services relevant to, and seeking to improve, the quality of home renovation services. However, in view of their fragmented nature and low public awareness, the real impact at consumer level is yet to be observed.

If the home renovation company has breached the contract or even abandoned the project, the consumer may claim the cost of engaging another company to complete or rectify the work and other damages suffered. However, litigation may be protracted and require potentially expensive expert evidence to establish liability and quantify damages, which add to financial and emotional strain on the consumer.

Further, upon payment of deposit in advance of work to be carried out which is normally substantial, the consumer no longer retains any property or right to such sums paid. If he is required to enforce a judgment against the company, he could only do so as an unsecured creditor. The shareholders and directors of a corporate trader would also normally not be personally liable for any liability incurred by the corporate trader.

Consumer Protection Initiatives in Other Markets

A review of the laws of Canada (British Columbia and Ontario), Mainland China, Singapore, the United Kingdom ("UK") and the United States ("US") (New York) shows that these different markets have adopted a mix of regulatory and non-regulatory consumer protection measures relevant to home renovation companies and services. Mainland China and New York, in particular, have enacted specific statutory law and regulation on home renovation companies and services.

The consumer experience in these other markets is more or less similar to those in Hong Kong, involving such issues as deceitful home renovation companies, completion delays, defective goods, unsatisfactory workmanship and sudden closure of companies. Besides laws and regulations prohibiting misleading advertising claims and unfair trade practices and requiring certain works to be carried out by suitably qualified workers for safety reasons, further consumer protection measures are undertaken to address such consumer issues. In gist:

- (i) **Mandatory or standard contract terms:** In most of the markets reviewed, mandatory written contract terms are statutorily required on material aspects such as price, scope of work, project period, periodic payment schedules and warranties and guarantees. In Mainland China and New York, such laws target home renovation contracts specifically.
- (ii) **Mandatory licensing regimes, voluntary accreditation schemes:** All markets have mandatory licensing requirements or voluntary accreditation schemes (or both) in place. In Mainland China, Singapore (in respect of public housing flats) and New York, home

renovation companies are required to be licensed or registered upon demonstration of good financial and/or professional standing. In Singapore, an accreditation scheme is offered by the Consumers Association of Singapore (“**CASE**”) for home renovation companies with proven financial and track record, entailing a requirement to post bonds to protect consumer deposits. In the UK, a raft of similar voluntary accreditation or membership schemes tailored for home renovation companies is on offer, entailing other consumer protection measures to consumers such as payment protection and ADR services. The government-endorsed TrustMark scheme in the UK, which seeks to enlist trade associations as scheme operators rather than direct accreditation of home renovation companies, has led to 37 scheme operators (as of 4 January 2024) and around 15,000 registered businesses.

- (iii) **Consumer education:** In all markets, the government and government-established bodies provide consumer education and tips on home renovations. In particular, in Canada, information on home renovation companies with enforcement decisions against them or unresponsiveness to consumer complaints is publicly accessible. In Mainland China, the China Consumers Association regularly offers consumer tips and launches educational campaigns. In Singapore, the CASE publishes case alerts on home renovation companies based on complaints received. In the UK, the government collaborated with TrustMark to develop a mobile home improvements app to guide consumers through their home renovation journey.
- (iv) **ADR:** In most of the markets reviewed, ADR services are offered free of charge to consumers to resolve home renovation disputes. In particular, in the UK, the government-approved Furniture and Home Improvement Ombudsman assists with determination of disputes with their members. Which? Trusted Traders and TrustMark also have their designated ADR providers. In Singapore, the CASE offers complaint handling services and mediation services through its mediation centre. In Mainland China, laws were enacted to encourage mediation of community disputes, leading to the establishment of various mediation commissions across the nation by home renovation trade associations to deal with home renovation disputes.

The Council’s Recommendations

To alleviate challenges and issues in the current home renovation industry and thus pave way for better consumer safeguards along consumers’ home renovation journey, the Council puts forward four major recommendations with reference to practices in other markets. In executing the recommendations, involvement and close collaboration of the Government, relevant statutory bodies, professional associations, traders and consumers is indispensable to steer a more transparent and well-governed home renovation industry.

Recommendation 1 – Establish a Standard Form Quotation

In view of the various formats of quotations provided by different home renovation companies and the insufficiency and/or unreasonableness of T&Cs in certain quotations, the Council recognises the need for relevant Government departments or industry organisations to provide a standard form quotation which contains standard terms and suggests ways to present the breakdown of works. The standard form quotation should be widely adopted by players in the industry, so that consumers would not only be able to make comparisons between quotations but also be assured of the sufficiency and appropriateness of T&Cs. Fundamentally, the

standard terms should include the critical items such as completion schedule, description of work items and materials to be used, work variation arrangement, agreed price or binding estimate (labour and materials as separate items including quantities and unit prices), payment arrangement and schedule, remedy for delay, possible inspection arrangement, defect liability or maintenance period and the company's obligation to take out insurance and provide policy information. For details of the proposed elements in the standard form quotation, please refer to Chapter 8 – Recommendation 1.

On top of the above elements, other provisions such as cooling-off period and ADR mechanism could consider be added in the standard form quotation. In the longer term, payment protection such as escrow arrangements might also be studied to provide consumers with more comprehensive protection.

- (i) **Cooling-off period:** The Council recommends the standard form quotation can include clauses of cooling-off period of no less than seven days for home renovation projects, enabling the consumer to cancel the purchase and obtain refund without the need to raise or litigate a dispute. A reasonable amount of administration fee commensurate with the preparation work (e.g. on-site measurements) may be charged if so agreed in writing by the consumer prior to undertaking such preparation work. The right of cancellation should be extinguished upon commencement of work with the consumer's written approval.
- (ii) **ADR mechanism:** Despite the adoption of standard form quotation, the possibility of disputes is not completely obviated. The standard form quotation may thus also incorporate a cost-effective and speedy ADR mechanism. The Council's proposed ADR mechanism is elaborated in Chapter 8 – Recommendation 3.
- (iii) **Payment protection:** The use of escrow arrangements significantly improves consumer payment protection. They ensure that funds paid by a consumer are properly utilised for his home renovation project, effectively incentivising home renovation companies to satisfactorily complete work on time and resolve disputes in an amicable manner, and mitigating against the risk of misappropriation of such funds for other, non-project related purposes or abscondence with the money. The Council considers that wider promotion of escrow or trust arrangements ought to be studied in the long run.

The Council hopes that with a clearer disclosure of works and liabilities of both consumers and traders in the template, the likelihood of occurrence of disputes will be reduced.

Recommendation 2 – Establish a Government-endorsed Accreditation Scheme

Whilst registration or certification schemes of construction contractors currently exist in public sectors in Hong Kong, they do not primarily cater for the home renovation projects at large. Whilst such schemes in the private sector do target the wider consumer market, the cost of applying for accreditation may be prohibitive for some home renovation companies, in particular those operating in the mid-range or lower-end market. This affects a massive group of consumers in their ability to identify quality home renovation companies operating in their market segment. For registration schemes operated by online matching platforms, the lists of registered home renovation companies are not publicly available. Further, some companies and consumers also hold reservation about the reliability or credibility of such platforms and their services.

In the circumstances, the Council recommends that the accreditation scheme should be Government-endorsed and adequately cover different industry segments and different aspects of a home renovation project. It should also maintain established minimum quality benchmarks and mechanisms for compliance check.

- (i) The accreditation criteria should cover both objective and subjective core competences. Objective criteria may include safety, financial health, management and manpower commitment, track record and dispute resolution processes. Subjective criteria may include customer satisfaction, business procedures and practices, and ethics and integrity management.
- (ii) A tiered accreditation according to the home renovation companies' business model and size should be prescribed, with different accreditation requirements for companies operating in different tiers. This will allow companies operating in different market segments, including the mid-range or lower-end of the market, an opportunity to become accredited.
- (iii) Instead of directly accrediting home renovation companies, the scheme could seek to approve qualified trade or professional associations (and in the long run, qualified online matching platforms, building inspection associations and escrow agents) as accreditation bodies which, in turn, shall be responsible for ensuring compliance with the scheme requirements by their accredited member companies. Competition amongst accreditation bodies may also promote further consumer protection initiatives by them. As the scheme expands its reach, it should also be less administratively burdensome and more cost-efficient to oversee such accreditation bodies than overseeing a wider number of home renovation companies directly.

The establishment of a Government-endorsed accreditation scheme may disrupt the cultural mindset in the home renovation industry. Thus, Industry stakeholders and the public must be consulted in formulating the scheme and scheme requirements. In particular, the scheme should draw on the insights and experience of those who have pursued measures to improve the quality and standards of the home renovation industry in Hong Kong. Ultimately, it is hoped that home renovation companies would be incentivised to strive for accreditation as a differentiating competitive factor, and consumers' emphasis on price alone in selecting a company would gradually be changed as a result.

Whilst it is anticipated that the establishment of an accreditation scheme, together with adoption of standard form quotation, would enhance certainty of the parties' obligations and assurance in the quality of services and work, they are nonetheless not a bullet-proof vest against disputes arising. This leads to Recommendation 3 below.

Recommendation 3 – Adopt a Cost-effective and Efficient Alternative Dispute Resolution Mechanism

With the adoption of recommended standard form quotation and accreditation schemes, theoretically fewer disputes should arise in the market. However, in case a dispute does arise due to reasons such as delay in completion or substandard workmanship, litigating such disputes in court may not be in the best interests of the consumer. As the Study identified, court litigation is prone to take years to complete and potentially expensive for both parties, often involving the need to engage experts to provide evidence. The cost of litigation may be disproportionate with the claim amounts with no certainty of recovery in successful claims.

The Council considers that the use of ADR is a viable alternative to court proceedings and, as indicated in the Recommendations above, should by default be provided for in the standard form quotation and an accreditation scheme. Existing ADR services marketed for home renovation disputes in Hong Kong include mediation, arbitration and expert determination:

- (i) Mediation refers to voluntary, private negotiation between the parties with the assistance of a neutral person (the mediator). Whilst the mediator will render his professional skills to assist the parties reach a settlement, the outcome depends on the mind and free will of the parties to do so.
- (ii) Arbitration is a private and formal dispute resolution process, regulated by the Arbitration Ordinance (Cap. 609) and the parties' arbitration agreement. The arbitral award rendered by an arbitrator is final and binding and may be registered and enforced in court. An arbitral award cannot be appealed or set aside in court, save in exceptional cases of procedural irregularities.
- (iii) Expert determination involves the determination of the dispute by an independent technical expert pursuant to the parties' agreement to submit the dispute to such expert. Whilst the expert's decision is contractually binding on the parties, it cannot be directly registered and enforced in court. A party seeking to enforce the decision is required to commence court proceedings upon the decision.

The Council supports the "Mediation First" approach. Since as early as 2009, mediation has been promoted by the Judiciary. Stakeholders engaged in the Study are generally supportive of the use of mediation to resolve home renovation disputes. As the consumer's real interest lies in completion of the renovation as early as possible, an early resolution that entails continuation of services by the original home renovation company and minimisation of delay in completion would best attain his interest. In the scenario that the parties could not settle their differences after having attempted mediation, arbitration or expert determination could take place to resolve the disputes.

As between arbitration and expert determination, the Council considers that arbitration offers better flexibility and convenience to consumers. If the consumer considers that court proceedings is more suitable after a dispute has arisen in light of the claim amounts, the issues in dispute, the status of the home renovation company and his own financial means, under the Control of Exemption Clauses Ordinance (Cap. 71), he still has the choice of pursuing court proceedings despite having contractually agreed to arbitration. Secondly, whilst an expert's decision is contractually binding on the parties, an arbitral award may be enforced against a company which refuses to honour it upon seeking leave of the court. On the other hand, expert determination may be suitable for purely technical disputes, such as whether the work has been completed and entitled the company to final instalment payment.

Given that ADR, be it mediation, arbitration or expert determination, is consensual in nature, widespread adoption thereof requires both home renovation companies' and consumers' recognition and appreciation of its benefits, and provided for in their contracts. To enhance recognition, fairness and long-term viability, ADR mechanisms would need to be underpinned by suitably qualified and experienced professionals serving on panels of mediators, arbitrators and experts (as the case may be) and procedures that appropriately balance between fine considerations of time, cost, procedural fairness and robustness. The Council suggests that all these matters should be reviewed and refined as part of the establishment of standard form quotation and accreditation scheme, in close collaboration with stakeholders.

Recommendation 4 – Intensify Consumer Education

Given that most consumers only need to conduct home renovation projects for limited times in their life, lacking industry-specific knowledge and the lax mindset have always been pain points among consumers to manage home renovation projects closely. On top of the previous three recommendations, for better consumer safeguards, the Council recommends relevant Government departments or organisations to intensify consumer education by sharing basic home renovation information (including the suggested topics below). Campaigns such as release of online “info-kits”, seminars, and information booths around different residential estates are worth considering. Through these events, consumers shall manage to obtain more knowledge and thus be better equipped for their own home renovation projects.

Suggested topics for information sharing

- Common home renovation workflow
- Typical home renovation work schedule
- Critical items in home renovation quotations/contracts
- Lists of registered contractors under different official schemes (such as the CIC’s RSTCS, the HA’s RLDC and the BD’s Minor Works Control System)
- Websites with important and relevant information (such as the BD’s Building Information Centre, official webpages of leading trade associations and consumer protection organisations in Hong Kong and other markets)
- Property owners’ legal liabilities
- Existing industry guidelines
- Relevant regulations and requirements
- Penalties for non-compliant works
- Ways to prevent and resolve disputes

In the meantime, the Council puts forward the following tips to help consumers prepare for their own home renovation works at any time.

Tips for consumers

Awareness and information search

- Acquire basic home renovation knowledge
- Conduct background research on preferred home renovation companies, such as a check on their licences and qualifications

Pre-commencement

- Compare the quotations and other information provided by home renovation companies
- Pay attention to critical items on quotations
- Stay alert and cool-headed when communicating with home renovation companies
- Read the contents carefully and in detail before signing documents such as quotations/contracts
- Check approved plans for buildings, relevant regulations and guidelines, and seek professional advice before conducting alteration and addition works
- Apply to relevant authorities for approval/consent (if needed) or confirm the responsibility with the company to ensure compliance

Commencement

- Keep close contact with the project manager and conduct on-site visits regularly to monitor the work progress
- Request an update of the quotation/contract for work variations or additional orders before committing
- Fulfil payment obligation in accordance with the contract

Completion and follow-up

- Carefully inspect the works done, and seek professional assistance (if needed)
- Make good use of defect rectification and warranty services

Way Forward

In Hong Kong, there is an on-going and huge consumer demand for customised home renovation that warrants better protection for consumers in such significant spending. However, currently Hong Kong does not have a specific regulation to govern the home renovation industry. Owing to the low barriers of entry, there are many choices of home renovation companies with varying levels of quality in the market. When consumers search for a company, the possibility of occurrence of unscrupulous trade practices could thus be increased. Indeed, the Study uncovered a variety of issues in the industry faced by consumers when engaging with traders, such as traders varying in levels of quality, with some even suggesting or endorsing non-compliant home renovation works and low information transparency. Many consumers spend a large portion of their savings and efforts in home renovation for a “dream home”, yet there is often no assurance of the quality of services provided by home renovation companies. Consumers’ pain points were also reflected in the Council’s complaint cases and the court cases.

Thus, with reference to practices in six other markets, the Council puts forward a set of recommendations which suits the context of Hong Kong. The recommendations could be categorised as short-term, medium-term and long-term measures and adopted in a progressive approach. The findings of the Study concluded that there is a strong and urgent need to establish a standard form quotation that would work as a “safety net” to provide consumers with basic protection in the short run. The medium-term objective would be to establish an accreditation scheme to serve as a good reference of traders for consumers, whilst providing different consumer protection measures under the scheme requirements. The proposed voluntary nature of the scheme should balance the impacts on industry players of different sizes. In tandem with the accreditation scheme, ADR mechanism and other contractual measures such as cooling-off period should be undertaken. Escrow arrangements being practised in other markets should also be studied to better safeguard the financial interests of consumers. It is also of paramount importance that consumer education is indispensable for equipping consumers with basic knowledge of home renovation and changing the lax and passive attitude of certain consumers. Consumers should always remember to heed the tips provided by the Council and stay alert when engaging with traders so as to safeguard their own rights.

The Council hopes to arouse all stakeholders’ attention to the home renovation industry through the release of the Study. These recommendations are all important to consumers and inter-related. The Council calls for collaborative efforts of the Government, relevant statutory bodies, professional associations, traders and consumers for the execution of the recommendations suggested above whenever appropriate, with a view to assuring consumers of a smooth and well-protected home renovation journey. In the meantime, the Council would continue its public education and industry monitoring work to assist consumers in realising their lifelong dream of having a comfortable home.

Predicament of Consumers in the Home Renovation Journey

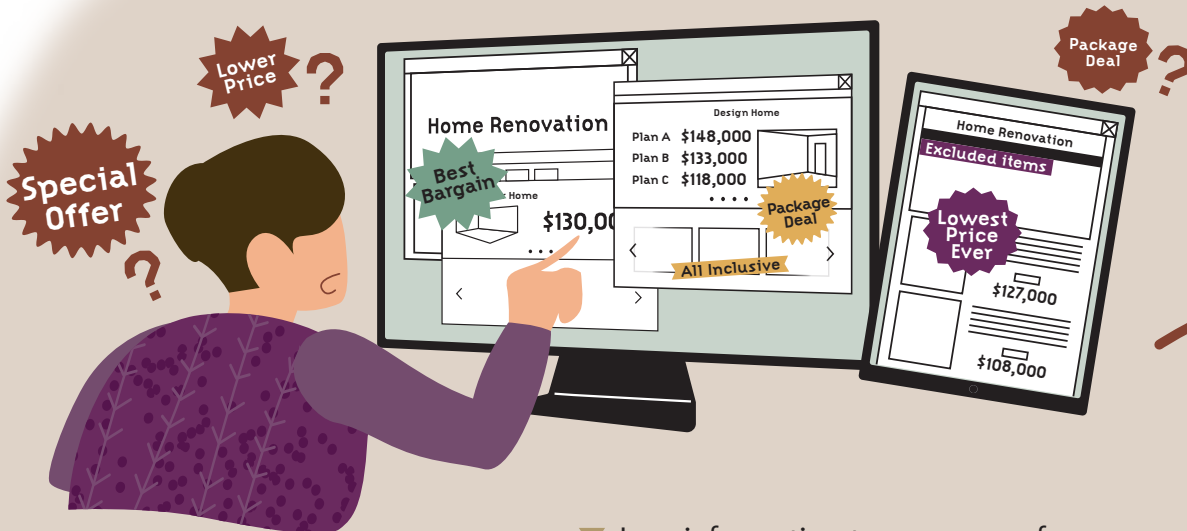
● Consumer survey

▼ Trader interview

■ Mystery visit

◆ Advertisement review

Awareness and information search



● Many consumers found it hard to compare quotations in different formats

● Too many choices of companies with varying levels of quality

▼ Low information transparency for pricing and work schedule provided by traders

◆ Exaggerated promotions and untrue offers in ads

Completion and follow-up

● 1 in 5 had disputes with companies they appointed

● Top 3 disputes: delay in completion, defective work, and failure to rectify defects

▼ Divergence in views between consumers and traders as to the standards of workmanship

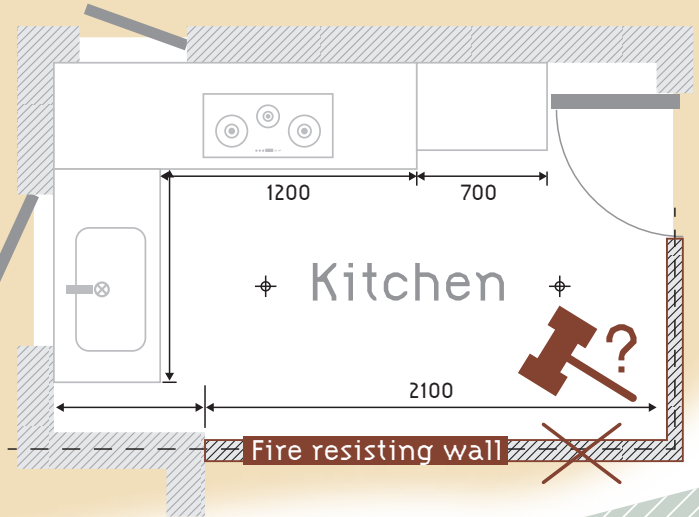
▼ Lack of monitoring authorities and industry guidelines



Pre-commencement

- Suspicious claims, undesirable practices and problematic sales tactics were observed in mystery visits
- Quotations were incomprehensive and without sufficient consumer safeguards

- A sizeable share of companies engaged were lax about regulations concerning fire safety and alteration/addition works



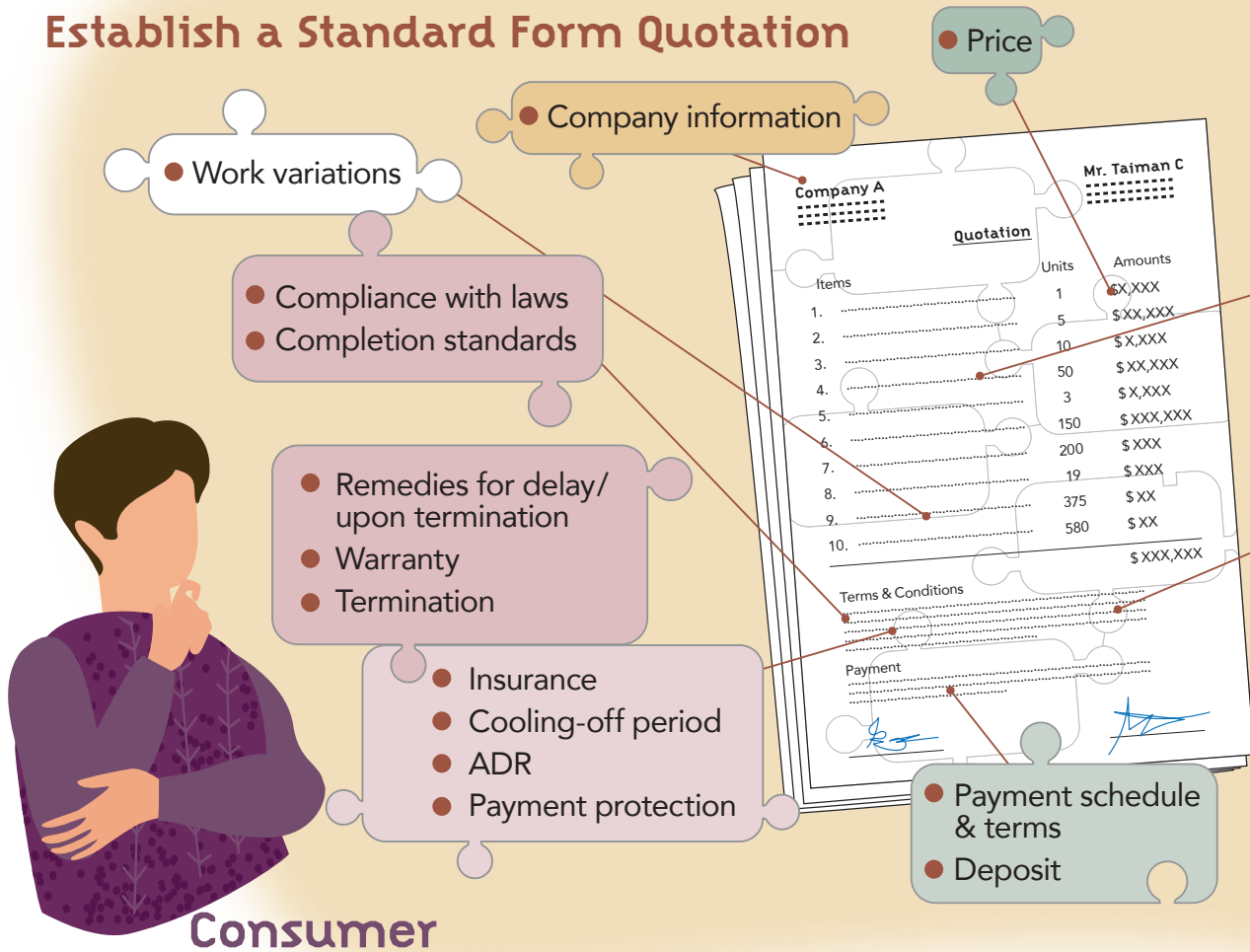
Commencement

- Top 3 worries of consumers were unfinished work, defective work, absence of company after payment

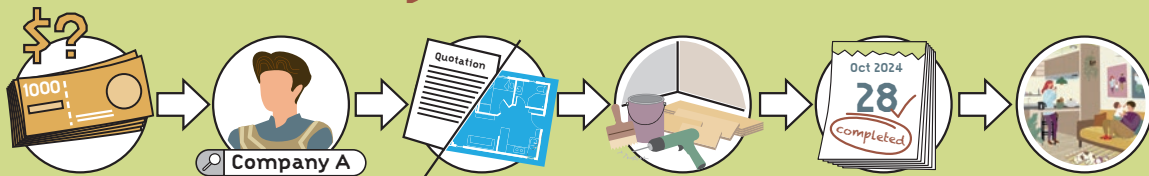


4 Measures to Strengthen Governance for the Home Renovation Industry

Recommendation 1: Establish a Standard Form Quotation



Recommendation 4: Intensify Consumer Education



Key Suggested Topics

- Common workflow & work schedule of home renovation project
- Critical items in quotations
- Property owners' legal liabilities
- Industry guidelines, regulations and requirements
- Penalties for non-compliant works
- Dispute resolution



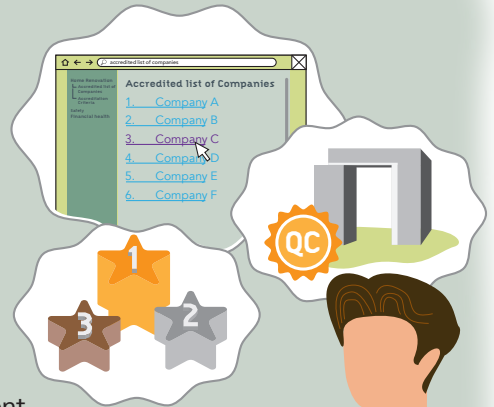
Recommendation 2: Establish an Accreditation Scheme

● Scope and specification of work

● Standards of workmanship
● Project period

- Government-endorsed
- Accreditation bodies
- Tiered accreditation
- Accreditation criteria

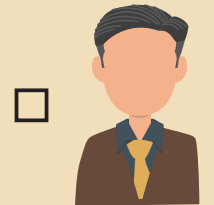
- Safety
- Financial health
- Management and manpower commitment
- Track record
- Dispute resolution process
- Customer satisfaction
- Business procedures and practices
- Ethics and integrity management



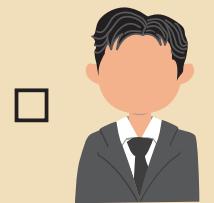
Trader



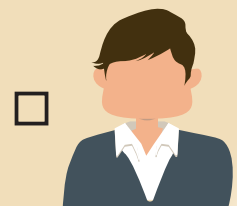
Recommendation 3: Adopt an Alternative Dispute Resolution (ADR) Mechanism



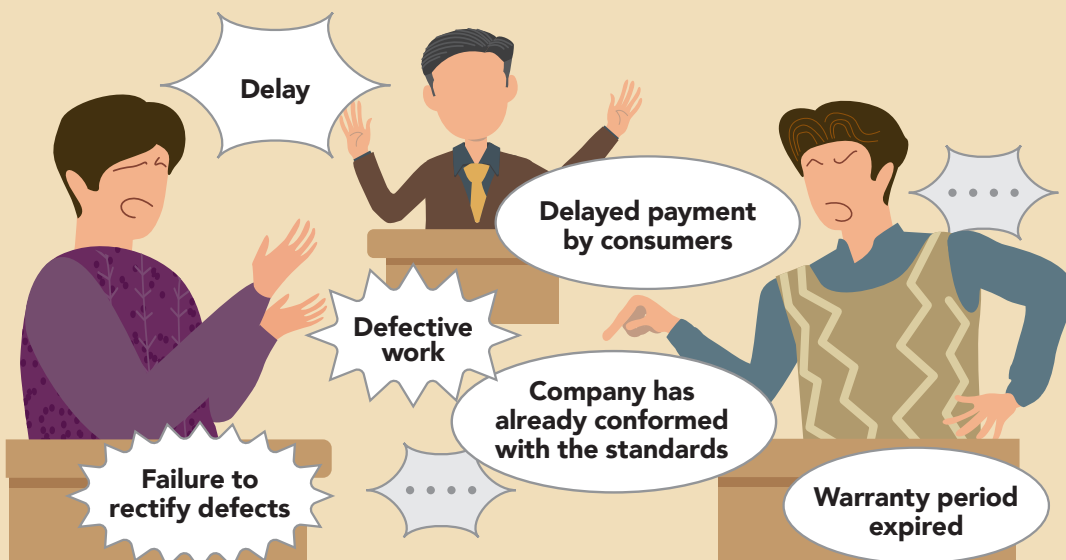
Mediation



Arbitration



Expert Determination



摘要

香港的家居裝修行業

香港的家庭住戶數目持續上升，由 2010 年錄得的 230 萬增長至 2023 年的 270 萬。由於香港的土地供應短缺及人口密度高，大部分市民都居住於較小型的單位。消費者為了善用有限的空間，對家居裝修服務的需求一直殷切，而隨着家庭住戶數目持續增長，有關需求預計將進一步上升。此外，因應香港住宅樓齡日漸老化（截至 2022 年年底，約 51% 的私人住宅單位是於 1989 年或之前落成），業主或住戶可能需進行家居裝修來翻新單位。不論單位類型（公營或私營房屋、一手或二手物業），消費者一般也願意花費在度身訂造的家居設計及傢俬上，以打造他們的「夢想家居」。

不過，對不少消費者而言，家居裝修過程複雜繁瑣，消費者也需於多個階段親自與裝修公司洽談，難免感到不勝負荷。若消費者希望裝修過程能順利完成，必須具備裝修的基本概念和知識。然而，一般消費者都欠缺相關經驗、知識或認知，難以理解家居裝修工程當中錯綜複雜的流程和相互關係，最終只能倚賴商家的專業操守和經驗處理裝修事宜。

同時，由於行業的入行門檻低，業界充斥着不同類別和規模的營運者，由個體戶到大型裝修工程公司不等，其服務質素亦良莠不齊。行內固然不乏質素上佳、信譽良好的公司，但亦有不少缺乏專業資格或商業牌照的公司在市場提供家居裝修服務。

由於行業分散及欠缺具代表性的商會去團結和動員整個業界，因此，即使近年有個別持分者和營運者在提升行業水平和教育消費者方面花了不少工夫（如引入先進科技提供服務、發佈行業指引等），但卻效果不彰，消費者的認知和信任度依然偏低。

此外，香港一直沒有專門規管家居裝修服務的法律框架，消費者只能依賴一般的消費者保障法例和普通法，未能得到針對性的保障。若發生爭議，在處理的過程中，消費者和裝修公司都要耗上一定時間和成本，問題才有望得以解決。

消費者的難處

消費者委員會（「消委會」）在過去數年持續接獲有關家居裝修服務的消費者投訴，由 2017 年至 2023 年，共收到 1,205 宗投訴。大部分投訴與服務質素有關，其次是延遲 / 不交貨和價格糾紛。常見的投訴包括（一）有缺陷的工程，（二）延誤完工，（三）不良營銷手法（例如不回應或態度惡劣、含糊的合約條款和定價，以及對消費者施加壓力或脅迫其付款），（四）爛尾 / 沒有完成項目，（五）提高價格和濫收費用，（六）家居裝修公司失聯或倒閉，以及（七）未經消費者同意進行額外工程並收取費用。

本研究

有見香港家居裝修行業的獨特性和消費者所面對的困難，消委會就香港家居裝修服務進行深入研究，題為「倡規範家居裝修 建舒適美滿之家」（「本研究」）。本研究涵蓋不同性質、規模和金額的家居裝修工程，惟住宅內固定裝置及設備的個別修葺及保養服務並不包括在內。本研究旨在全面地了解消費者對家居裝修行業的觀感、辨識業內的不良營商手法，以及參照其他市場對家

居裝行業的法規，再提出適用於香港的建議，予香港特區政府（「政府」）、相關法定機構、業界以及消費者參詳和研究。

於 2022 年 4 月至 2024 年 1 月期間，消委會採用了混合方法模式作出研究，包括（一）分析家居裝修工程引伸的投訴和訴訟個案、（二）進行消費者認知調查、（三）與擁有家居裝修經驗的消費者進行焦點小組討論、（四）檢視家居裝修公司和網上配對平台（「商家」）在不同渠道發佈的廣告、（五）以神秘顧客的方式親身體驗與商家溝通的過程、（六）報價單分析、（七）跟商家和持分者進行深度訪談，以及（八）以資料閱覽方式研究選定市場的相關法規。消委會期望透過發表本研究，引起公眾和持分者對家居裝修行業議題的關注，而有關建議最終能得到採納，以保障消費者利益及提升業界的質素和專業水平。

深入探討「顧客旅程」

上述研究結果將會按消費者的家居裝修旅程逐步闡述，然而因應不同的需求及預算，各裝修項目均有差異，但一般而言可分為四個階段：（一）認知和資料搜集、（二）施工前、（三）施工期間，以及（四）完工及後續跟進。本研究探討了在這四個階段中，消費者所遇到林林總總的問題，以及家居裝修公司和網上配對平台的營商手法。

認知和資料搜集

由於大部分消費者缺乏家居裝修的技術知識，他們通常會先進行基本資料搜集以初步認識家居裝修流程。消委會就此進行了一項消費者認知調查，訪問了 505 位於過去九年內曾進行家居裝修或在未來三年有意裝修的消費者，結果顯示他們的首兩個資訊來源為家人、親戚和朋友（93%），以及網上渠道（50%），例如網站、論壇及社交平台。

近年來，儘管家居裝修服務網上配對平台逐漸在市面上興起，不過這些平台還未成為消費者選擇裝修公司的主流渠道。有超過三分之二的受訪者反映他們從未聽過網上配對平台。而在有聽過網上配對平台的受訪者中，只有不足 10%表示自己十分信任此類平台。

另外，受訪者指出，他們在選擇家居裝修公司時的主要考慮因素為價錢和折扣（79%）及公司聲譽（73%）。同時，消費者認為「難以比較不同格式的報價單」（58%）和「市面上太多良莠不齊的家居裝修公司供選擇」（55%）是此階段的兩大難題。除此之外，受訪者亦對某些營商手法存有憂慮，例如擔心家居裝修公司的推銷手法誇張失實（58%）、被逼購買昂貴的家居裝修套餐或額外工程（52%），以及報價單過於草率簡陋（49%）。

有見上述消費者的關注，消委會檢視了 225 個廣告樣本，以進一步了解商家的宣傳手法。在樣本中，部分廣告載有誇張且難以查證的聲稱及保證（如「第一」、「零中伏」等），也有部分提及含糊或不實的優惠（如在廣告訛稱免費提供除甲醛服務，但經查詢後才指出要收費）。消費者容易被這些不實的聲稱及優惠吸引。

同時，在此階段中，資訊透明度低亦是另一問題。從與商家的訪談中得知，消費者往往難以得知市面上各項裝修工程的價格範圍，而商家也甚少向消費者提供詳細的施工時間表，或主動告知他們在拆牆及室內改造方面的法規要求。這些情況均可能會導致消費者和商家於往後階段發生糾紛。

施工前

為進一步了解消費者在施工前所遇到的問題和商家的銷售手法，消委會以神秘顧客的身分，接觸了 59 間家居裝修公司及 14 個網上配對平台，根據預設的家居裝修工程要求索取報價。過程中發現一些懷疑不良銷售手法，例如有商家作出無從稽考的聲稱，指其從沒收過任何消費者投訴，或保證絕對不會「爛尾」；亦有商家不肯履行其廣告上的聲稱；也有商家拒絕提供初步報價單的副本作仔細考慮。當中部分的銷售手法有機會構成《商品說明條例》（第 362 章）中的不良營商手法，如虛假商品說明、餌誘式廣告宣傳或先誘後轉銷售行為等，對消費者權益構成一定的風險。

在神秘顧客調查過程中，有部分家居裝修公司對遵守法規的態度表現鬆懈。雖然一些媒體在 2023 年 5 月已廣泛報道一宗關於將軍澳區私人住宅內涉嫌改動單位結構牆的事件，仍有高達四分之三的家裝公司建議神秘顧客毋需核實牆身性質，便可進行拆牆工程；同時亦有超過 75% 的公司回答可以隨意將廚房門改為趟門，但此舉或會違反《建築物條例》（第 123 章）有關消防安全的規定。

另外，消委會根據香港測量師學會的專業意見，評估了 40 份從神秘顧客調查中取得的初步報價單。整體而言，報價單的平均分數為 58 分（100 分滿分），當中只有 8% 的報價單高於 80 分，反映多數報價單的全面性和詳細程度不足，令消費者難以比較。初步報價單中最常提及的主要項目為「工程總額」（100%）、「付款細則」（93%）及「不包項目」（85%），而其他重要項目並不常被涵蓋，只有約六至七成的報價單有說明「開工及完工日期 / 施工期」、「工程變更上的安排」、「延工安排」和「『執漏』 / 保養期」。此外，「合法合規的聲明」（20%）及「符合物管公司要求的聲明」（8%）更鮮有被提及。在工程細項方面，只有 38% 的報價單有仔細列明所有工程細項。就價格資訊而言，初步報價單鮮有羅列每項工序的數量及單價，分別只有 28% 和 20% 的報價單有列明每項工序的數量和單價。

毋庸置疑，無論是報價單或服務協議，妥善的合約對保障消費者至關重要。是次消費者認知調查也向受訪者了解他們對合約的看法。當問及家居裝修合約中的應有項目時，超過九成受訪者認為於問卷中列出的選項（如開工及完工日期、不包項目和保養期）不可或缺，反映多數受訪者均深知完備的合約條款及細則對保障其利益的重要性。

然而，仍有部分受訪者在處理正規合約時態度輕率，例如有近三成受訪者認為即使工程有所變動，只要有相關的記錄便毋需更新報價單，情況顯然不理想。

施工期間

即使選擇了一間合適的家裝公司，消費者在施工期間仍會有各種各樣的擔憂。受訪者的五大憂慮為工程「爛尾」（73%）、施工質素欠佳（61%）、裝修公司收款後失聯（59%）、裝修公司拒絕「執漏」（57%）及工程延誤（56%）。

完工及後續跟進

事實上，這些憂慮時有發生。在進行過家居裝修的受訪者中，約每五位便有一位（19%）曾與所委託的家裝公司發生糾紛。最常發生的三種糾紛依次為工程延誤（61%）、施工質素欠佳（39%），及裝修公司拒絕「執漏」（30%）。在曾遇過糾紛的受訪者中，慶幸有超過四分之三最終能與家居裝修公司成功解決問題。

在與商家的訪談中亦提到了有關糾紛成因，除了可歸咎於香港缺乏專門監管家居裝修行業的機構和行業指引外，也可能是消費者和商家對「手工」標準的理解存有差異所致。

在消費者認知調查中，受訪者也被問到會否在家居裝修工程完工後安排第三方檢驗工程質素，大部分（80%）受訪者均表示不會安排檢驗，主因是預計費用不菲。事實上，受訪者更期望在進行家居裝修時，有其他措施為他們的權益把關。詳細的消費者訴求將在下一個部分闡述。

持分者就保障消費者權益提出的建議措施

消委會就現時家居裝修行業的狀況，分別向消費者、商家和其他持分者徵詢有關消費者權益保障措施的意見。

消費者訴求

在消費者認知調查的最後一部分，受訪者表達了他們對香港家居裝修行業的信心，大部分（67%）受訪者表示對行業的信心程度為中等，平均分為3.1分（5分滿分）。可是，在曾與家居裝修公司發生糾紛而又無法得到解決的受訪者中，其信心程度則明顯較低（5分中只有2.4分），反映了消費者會因為過去的糾紛而對行業產生負面印象。

受訪者主要支持推行四類措施以提升行業水平及增加消費者信心，包括建立黑名單制度（66%）、訂立標準報價單範本（40%）、設立爭議及投訴處理機制（34%），以及引入家居裝修公司發牌制度（34%）。然而，在商家的眼中，部分措施要實施起來殊不容易。

商家意見

由於現時家居裝修行業缺乏特定監管，受訪商家表示有些不良分子仍可逍遙法外，例如有問題的商家可透過終止現有業務，改頭換面以新公司名義繼續營業，此舉會削弱黑名單制度的成效。因此，有受訪商家建議政府設立專責機構以監管行業，處理消費者和家居裝修公司的糾紛，並提供專業的諮詢服務。另外，有商家也指出為特定家居裝修工程設立牌照或註冊制度可防止不良商家逃逸。同時，在價錢並非惟一考慮因素的大前提下，商家與消費者均同意強制的標準報價單範本能有助量化工程項目，並為家居裝修服務提供統一的條款及細則，為消費者提供最佳的保障。

持分者意見

所有受訪的持分者都同意，消費者教育對於提高消費者對家居裝修工程所涉及的風險和責任的認識至關重要。雖然大部分室內家居裝修的工序，例如室內批灰泥及油漆，並不需要屋宇署批准和同意，但其他工程，例如間隔改動、更換窗戶及改善外牆，可能影響物業的結構、環境或消防安全，須要獲得相關政府部門審批。儘管此類違規行為的風險在某些情況下可能不會立即顯現，但消費者應奉公守法，尋求第三方專業意見以避免觸犯法例。一些持分者亦指出，長遠來說本港需要一個中央的資訊傳播平台，以確保消費者快捷地獲得準確的資訊。

私營機構傾向於行業自律，並支持為符合某些客觀標準的家居裝修公司建立認證或自願註冊計劃，以供消費者參考。有關準則可分別參考建造業議會的「註冊專門行業承造商制度」及房屋委員會的「裝修承辦商參考名單」，並根據家居裝修行業的需要進行適當調整。事實上，私人市場和專業團體過往也發表與家居裝修行業相關的指引、不同認證計劃、另類爭議解決機制和網上配對服

務，旨在提升家居裝修服務的質素。然而，觀乎此等舉措較為分散和公眾認知度較低，對市場所起的作用仍有待觀察。

香港現行監管制度下的消費者保障

目前，本港沒有特定的消費者保護法律和法規監管家居裝修公司及其服務。儘管某些工程須獲屋宇署批准及 / 或由註冊小型工程承建商進行，消費者與家居裝修公司之間的合約關係受一般消費者法律及普通法規管。

《商品說明條例》（第 362 章）和《不合情理合約條例》（第 458 章）禁止家居裝修公司從事不公平或不合情理的營商手法。消費者也可以就商家的失實陳述尋求法律濟助。然而，由於一般消費者缺乏經驗和知識，這些問題可能要直到工程開展過程中才能發現。屆時，消費者可能在別無選擇的情況下尋找減低風險的方案。雖然消費者可以提出索償以追討由此蒙受的任何損失，但此類索償的結果往往存在不確定性，包括法庭判決是否有利於消費者和家居裝修公司是否有經濟能力支付損失。

業主有法律責任確保遵從安全法例（例如有關消防安全的規定）、佔用人的法律責任以及大廈公契中的限制。然而，他們一般依賴家居裝修公司以其專門知識提供恰當建議以及採取必要的步驟以確保工作合法合規，包括尋求必要的監管批准，並在有需要時尋求物業管理的批准。裝修公司未能履行其責任而產生的後果和處罰可能會由消費者承擔。

從消委會檢視已刊登的法庭判案書顯示，消費者亦可能不了解因法律的施行所產生的權利和義務。根據法律規定，家居裝修公司大致完成裝修工程後，有權獲得約定的款項，但須扣除合理的費用以糾正工程缺陷或完成未完成的工程。若消費者與家居裝修公司未有協定價格（例如工程改動的價格），消費者有義務支付合理費用，除非他事先沒有同意或接受該等工程。然而，由於這些事項往往未有在報價單或合約中明確列出，消費者在不熟悉法律規定所產生的權利和義務的情況下，可能會誤解其法律地位而無意中做出違約行為。

如果裝修公司違反合約甚至放棄工程，消費者可以就聘請其他公司完成或糾正工程所產生的費用以及其他損失作出申索。然而，訴訟可能會曠日持久，並且可能需要昂貴的專家佐證以確定責任並計算損失，令消費者在財務和情緒上承受更大壓力。

此外，消費者在工程展開前支付金額通常龐大的按金後，便不再保留對該款項的任何財產或權利。如果消費者需要對公司執行判決，他只能以無抵押債權人的身分執行。公司的股東和董事亦一般不須為公司所產生的責任承擔個人責任。

其他市場的消費者保障措施

消委會檢視加拿大（卑詩省和安大略省）、中國內地（內地）、新加坡、英國和美國（紐約）的法律法規顯示，不同市場就家居裝修公司和服務採用混合的監管和非監管性的消費者保護措施。其中，內地和紐約針對家居裝修公司和服務制定了具體的成文法和法規。

這些市場的消費者體驗與香港或多或少地相似，涉及家居裝修公司的欺騙、完工延誤、物料缺陷、工藝水平欠佳以及公司突然倒閉等問題。除了法律法規禁止誤導性廣告宣傳和不公平的營商手法以及出於安全理由某些工作必須由合資格人士進行外，還採取了其他消費者保護措施以應對消費者面對的問題。要點包括：

- (一) **強制性或標準合約條款**：在所檢視的大多數市場中，在價格、工作範圍、工程期、定期付款時間表以及保養和保證等重大方面均有法定要求提供強制性的書面合約條款。在內地和紐約，更設有針對家居裝修公司及服務的明文法律法規。
- (二) **強制發牌制度、自願認證計劃**：所有市場均有強制發牌要求或自願認證計劃（或兩者皆有）。在內地、新加坡（就公共房屋而言）和紐約，家居裝修公司須取得牌照或註冊，並就此必須證明其良好的財務及 / 或專業信譽。在新加坡，新加坡消費者協會為具有良好財務和過往記錄的家居裝修公司提供了一項認證計劃，受認證的公司需要提供保證金以保護消費者的款項。英國為家居裝修公司提供了眾多針對家居裝修公司的自願認證或會員計劃，有關公司需要提供的消費者保護措施包括款項保護和另類爭議解決服務。英國政府認可的 TrustMark 計劃旨在讓行業協會成為計劃營運機構，而非直接對家居裝修公司進行認證，該計劃已吸引了 37 間計劃營運機構（截至 2024 年 1 月 4 日）和約 15,000 家註冊企業。
- (三) **消費者教育**：在所有市場中，政府和政府設立的機構提供消費者教育和有關家居裝修的提示。其中，在加拿大，面臨執法行動或對消費者投訴沒有回應的家居裝修公司屬公開資訊。在內地，中國消費者協會定期提供消費提示，並進行教育活動。在新加坡，新加坡消費者協會根據收到的投訴發布針對家居裝修公司的個案警示。在英國，政府與 TrustMark 合作開發了一款家居改進手機應用程式，以引導消費者了解家居裝修之旅。
- (四) **另類爭議解決機制**：在所檢視的大多數市場中，消費者可利用免費另類爭議解決機制服務，以解決家居裝修糾紛。特別是在英國，獲政府許可的 Furniture and Home Improvement Ombudsman 協助解決其成員與消費者的糾紛。Which? Trusted Traders 和 TrustMark 也有其指定的另類爭議解決供應方。在新加坡，新加坡消費者協會透過其調解中心提供投訴處理和調解服務。內地亦頒布了鼓勵調解社區糾紛的法律，促成家居裝修行業協會在全國各地成立了多個調解委員會以處理家居裝修糾紛。

消委會建議

為了處理目前家居裝修行業的挑戰和問題，並在消費者的家居裝修旅程中提供更佳保障，消委會參考了其他市場的做法，提出了四大建議。所有建議均需要政府、相關法定機構、專業協會、商家、消費者的參與及積極協作，才能付諸實行，從而締造具透明度和監管有效的家居裝修市場。

建議一：提供標準報價單範本

有鑑於家居裝修公司提供的報價單格式五花八門，而部分報價單的條款及細則更有不足及 / 或不合理之處，消委會認為有需要由相關政府部門或行業組織提供標準報價單範本。範本除了包括標準條款外，也應建議如何列明裝修工程細項。業界應廣泛採用此範本，讓消費者能清楚比較不同公司的報價單，亦可確保條款及細則的全面和恰當性。基本而言，標準條款應涵蓋重要事項如施工時間表、工程項目和所用物料的詳細說明、變更或後加工程的安排、議定的價格或具有約束力的估算（人工及物料費用分開計算，並包括數量和單價）、付款安排及時間表、延期安排或補償、待議的驗收安排、「執漏」 / 保養期、公司購買保險及提供保單資訊的責任等。有關標準報價單範本的建議項目可參閱第八章（建議一）。

除此之外，也可考慮在標準報價單範本中加入其他條款，例如冷靜期、另類爭議解決機制等。長遠而言，亦可研究引入付款保障（如費用託管安排），為消費者提供更全面的保障。

- (一) **冷靜期**：消委會建議標準報價單範本可為家居裝修工程加入不少於 7 天的冷靜期條款，容許消費者可以取消交易並獲得退款，而不需要提出爭議或訴訟。如消費者先前以書面形式同意進行某些準備工作（例如現場度尺），商家應可收取相對的合理金額作為行政費用，該取消權亦應在消費者書面同意並在工程開展後隨即屆滿。
- (二) **另類爭議解決機制**：即使商家已採用標準報價單範本，但爭議仍有機會發生。因此，標準報價單範本可以加入具成本效益且具高效率的另類爭議解決機制條款。詳情可見第八章建議三。
- (三) **付款保障**：費用託管安排可以顯著改善消費者付款保障，並確保商家妥善地使用消費者已支付的款項於工程中，有效鼓勵家居裝修公司按時完成工程及積極解決糾紛，並減少商家挪用款項於與該工程無關的用途，或帶款潛逃的風險。消委會認為，長遠而言，應研究更廣泛地推廣費用託管或信託安排的可行性。

消委會期望範本清楚說明工程內容、訂明消費者和商家雙方的責任，以減低發生爭議的機會。

建議二：設立政府認可的認證制度

雖然香港的公營部門目前設有建築承包商的註冊或認證計劃，但這些計劃主要並非針對廣大的家居裝修工程項目。雖然私營部門的此類計劃確實針對更廣泛的消費者市場，但申請認證的成本可能過高，會讓一些家居裝修公司（尤其是在中低端市場營運的公司）望而卻步。這影響了一大群消費者識別在此類市場營運的優質家居裝修公司的能力。對於網上配對平台所營運的註冊計劃，註冊的家居裝修公司名單並不公開。此外，一些公司和消費者對這類平台及其服務的可靠性或可信度有所保留。

有見及此，消委會認為認證計劃應得到政府認可，並充分涵蓋行業的細分市場和家居裝修項目各範疇，此外，還應維持既定的最低質素基準和合規機制：

- (一) 認證標準應涵蓋客觀和主觀類別的核心能力。客觀標準可包括安全、財務健康、管理和人力承諾、過往記錄及爭議解決程序。主觀標準可能包括客戶滿意度、業務程序和經營手法，以及道德和誠信管理。
- (二) 根據家居裝修公司的經營模式與規模，制定分級認證，為不同級別的公司設有不同的認證要求。這將使在不同細分市場（包括中低端市場）營運的公司均有機會獲得認證。
- (三) 認證計劃應批准合資格的行業或專業協會（長遠而言，亦可包括合資格的網上配對平台、樓宇檢驗機構及託管機構）作為認證機構，再由這些機構負責確保獲得認證的家居裝修公司成員遵守計劃要求，而非直接對家居裝修公司進行認證。認證機構之間的競爭亦可促進它們採取進一步措施保障消費者。隨著該計劃的覆蓋範圍不斷擴大，監督此類認證機構應比直接監督為數更多的家居裝修公司帶來較少的行政負擔，並且更具成本效益。

設立政府認可的認證計劃可能會對家居裝修行業的傳統思維有所衝擊，所以制定計劃及相關要求必須徵詢行業持分者及公眾的意見，特別是，計劃應借鑑那些採取措施提升香港家居裝修行業質素和標準之人士的真知灼見。消委會期望最終家居裝修公司會被驅使爭取認證，以其作為一種具有區別性的競爭因素，而消費者過往在選擇公司時只考慮價格的傾向會逐漸有所改變。

雖然我們預計建立認證計劃並採用標準報價單範本將增強雙方責任的確定性，以及對服務和工作品質的保證，但此等舉措仍然未能成為防止爭議的保證。因此我們提出以下建議三。

建議三：採用具成本效益和高效率的另類爭議解決機制

採用了建議的標準合約條款和認證計劃後，裝修市場上理應出現較少的糾紛。然而，若出現因延遲完工或工藝質素欠佳等原因的爭議，在法院提起訴訟以解決此類爭議未必符合消費者的最佳利益。正如研究指出的情況，法院訴訟往往需要數年時間才能完成，而且對雙方來說可能成本高昂，通常需要聘請專家提供證據。訴訟費用可能與索賠金額不成比例，成功申索後能否討回訟費亦不確定。

消委會認為使用另類爭議解決方式是替代法庭訴訟的可行方法，而正如以上建議所述，應預設在標準報價單和認證計劃內。香港現有針對家居裝修糾紛推出的另類爭議解決服務包括調解、仲裁和專家裁定：

- (一) 調解是指雙方在中立人（調解員）協助下自願、私下進行的談判。雖然調解員會運用其專業技能協助當事人達成和解，但結果取決於當事人的思想和自由意願。
- (二) 仲裁是私人且正式的爭議解決程序，受《仲裁條例》（第 609 章）及雙方的仲裁協議所規管。仲裁員所作出的仲裁裁決是最終及具約束力，並可以在法院登記和執行。除程序違規的特殊情況外，不得對仲裁裁決向法院提出上訴或撤銷。
- (三) 專家裁定是指根據當事人的協議將爭議提交給獨立技術專家進行裁定。雖然專家的裁定在合約上對雙方具有約束力，但不能直接在法院登記和執行。尋求執行該裁定的一方必須就該裁定展開法庭程序。

消委會亦支持「先調解」的方式處理糾紛。早在 2009 年，司法機構就推動調解工作。參與研究的持分者普遍支持以調解方式解決家居裝修糾紛。由於消費者的真正利益在於儘早完成裝修，因此儘早解決糾紛讓原裝修公司繼續提供服務，並儘量減少完工延誤最能符合消費者的利益。若雙方嘗試調解後未能和解，便可以仲裁或專家裁定解決爭議。

就仲裁和專家裁定而言，消委會認為仲裁可為消費者提供最佳的彈性和便利性。若消費者在發生爭議後，考慮到索償金額、爭議事項、家居裝修公司的狀況及本身的經濟能力，認為訴諸法院更為合適，根據《管制免責條款條例》（第 71 章），儘管他在合約上同意仲裁，他仍然可以選擇提出法院訴訟以解決糾紛。其次，雖然專家的裁定對當事人具有合約上的約束力，但仲裁裁決可以在向法院申請許可後對拒絕履行裁決的公司進行強制執行。另一方面，專家裁定或適用於技術爭議，例如工程是否已完成，以致須支付尾數。

鑑於另類爭議解決機制，無論是調解、仲裁還是專家裁定，本質上都需要雙方同意，其廣泛採用需要家居裝修公司和消費者均認可和欣賞其好處，並在他們的合約中明確規定。為了增加認可度、公平性和長期可行性，另類爭議解決機制需要由具備合適資格和豐富經驗的專業人員組成調解員、仲裁員和專家（視情況而定），並採用適當平衡時間、成本、程序公正性和穩健性的程序。消委會建議，在制定標準報價單和認證計劃的過程中與持分者緊密合作，檢視和完善所有這些事項。

建議四：加強消費者教育

大多數消費者一生中只需要進行有限次數的裝修工程，一般缺乏行業知識，加上鬆懈的態度往往會令他們在處理裝修工程的過程中遇上不同問題。除了以上三大建議外，為提供最佳的消費者保障，消委會建議相關的政府部門或組織應加強消費者教育，分享家居裝修基本資訊（包括下列的建議主題），例如可考慮在網上發佈「資訊包」、舉辦講座，以及在不同住宅屋苑設立資訊站等，讓消費者從中獲取更多知識，為自己的家居裝修未雨綢繆。

資訊分享的建議主題

- 常見家居裝修的工作流程
- 典型的家居裝修工程時間表
- 家居裝修合約 / 報價單上的重要事項
- 不同官方計劃的註冊承辦商名單 (如建造業議會的註冊專門行業承造商制度、房屋委員會為公共屋邨而設的裝修承辦商參考名單、屋宇署的小型工程監管制度)
- 載有重要相關資訊的網站 (如屋宇署轄下的樓宇資訊中心、香港及其他市場的行業協會和消保組織的官方網頁等)
- 業主的法律責任
- 現行的行業指引
- 相關的法規和要求
- 對不合規工程的罰則
- 避免和解決爭議的方法

與此同時，消委會提出以下的消費錦囊，協助消費者隨時為自己的家居裝修工程做好準備。

消費錦囊

認知和資料搜集

- 獲取基本家居裝修知識
- 了解心儀的家居裝修公司之背景，如查閱其牌照及專業資格

施工前

- 比較家居裝修公司的報價單和其他資料
- 留意報價單上的重要事項
- 與家居裝修公司溝通時保持警覺及冷靜
- 簽署報價單 / 合約等文件前，審慎並仔細地閱讀其內容
- 查閱大廈的批准圖則、相關法規及指引，並在進行改動及加建工程前尋求專業意見
- 向相關監管機構申請批准 / 同意 (如需要)，或與家居裝修公司確定其責任，以確保工程合法合規

施工期間

- 與裝修項目經理保持緊密聯繫，並定期到現場監察工程進度
- 在答應工程改動或後加項目前，先要求更新報價單 / 合約
- 根據合約履行付款責任

完工及後續跟進

- 細心驗收，有需要時尋求專業協助
- 善用「執漏」及保養服務

展望將來

香港的消費者對度身訂造家居裝修的需求持續高企，鑑於相關支出不菲，有必要加強這方面的消費者保障。現時，香港沒有專門監管家居裝修行業的法規，由於行業進入門檻低，行內充斥良莠不齊的家居裝修公司，當消費者物色公司時，遇到不良營商手法的機會或會因而較高。的確，本研究發現消費者在與商家溝通的過程中，不時遇到形形色色的問題，例如商家質素參差，有些甚至提議或贊同進行不合規的家居裝修工程，而且行業資訊亦透明度偏低。消費者為了締造「夢想家居」，往往會投放大量金錢和心血在家居裝修上，惟家居裝修公司的服務質素卻缺乏保證。而消委會接獲的投訴和法庭訴訟個案也正正反映了消費者的難處。

有見及此，於參考了其他六個市場的做法後，消委會提出了一系列適用於香港的建議。這些建議可歸類為短、中、長期的措施，並以循序漸進的方式展開。本研究結果得出，訂立標準報價單範本最為逼切，以便在短期內能為消費者提供「安全網」作基本保障。而中期的目標則是建立一套認證制度供消費者在選擇商家時參考，並把不同消費者保障措施納入制度的要求下。此制度將屬自願性質，相信能平衡對業內不同規模商家的影響。同時，另類爭議解決機制和其他與合約有關的措施，如冷靜期，也可與認證制度同步執行。為了進一步保障消費者的財產及利益，也應該研究在其他市場實行的費用託管安排。同時，為了讓消費者具備基本的家居裝修知識及改變部分消費者鬆懈且被動的態度，消費者教育至關重要。而消費者也應謹記參考消委會提供的消費錦囊，在與商家溝通時保持警剔，以維護自身權益。

消委會希望藉着發表本研究，引起所有持分者對家居裝修行業問題的關注。以上的建議對消費者都是非常重要，且環環相扣。消委會亦呼籲政府、相關法定機構、行業組織、商家和消費者攜手合作，適時實踐上述的建議，確保消費者的家居裝修之旅順利及受到保障。與此同時，消委會亦會繼續其公眾教育和行業監察的工作，以協助消費者實現擁有舒適美滿之家的畢生夢想。

消費者在家居裝修過程的難處

● 消費者調查

▼ 與商家的深度訪談

■ 神秘顧客

◆ 廣告檢視

認知和資料搜集



- 很多消費者認為難以比較不同格式的報價單
- 太多良莠不齊的裝修公司供選擇

- ▼ 商家的價格及施工時間表的資訊透明度低
- ◆ 廣告載有誇張的推銷手法及不實的優惠

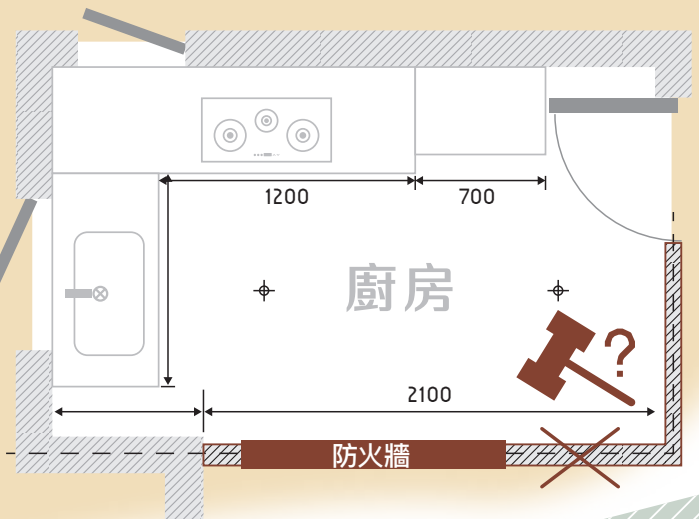
完工及後續跟進

- 每五位便有一位曾與所委託的家居裝修公司發生糾紛
- 最常發生的三種糾紛：工程延誤、施工質素欠佳，及裝修公司拒絕「執漏」
- ▼ 消費者和商家對「手工」標準的理解存有差異
- ▼ 缺乏監管行業的機構和行業指引



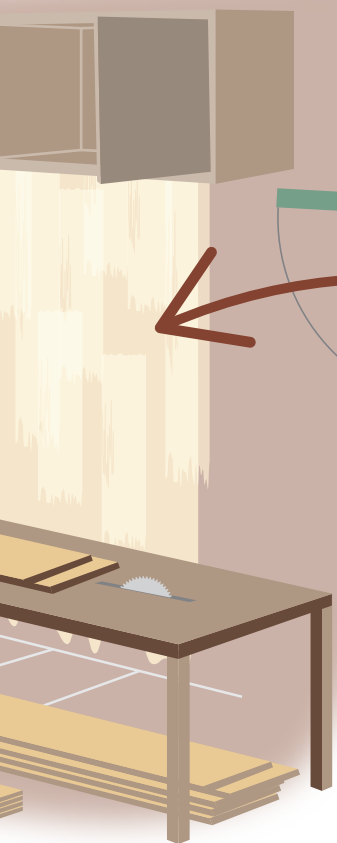
施工前

- 神秘顧客發現無從稽考的聲稱、不良營商及銷售手法
- 裝修公司對消防安全及改動或加建工程的法規態度鬆懈



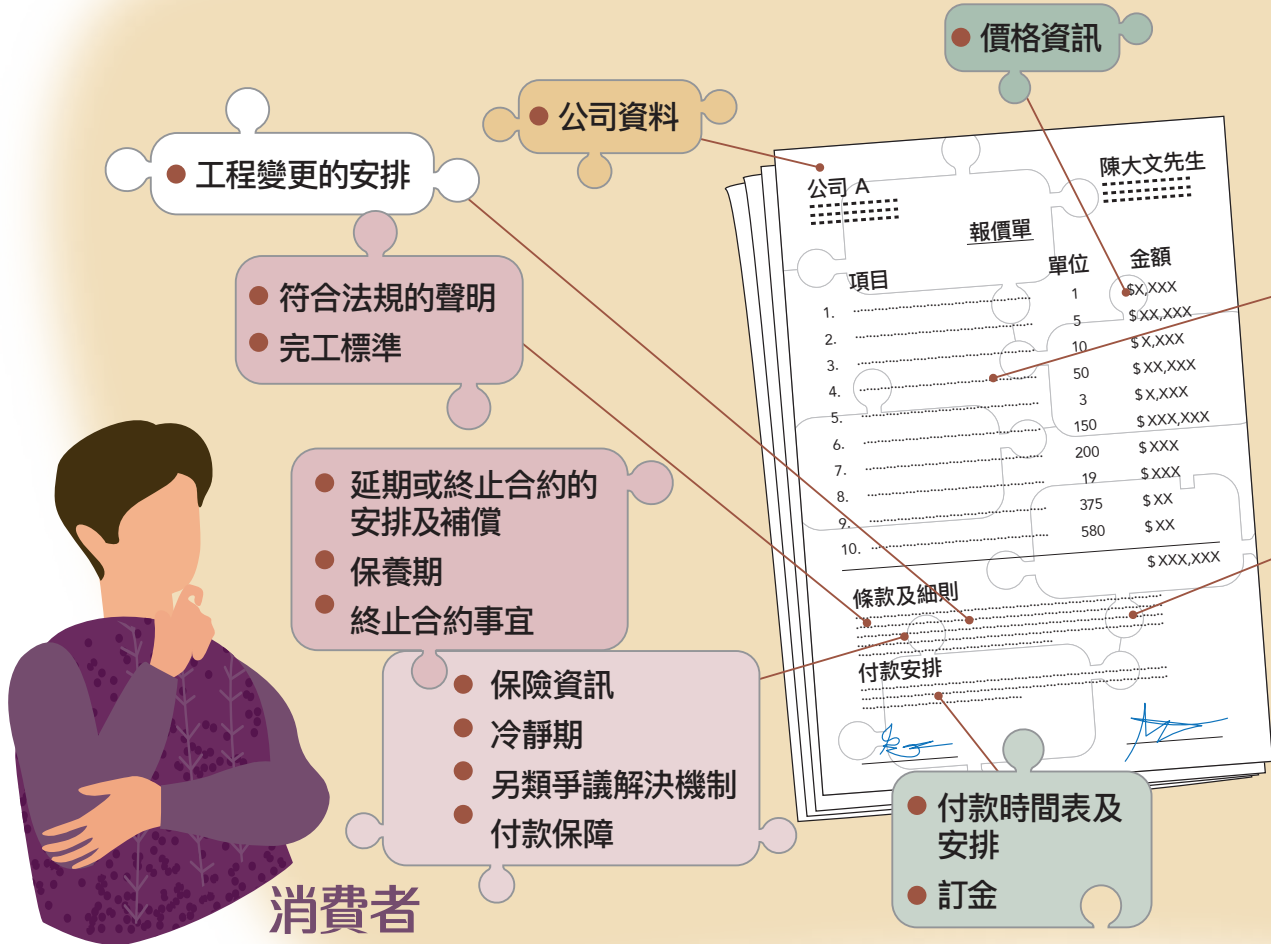
施工期間

- 消費者三大憂慮為工程「爛尾」、施工質素欠佳、裝修公司收款後失聯

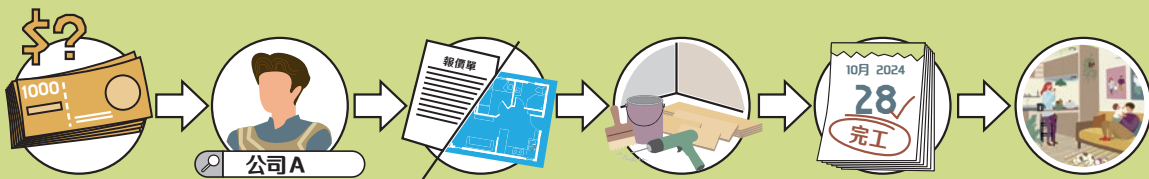


4個加強規範家居裝修行業的措施

建議一：提供標準報價單範本



建議四：加強消費者教育



資訊分享的建議主題

- 常見家居裝修的工作流程及工程時間表
- 報價單上的重要事項
- 業主的法律責任
- 行業指引、相關法規和要求
- 對不合規工程的罰則
- 解決爭議的方法



建議二：設立認證制度



建議三：採用另類爭議解決機制



1 Introduction

1.1 Background

The Case for a Study on Home Renovation Services

Consistently high demand for home renovation services with customised interior design in Hong Kong

It has been said that home ownership is a multi-faceted milestone in modern society. The demand for home renovation arises when a consumer purchases a property, be it on the first hand or secondary market, for self-use, or when a new household is conceived. Those who seek to model their “dream homes” are often willing to pay substantial sums on home renovation services to ensure that the outcome and quality meet, or even exceed, expectations.

With the number of domestic households consistently on the rise, the market demand for home renovation services is high. Notwithstanding the stagnant population growth rate in recent years, the number of domestic households increased from 2,325,100 in 2010 to 2,708,200 in 2023 (up to July)¹. According to the Census and Statistics Department (“**C&SD**”), there were 30,700 and 40,400 newly completed residential flats in 2021 and 2022 respectively, comprising of around 25,400 public rental housing (“**PRH**”) units, 10,200 subsidised sale flats (“**SSF**”) and 35,600 private housing units². According to the Land Registry’s statistics, 47,657 sale and purchase agreements for residential building units were entered into between September 2022 and September 2023³.

Secondly, as most Hong Kong residents live in small-sized flats owing to the shortage of land supply and high population density in the city, there is consistently a strong need for customised interior design with bespoke furniture to optimise the use of limited space. The need has been further boosted by the proliferation of “nano flats” in recent years. According to the figures of the Rating and Valuation Department⁴, between 2018 and 2022, 38,196 (42%) of completed private residential flats had a size less than 40m². Of these, 3,920 (4%) units were smaller than 20m². By the end of 2022, there was a stock of almost 14,000 nano flats in Hong Kong⁵. Whilst the Government of the HKSAR (the “**Government**”) has promulgated a new minimum flat size requirement effective from 2022 that residential units shall have a minimum size of 26m², it is likely that small or nano flats will remain prevalent in response to market demand for affordable housing amidst high property prices.

With the issue of ageing flats in Hong Kong, existing owners and households may require home renovation services to refurbish their flats. At the end of 2022, a stock of around 635,000 private residential units (51%) were completed in year 1989 or before⁶. Existing owners may be incentivised by the Government’s Integrated Building Rehabilitation Assistance Scheme which was launched to combat urban decay to carry out home renovation work. Under the scheme, they could benefit from the Home Renovation Interest-Free Loan offered by the Urban Renewal

¹ Census and Statistics Department (2023). Table 130-06102: Statistics on domestic household. Retrieved from https://www.censtatd.gov.hk/en/web_table.html?id=130-06102

² Census and Statistics Department (2023). Hong Kong in Figures (2023 Edition) (p.25).

³ The Land Registry (2024). Consolidated Monthly Statistics in respect of deeds received for registration in the Land Registry (September 2023). Retrieved from <https://www.landreg.gov.hk/en/monthly/stat0923.htm>

⁴ Rating and Valuation Department (2023). Hong Kong Property Review 2023 (Table 6).

⁵ Rating and Valuation Department (2023). Hong Kong Property Review 2023 (Table 1).

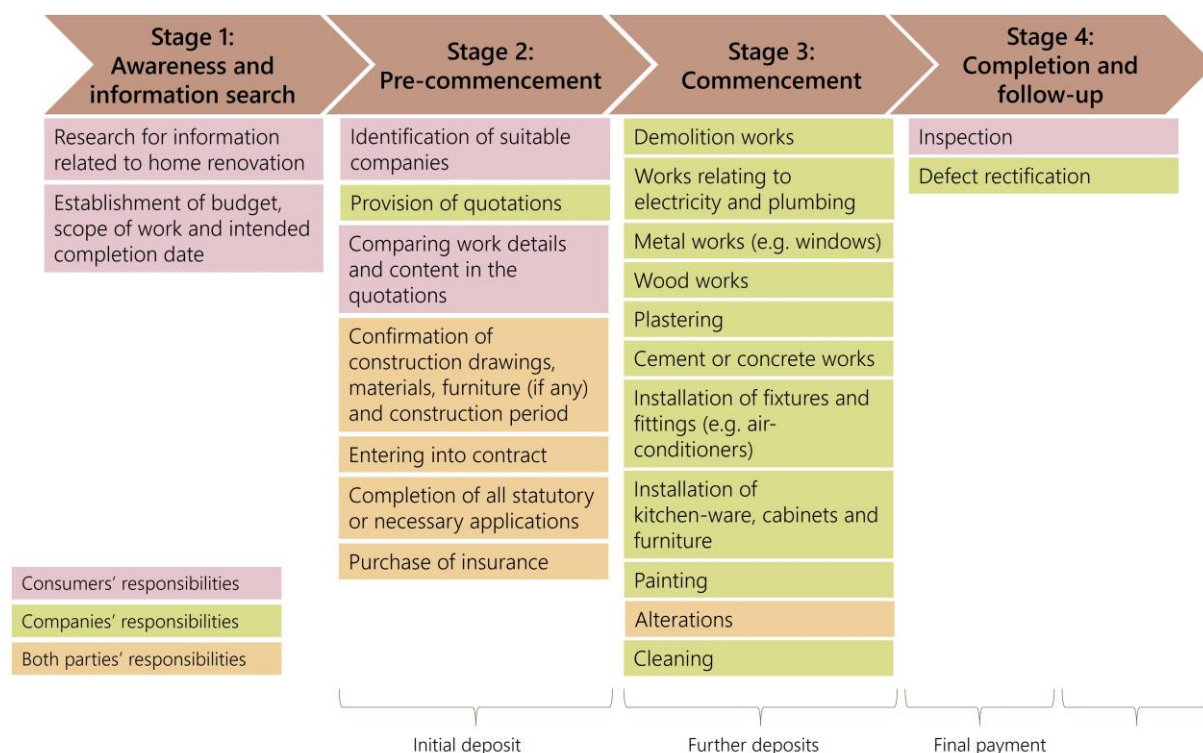
⁶ Rating and Valuation Department (2023). Hong Kong Property Review 2023 (p.16).

Authority to carry out internal repairs and maintenance works for safety and hygiene such as replacement of drainage pipes and fire-rated doors.

Consumers require knowledge to sail through the home renovation journey

It follows from the range of dwelling options and consumers’ individual needs that home renovation services are highly personalised, detailed and potentially complex. For second-hand flats, major overhauls entailing extensive refitting, replumbing and rewiring may be required. Even in cases of first-hand residential or public housing flats where the work required may be less extensive and standard renovation packages are commonly on offer, consumers may still require some degree of customisation or harbour their own expectations of quality and workmanship. Affluent consumers may also pay a premium for sophisticated designs by professional interior designers and layout alterations to suit their needs and aesthetic taste. A typical home renovation journey comprises various stages (Figure 1). Depending on the complexity of the project, it is likely to take at least months to complete and comprises a number of important checkpoints that require a high level of engagement on the part of the consumer. During such journey, the consumer’s requirements may also change, and progress may be delayed for a myriad of reasons.

Figure 1: Different stages of home renovation journey



As each stage of the home renovation journey entails different considerations, consumers need to be aware of the intricacies and possible common problems, so as to identify ways to avoid or address them: first, by engaging suitable and reliable companies and second, by closely monitoring the progress of the home renovation. They need to be empowered with the knowledge to identify reputable companies, guard against superlative or misleading claims, and properly assess quotations. Consumers also need to understand their rights and obligations under the contract or arising by operation of law. However, as Chapters 2 to 5 will highlight, the average consumer may lack the experience, knowledge, awareness or means to

properly appreciate the intricacies underlying a home renovation project and the high level of engagement required of him throughout.

It is thus necessary to examine the current state of the home renovation market and identify viable solutions to empower consumers with the right tools and knowledge in making informed choice and taking proper steps through each stage of the journey.

Disputes often arise and can be time-consuming and costly to both parties

As will be reviewed in Chapter 2, from the complaints received by the Consumer Council (the “Council”), allegations such as defective workmanship or materials and delay in completion often arise. A fallout between the consumer and the home renovation company may result in further delay in completion of the renovation. As Chapter 6 will illustrate, if a dispute is litigated in court, it is probable that the aggrieved consumer would incur substantial loss by having to incur additional cost of completing or remedying the works, finding alternative accommodation and storage of his possessions, or even losing the ability to enjoy the use of his property.

Fundamentally, on top of the likely additional cost that will need to be incurred by the consumer, any dispute that risks delaying the completion of the renovation is undesirable. The consumer’s real interest lies in enjoying his “dream home” as early as possible. Means by which the risk of dispute could be minimised or, if it does arise, could be amicably, speedily and/or cost-effectively resolved needs to be explored. In this regard, the nature and possible causes of disputes will need to be examined from both consumers’ and the companies’ perspectives. Whilst it is possible that a home renovation company may have failed to honour its contractual obligations, it is equally plausible for a dispute to stem from the consumer’s high expectations or failure to properly convey his needs, resulting in imprecise contractual specifications. The parties may also have been lax in ensuring that key matters such as work items, quality standards, milestone payment schedules or work variations are adequately provided for in the contract, albeit given the average consumer’s inexperience and lack of knowledge, the better part of such responsibility ought to rest with the company.

The need for better payment protection

In all cases, a sizeable deposit payment in advance of works as working capital for the home renovation company to procure labour and materials is the norm.

Although the consumer may well reasonably expect that his money would be used to source labour and materials for home renovation, he has no practical control or knowledge over how the home renovation company chooses to use his money. The consumer faces the risk of the company appropriating the money for other purposes, or even absconding with the funds. If the company goes out of business, the consumer would not be able to clawback the sums paid and may only claim damages as an unsecured creditor. The complaints handled by the Council show that this risk is real.

The perceived vulnerability of the consumer and associated risks underscore the need to review the adequacy of current laws and regulations in protecting consumer interest and possible measures to advance consumer protection.

Recent Efforts by Different Stakeholders

In recent years, there have been no lack of efforts by stakeholders to educate consumers of potential unscrupulous trade practices and pitfalls involved in home renovation projects. The Council had published three CHOICE articles in May 2015, November and December 2020 to

warn consumers of these potential pitfalls (with case illustrations provided) and to recommend material contract terms that should be included in home renovation contracts. In July 2018, the Investor and Financial Education Council (“**IFEC**”) (a subsidiary of the Securities and Futures Commission supported by four financial regulators and the Education Bureau) published similar warnings and advice to consumers regarding home renovation transactions and provided a “House Renovation Budgeting Worksheet” to assist consumers in preparing a budget. Besides, there were various educational materials provided by stakeholders including the Buildings Department (“**BD**”) and Hong Kong Housing Authority (“**HA**”) on tips and procedures when carrying out alterations and additions works.

From time to time, the Customs and Excise Department (“**C&ED**”) has initiated investigations or prosecutions of home renovation companies or consultants suspected of committing the offences of false trade description, misleading omission or wrongly accepting payments under the Trade Descriptions Ordinance (Cap. 362) (“**TDO**”). However, these investigations are difficult to prove and successful prosecutions resulted in 17 convictions by far.

Meanwhile, commercially-driven industry efforts have also played a role in promoting consumer awareness and protection, through the publication of articles, promulgation of guidelines, recommendation of standard quotations and contract terms and provision of matching, consultancy and project management services on behalf of consumers.

Despite all these efforts, the Council has not observed any decreasing trend in home renovation-related complaints or widespread adoption of standard quotations, contracts, guidelines and recommendations made by the industry players. This may in part be due to the lack of central coordination of various otherwise fragmented industry efforts, resulting in low industry acceptance by both companies and consumers alike. Besides contractual disputes, allegations of unscrupulous trade practices by companies were made from time to time. Given the significance of home renovation to consumers and the detriment involved in any delay or dispute, there is a need to conduct a study to ascertain where the common problems lie and possible measures to improve consumer protection, and to uplift the quality standards of the home renovation industry.

1.2 Terms of Reference and Rationale/Focus

In Hong Kong, there is no specific regulatory regime overseeing home renovation companies. Whilst specific works are required to be carried out by licensed contractors, in the context of a home renovation project, it is the home renovation company which is responsible for sourcing the necessary manpower, including licensed workers, building materials and coordinating the work to ensure quality and timely completion. The home renovation company also bears the responsibility to advise on and ensure that any alteration complies with the regulatory requirements. In the event of any dispute, be it delay, non-completion or defective work, it is the home renovation company against which the consumer would seek recourse.

On the other hand, the consumer is responsible for ensuring that his needs and requirements are properly conveyed to the home renovation company. He needs to be equipped with knowledge to understand the nature of works involved and his rights and obligations under the contract and law. During the home renovation, he needs to closely monitor progress, in particular milestone checkpoints, to ensure that any misunderstanding by the home renovation company of his needs and any patent defect would promptly be identified and rectified.

This Report, titled “**Home Renovation Industry – Better Governance for Creating Comfortable Homes**”, intends to cover home renovation projects of various nature, size and value, including the repairing, remodelling, altering, converting, modernising of or adding to residential apartments and houses. Such may entail without limitation design and consultancy services, demolition works, installation of flooring, walls, electricity supply, plumbing and other fixtures or fittings, metal and wood works, plastering, manufacture of bespoke furniture, landscaping and other improvements to the residential property. However, services in the nature of piecemeal repair or maintenance of specific fixtures or fittings within the residential property are excluded.

1.3 Methodology and Structure

Methodology

In compiling the Report, the Council carried out research in the following areas:

- (i) **Consumer complaints and perception:** A review of the Council’s complaint cases was carried out to ascertain the major problems and the malpractices involved. Statistics on home renovation related cases received from the C&ED and derived from litigation searches on civil claims involving home renovation companies were also captured and analysed. A consumer perception survey and focus group discussions were conducted to understand consumers’ overall perception and expectations of home renovation services.
- (ii) **Trade practices:** A review of online and offline advertisements of home renovation companies and online matching platforms was conducted. In addition, mystery visits were also performed to solicit quotations from home renovation companies. The results were then analysed to examine whether there were problematic advertising and trade practices that could be improved for better consumer protection.
- (iii) **Stakeholder engagements:** Engagements with key stakeholders and trade participants were carried out to enable a better understanding of the issues involved, including public sector bodies – the BD, Construction Industry Council (“**CIC**”), HA and Independent Checking Unit (“**ICU**”) of Housing Bureau (“**HB**”); and professional associations in the private sector – the Asia Designers Community (“**ADC**”), Hong Kong Arbitration Society (“**HKAS**”), Hong Kong Building Inspection Association (“**HKBIA**”), Hong Kong Institute of Surveyors (“**HKIS**”), and Hong Kong Mediation Accreditation Association Limited (“**HKMAAL**”).
- (iv) **Laws and regulations of Hong Kong:** Laws and regulations relevant to home renovation projects were reviewed together with published court judgments to ascertain the nature of disputes, protection and remedies available to consumers under such laws and regulations.
- (v) **Laws and regulations in other markets:** By conducting desktop research, the laws and regulations in Hong Kong were benchmarked against six markets, namely, Canada (British Columbia (“**BC**”) and Ontario), Mainland China, Singapore, the United Kingdom (the “**UK**”) and the United States (the “**US**”) (New York). These markets were selected because their urban cities resemble that of Hong Kong, with a mixture of apartments, houses and dense population, and also due to similarities in their socio-economic or legal systems with, or their economic ties to, Hong Kong.

Structure

The Report is divided into eight chapters and is structured as follows:

- (1) **Chapter 2** examines consumers' complaints received by the Council, C&ED cases, litigation searches and published judgments to highlight the nature of disputes, issues and challenges faced by consumers.
- (2) **Chapter 3** broadens the review by presenting consumers' perception towards the home renovation industry and their experience along the home renovation journey.
- (3) **Chapter 4** presents the advertising and trade practices of traders in the industry, including both home renovation companies and online matching platforms for home renovation services ("**online matching platforms**"), as found through review of traders' advertising materials and mystery visits, thus identifying problematic trade practices in the home renovation industry. Results of the analysis of draft home renovation quotations are also covered.
- (4) **Chapter 5** presents in-depth interviews with traders and various stakeholders to ascertain the effectiveness of currently available measures and initiatives and obtain their views on the suggested areas for improvement to advance consumer protection and empowerment in the home renovation industry in addressing the issues and challenges identified.
- (5) **Chapter 6** presents the current laws and regulations relevant to home renovation services in Hong Kong. Together with review of published judgments, the extent to which current laws and regulations are able to satisfactorily address consumer pain points identified in previous Chapters is examined.
- (6) **Chapter 7** reviews the laws, regulations and measures governing home renovation services in six markets as comparable reference points for potential improvement of the home renovation industry in Hong Kong.
- (7) **Chapter 8** provides recommendations to enhance protection for consumers of home renovation services based on the Study's findings.

Throughout the Report, words and expressions importing the masculine gender include the feminine and neuter genders. Words and expressions in the singular include the plural and words and expressions in the plural include the singular.

Unless otherwise specified, the percentage figures in the tables in the Report are rounded to the nearest integer and hence the total percentage may exceed 100.

2 Consumer Claims and Complaints

2.1 Introduction

This Chapter provides an analysis of complaint cases received by the Council to identify the common problems and pitfalls faced by consumers. Statistics from the C&ED were also obtained. The Council conducted litigation searches to identify the extent and nature of civil claims involving home renovation companies in the past ten years, along with a review of published court judgments.

2.2 Complaints Received by Consumer Council

Overview

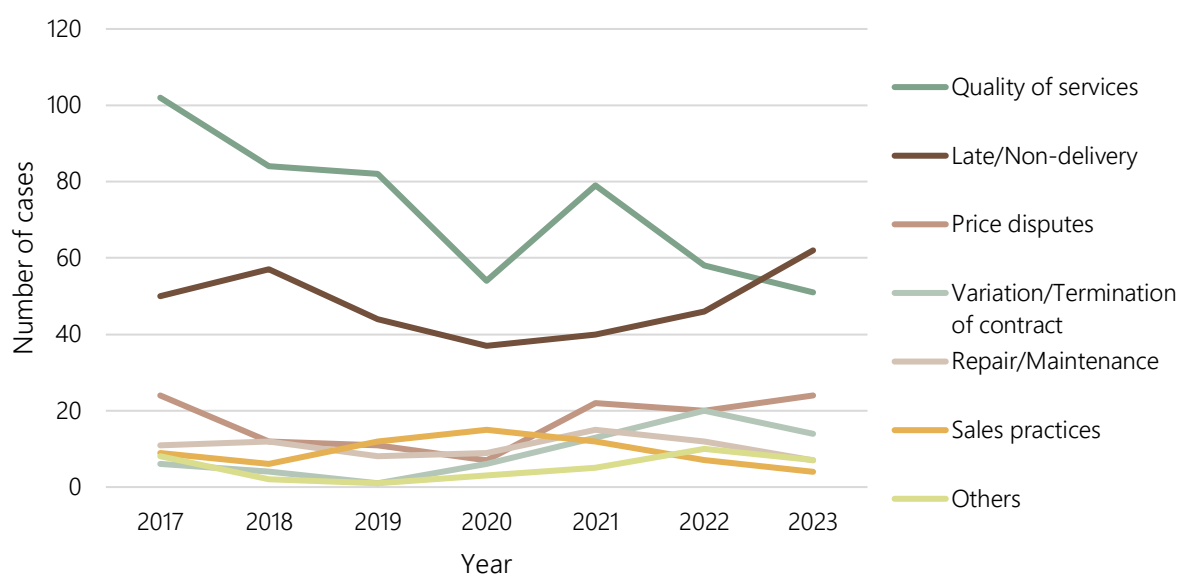
The Council received 1,205 complaints against home renovation companies between 2017 and 2023, with the total dispute amount involved exceeding HKD270 million and the average amount involved per complaint case reaching nearly HKD230,000 (Table 1). The number of complaints received per year ranged approximately from 130 to 210. Particularly, the drop in 2020 might be attributable to the COVID-19 restrictions back then.

Table 1: Overview of complaints received by the Council (2017 – 2023)

	2017	2018	2019	2020	2021	2022	2023	Total
Total number of cases	210	177	159	131	186	173	169	1,205
Total amount involved (HKD)	40,579,904	36,579,021	40,790,746	25,040,192	47,099,491	39,073,975	47,805,010	276,968,339
Average amount involved per case (HKD)	193,238	206,661	256,546	191,147	253,223	225,861	282,870	229,849

Figure 2 further shows the breakdown of complaints in the same time span. The majority of complaints related to the quality of services, but a downtrend was observed – the number of complaints received decreased from over 100 in 2017 to around 50 in 2023. Another common type of complaint was late/non-delivery, and the number of such complaints remained largely consistent throughout the years.

Figure 2: Breakdown of complaints received by the Council (2017 – 2023)



Features of Home Renovation Projects and Contracts

To identify the features of the home renovation projects and contracts, 317 complaints received from January 2020 to December 2023 were randomly sampled for further review. The review covered background information (for example, profile of home renovation companies and the scope of work involved), the contractual terms and price paid, the nature of the disputes and the alleged unscrupulous trade practices (if any).

Profile of home renovation companies and scope of work

In the complaints reviewed, 173 home renovation companies were identified to be limited companies and one traded as natural person.

The scope of work involved varied among the complaints and might involve multiple scopes, including (i) interior works: 299 cases (94%), (ii) exterior works: 33 cases (10%), (iii) design work: 47 cases (15%), (iv) demolition: 163 cases (51%), and (v) design and installation of bespoke furniture and fittings: 157 cases (50%).

Absence of written contracts or sufficient contract terms

Based on the documents attached with the complaints, 54 (17%) of the 317 complaints reviewed involved renovation works performed without any agreement in writing.

263 (83%) had written agreements or quotations, 189 (72%) of which were printed on the home renovation companies' letterhead. In a number of cases, the written contract terms failed to deal with the following matters pertaining to the project, including:

- (i) Work schedule and completion date
- (ii) Price details, including
 - Breakdown of price
 - Whether the agreed price is inclusive of labour and materials, or subject to re-measurement

- Charging mechanism, such as man-day or itemised basis
- Any right to charge for additional works or items

(iii) Information on materials to be provided, including model, make or warranties

Of the 263 complaints which had written agreements or quotations, 145 (55%) did not contain all of the following terms material to a home renovation project:

- (i) Completion date
- (ii) Breakdown of price
- (iii) Information on warranties
- (iv) Payment schedule

Deposits paid

In all of the complaints reviewed, deposits were paid by consumers in advance of work or at specified stages of work (divided into three to four stages in most cases). Prior to the commencement of a home renovation project, the consumer would be required to pay a deposit that generally amounted to 40% of the total contract price. Where complaint of abandonment or non-completion of work was alleged, it mostly occurred after partial work had been undertaken.

In most cases, the written contract terms provided that the deposits were non-refundable.

Common Problems Identified

On most occasions, consumers experienced multiple issues. For instance, 121 cases (38%) involved at least three issues. The following common allegations were identified:

- (i) **Defective work**: 209 cases (66%) involved work with defects or of substandard quality. Some of the work might not be up to prescribed industry, professional or safety standards according to the consumers. Poor workmanship often led to problems such as water leakage, cracked painting, uneven flooring and/or non-alignment of walls and floor tiles. In cases where the design service (cum bespoke furniture ordering service) was arranged, a number of consumers witnessed wrong measurement of the flat/furniture and improper installation of the furniture. There were also cases where home renovation companies damaged the subject property during the course of work, causing significant loss to the consumers. Disputes arose particularly when there were variances between consumers' expectations and companies' judgment of a reasonable delivery in quality.
- (ii) **Delay in completion**: 154 cases (49%) involved delay in the completion of the home renovation project. Home renovation companies often failed to meet the targeted timeline with a usual committed work period of 60-120 days, depending on the scale of the home renovation project, and sought to extend the period for up to one year. Common explanations given by companies for the delay included delayed delivery of goods/materials/bespoke furniture by third-party suppliers and shortage of manpower.
- (iii) **Other unscrupulous or unreasonable practices**: 129 cases (41%) involved other practices of home renovation companies, including unresponsiveness and/or poor attitude, ambiguous contractual terms and pricing; and the exertion of pressure/duress for payment.

- (iv) **Abandonment/non-completion of project**: 98 cases (31%) involved abandonment/non-completion of project, mostly occurring after partial work had been carried out. In extreme cases, the projects were abandoned prior to the commencement of work or upon completing demolition work. Disputes also arose as to whether the works were completed, resulting in consumers' refusal to make the final payment until the alleged incomplete work is carried out on one hand and the companies' refusal to carry out further work until such payment is made on the other, resulting in deadlock. Some companies considered that the work was completed and the consumers could request rectification of defects upon project completion and threatened legal action for the final payment.
- (v) **Inflation of quotation/agreed price or overcharging**: 71 cases (22%) involved inflation of quotation/agreed price or overcharging after commencement of work. Home renovation companies might demand extra fees for works that were not stated in the quotation/contract (e.g. scaffolding works) or other rectification works that however may be attributable to the companies' fault.
- (vi) **Home renovation company disappearing or going out of business**: 47 cases (15%) involved the company disappearing or going out of business. In most cases, the company disappeared when requested to rectify defects towards completion of the project or during the warranty period. There were also cases where companies were unreachable or absconded halfway through the renovation.
- (vii) **Additional works carried out and charged without consumer's consent**: 21 cases (7%) involved additional works carried out and charged without the consumer's consent. Some companies might have exercised their own judgment in carrying out enhancement works or purchasing materials/furniture without seeking the consumers' consent, which only came to consumers' notice at the time of payment request. According to the consumers, the additional charges could be well over HKD100,000.

Case Illustrations

To better illustrate the extent to which the common issues arose and their impact on consumers, five case illustrations are provided below.

Case 1: Case related to defective work or poor workmanship

Case 1 – Defective work/Poor workmanship

•The complainant engaged the company for a home renovation project in a first-hand unit, including renovation and bespoke furniture, at a price of around HKD200,000. A written contract in the form of an invoice setting out details of the works and a breakdown of the fee was entered into by the parties. At the final stage of the project, the complainant engaged a third party to inspect the works and discovered various problems. For instance, numerous screw holes were found in the bespoke furniture, the bespoke wardrobe was mismeasured such that one of the drawers could not be opened, the wardrobe was not firmly attached to the wall giving rise to safety concerns, electrical wires were not properly covered, the kitchen sink leaked, some electrical switches were wrongly installed, a marble door frame was too short, hollow sound was noted on bathroom tiles indicating substandard installation, and the bathroom faucet was not securely affixed. The complainant notified the company of the substandard works and requested that remedial works be undertaken prior to payment of the balance of the renovation fee. The company proposed some remedial works which the complainant considered were sloppy. Unable to agree on the remedial works to be undertaken, the company demanded payment of the balance of the renovation fee. Failing to come to a consensus, the complainant lodged a complaint to the Council. During the course of conciliation, the complainant filed a claim against the company at the Small Claims Tribunal which was eventually settled.

Cases 2 and 3: Cases related to lack of prior agreement on material contract terms

Case 2 – Delay in completion and lack of proper written contract terms

•The complainant engaged the company for home renovations works. No contract in writing was signed. Upon handover of the premises and after an alleged delay of 103 days, the total renovation fees were said to have accumulated to over HKD670,000. Dissatisfied with the delay and the consequential loss and damage including increased cost of hotel accommodation, the complainant deducted a sum of about HKD200,000 as penalty for delay before paying the balance of the renovation fees. According to the complainant, it was verbally agreed between the parties during previous communications that any delay would attract a penalty of HKD2,000 per day. During conciliation by the Council, the company denied that there was a delay and argued that the handover date was extended as a result of additional works requested by the complainant. As neither the alleged agreement on penalty for delay and the alleged additional works were documented in writing, factual disputes thus arose. With both sides insisting on their respective version of events, conciliation failed to achieve a solution.

Case 3 – Additional works carried out and charged for without consent and inadequate written contract terms

•The complainant hired the company for a home renovation project which included demolition, renovation and bespoke furniture. Prior to commencement of work, the parties entered into a contract in writing for a total renovation fee of about HKD277,000. The contract only contained terms on the items of works to be done, a brief breakdown of price, number of days required and payment terms. The contract was silent on hidden cost items that would be separately charged (e.g. charges for sockets and switches) and charges for any additional works. After commencement of work, the company alleged that works not covered by the contract were performed and unilaterally issued an invoice for a sum of around HKD470,000, and demanded payment of further deposits under the invoice. The complainant was shocked and disagreed with the increased fees. He paid the amount of the fees under the contract and demanded that the company terminate the project and deliver up the premises. The company refused and counter-demanded payment of a sum around HKD540,000, claiming the amount to be the value of all works done plus a penalty of HKD130,000. During the course of conciliation, the company commenced legal proceedings against the complainant.

Cases 4 and 5: Cases related to lack of deposit protection

Case 4 – Abandonment of project after payment of deposits

• Three complainants engaged a company for home renovation works and custom-made furniture for their units. The project price for each case ranged from HKD135,000 to HKD170,000. No proper contract in writing was entered into in all three cases. In two of the cases, the company provided written estimates of the renovation fees but details of the fees, the works to be done, payment terms, warranty period, etc., were lacking. Worse still, in one of the cases, work commenced with just a verbal estimate of a lump sum renovation fee. Deposits ranging from 12% to 38% of the estimated total fees were paid before commencement of work. Weeks after work commencement, the company demanded further payment of 30% to 65% of the estimated total fees as deposits for furniture. Shortly after such payments were made, the company became out of reach, leaving behind partially completed works in the units. The complainants attended the company's places of business as shown on its business card and on the register of the Business Registry. However, there was no sign of business and the company could not be located. Unable to reach the company, the Council was unable to assist the complainants to recover their loss through conciliation. Loss in sum of HKD330,000 was suffered by the three complainants.

Case 5 – Non-completion

• The complainant engaged the company for home renovation works for a total fee of around HKD360,000. Written contract in the form of a quotation with details of the works to be undertaken, fees to be charged and payment schedule was entered into prior to commencement of work. The project would take 90 days to complete, and based on the payment schedule, the complainant should pay 30% of the fee as deposit before commencement of work, 40% upon completion of demolition, 25% upon completion of partitioning and cement works and the remaining 5% immediately upon completion of the project. Around 20 days after commencement of the work, having already paid 70% of the fee according to the payment terms, the complainant was requested to pay the next instalment of 25%. The complainant refused to do so since, upon inspection, she considered that the demolition and cement works were not yet complete. The complainant engaged a third party (an online matching platform) to inspect and assess the work done. According to the third party, the project was completed only up to 17% at a value of HKD62,815. The company disagreed with the assessment and demanded payment of the next instalment as a pre-condition for continuing with the project. The complainant refused and the project came to a standstill. About a week later, the complainant proposed to pay the balance of the fee to a law firm as stakeholder and to release the same to the company upon completion of the project. The company refused the proposal claiming that it had completed 85% of the works. During conciliation by the Council, the company asserted that the complainant had breached the contract. The company further alleged that it was harassed by debt collectors hired by the complainant and informed the Council that it would make reports to relevant law enforcement agencies. As both parties were unwilling to conciliate further, the complainant was advised to attempt mediation or seek redress from the court.

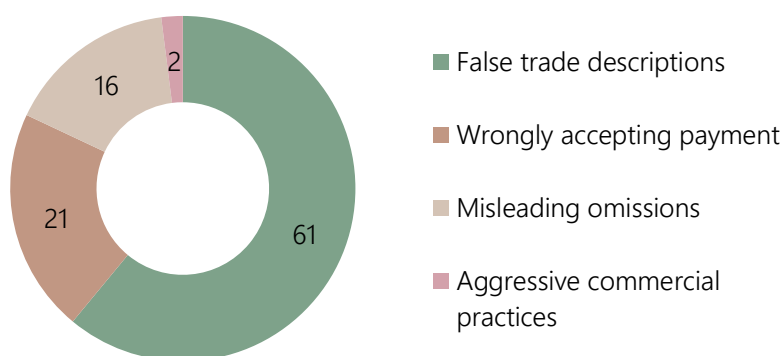
2.3 Investigation Cases from Customs and Excise Department

From 2018 to November 2023, the C&ED initiated 51 investigations into unfair trade practices under the TDO against companies or individuals involved in renovation works or custom-made furniture (Table 2). 28 cases proceeded to prosecution and resulted in 17 convictions. 61% of the cases were related to false trade descriptions, followed by wrongly accepting payment (21%) (Figure 3).

Table 2: Number of cases investigated by the C&ED (2018 – November 2023)

	2018	2019	2020	2021	2022	Jan-Nov 2023	Total
Investigations initiated	8	2	6	10	11	14	51
Prosecution cases	4	3	2	8	8	3	28
Conviction cases	1	4	0	3	8	1	17

Figure 3: Nature of cases investigated by the C&ED (2018 – November 2023) (%)



Base (all investigations initiated): 51

Information of arrest by the Police was not available from public sources. Upon enquiry, the Police advised that they did not maintain statistics, material and information in relation to home renovation works.

2.4 Litigation Searches

Litigation searches were conducted with a database maintained by a legal research services provider. The searches covered civil actions brought in the Small Claims Tribunal (“SCT”), the District Court and the Court of First Instance of the High Court (“High Court”) in the period from May 2012 to May 2022. Actions involving a natural person and a trader which name contains descriptors “decoration”, “interior”, “renovation”, “design”, “construction company”, “engineering company”, “家居”, “室內設計”, “裝修”, “裝飾”, “設計”, “建築公司” and “工程公司” as adverse parties were identified and screened for potential relevance. Whilst the results may not be exhaustive of all consumer-related home renovation disputes, they provide a useful overview of the common nature of such disputes.

Overview of Civil Actions

The search identified 974 civil actions brought in the SCT, District Court and High Court. Of the 974 actions, the vast majority (849, or 87%) were brought in the SCT, 116 (12%) were brought in the District Court and nine (1%) were brought in the High Court. 48% of the actions were brought by home renovation companies, whilst 52% were brought by consumers (Table 3).

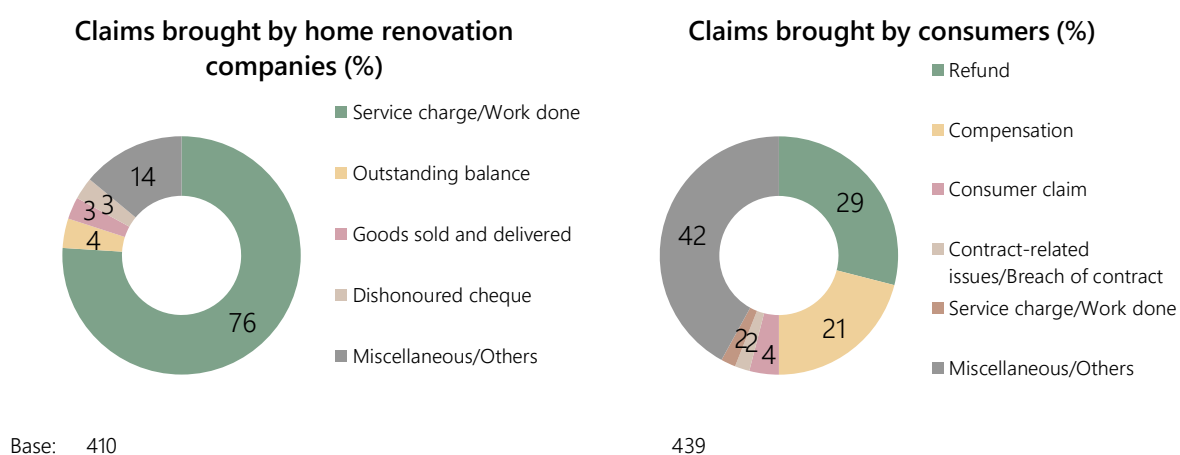
Table 3: Total number of claims brought in the Judiciary (May 2012 – May 2022)

	Claims brought by the home renovation company	Claims brought by the consumer	Total
High Court	2	7	9 (1%)
District Court	56	60	116 (12%)
SCT	410	439	849 (87%)
Total	468 (48%)	506 (52%)	974

Actions Brought in Small Claims Tribunal

Figure 4 sets out the nature of claims brought in the SCT by home renovation companies and consumers respectively as categorised by the litigation search database. Claims for service charge/works done (76%) constituted the majority of claims brought by companies, while claims brought by consumers were more diverse. Requests for refund (29%) and compensation (21%) were the top two types of claims. Nevertheless, no information about the claim amounts involved in SCT actions was available.

Figure 4: Nature of claims in the SCT (May 2012 – May 2022) (%)



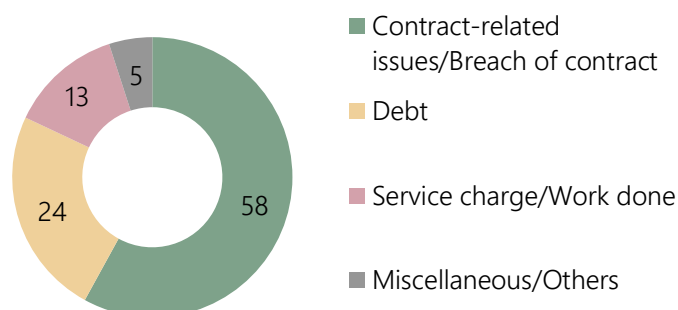
The database recorded that 369 actions were commenced in the SCT in proceedings in the period from 2017 to 2021 with 34 judgments handed down by the SCT. This suggests that up to 91% of the claims may have been settled during the action. The lead time from commencement of action to judgment was between less than 12 months to less than two years.

Claims Brought in High Court and District Court

In respect of the nature of actions commenced in the High Court and District Court, the majority of the claims relate to contract (58%), followed by debts (24%) and service charges/work done (13%) (Figure 5). As regards the claim amounts, the spread was wide, with a median amount

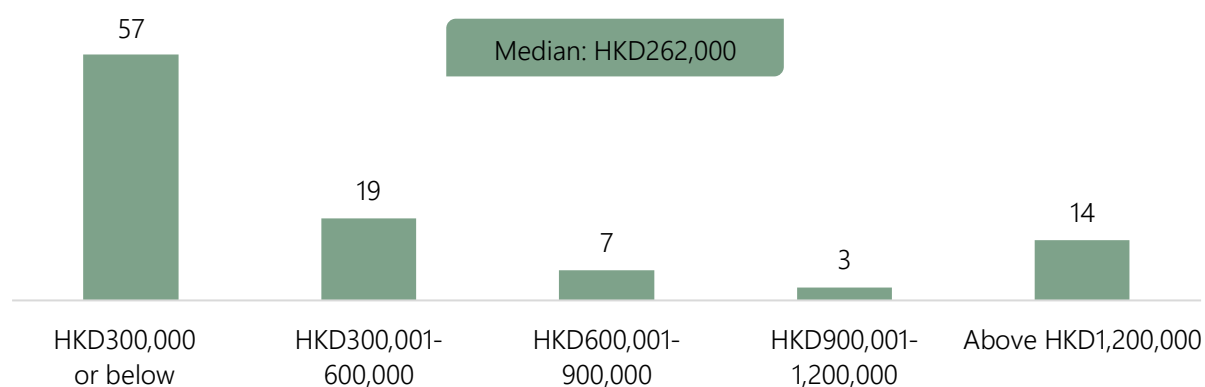
of HKD262,000. While more than half of the claims involved an amount of HKD300,000 or below, up to 14% of claims requested over HKD1.2 million (Figure 6).

Figure 5: Nature of claims in the High Court and District Court (May 2012 – May 2022) (%)



Base (High Court and District Court cases): 125

Figure 6: Distribution of claim amounts in High Court and District Court (May 2012 – May 2022) (%)



Base (High Court and District Court cases): 101

* Due to statistical limitations, out of the 125 High Court and District Court cases in the reporting period, claim amounts of 24 cases were not available and hence not being reflected in the above distribution.

Moreover, two judgments were handed down by the District Court in 2019 and 2020, in respect of two actions commenced in 2017 and 2015 respectively. The trials took respectively six and five days, with the respective judgments rendered three months and ten months thereafter.

In December 2020, the District Court issued a Guidance Note for Case Settlement Conference in civil cases in the District Court. This flowed from a pilot scheme undertaken in 2018 to introduce the idea of assisted settlement into the case management process of District Court civil actions to further promote the use of alternative dispute resolution (“**ADR**”) in civil litigation. It was reported that the settlement rate for the cases falling within the pilot scheme was high. A case settlement conference is held on a “without prejudice” and confidential basis in court between the parties (together with their legal team, if any), before a Case Settlement Conference Master presiding over the conference. Whilst not a must, parties would normally have attempted and failed mediation before proceeding to a case settlement conference. The conference will initially be fixed for two hours, and may be extended or adjourned to further sessions. According to interviews held with two Masters and a solicitor by the Law Society’s

Hong Kong Lawyer Journal⁷, the Master will go through the issues in dispute, make inquiries with the parties themselves, and assist them to better understand their rights and obligations, pinpoint their case weaknesses, the likely consequence of continuing with litigation and focus them on settlement options in order to make informed, voluntary decisions. In 2021, three case settlement conferences were recorded in respect of contract claims brought by the home renovation company in District Court actions.

Case Illustrations

A review of published court judgments on home renovation disputes identified from the Hong Kong Judiciary website in the period from 2002 to 2020 was carried out to identify the nature of disputes and remedies sought by consumers in legal proceedings. A summary of the published judgments reviewed is set out in Annex 1. Whilst reasonable efforts were exercised in identifying relevant cases, they may not necessarily be exhaustive.

In gist, similar to the nature of complaints recorded by the Council, the claimants in the cases generally experienced delay in completion of the renovation, poor or defective workmanship and/or use of substandard materials. In some cases, the home renovation company abandoned the project in the course of the renovation or after the dispute arose.

2.5 Summary

The above complaints and court cases demonstrate that disputes in the home renovation industry are mostly related to quality of services, unscrupulous trade practices and disagreement over project prices, and the amounts involved are inevitably substantial.

Undoubtedly, consumers are often placed in a vulnerable position relative to the home renovation companies. A company which takes possession and control of the premise is in a position to delay or refuse to carry out work, leaving the consumer in a dilemma over his avenues of recourse. Consumers are also often required to pay substantial amounts of deposit ahead of outstanding works, which companies may choose to utilise for purposes other than the projects. Any defective work, deliberate delay or even abandonment of the project by a company would cause significant detriment to the consumer in having to incur additional time and costs to find another company to complete the project. Often times, the additional time and cost incurred may run well beyond the intended completion date and balance of the contracted price. Litigation search and published judgments also revealed that renovation works have given rise to numerous disputes over the years which took substantial time and costs to resolve in legal action. Consumers also faced difficulties and litigation risk in having to prove their claims, with the courts often requiring expert evidence on liability and quantum, which added to mental as well as financial strain of the consumers. Worse still, even if the consumer obtains a favourable judgment, there is no guarantee that the company could satisfy the judgment debt.

On the other hand, as mentioned in Chapter 1, not all disputes necessarily arise as a result of the company's wrongdoing. The possibility of unclear instructions, misunderstandings or mismanaged expectations of the consumer as contributing factors cannot be dismissed. Indeed, in the published judgments reviewed, the consumers were successful in only 8 of the cases. The ensuing Chapters further investigate into the nature and causes of disputes.

⁷ Hong Kong Lawyer Journal (2022). CSC, an Alternative Dispute Resolution Opportunity in Court? Retrieved from <https://www.hk-lawyer.org/content/csc-alternative-dispute-resolution-opportunity-court>

3 Consumer Perception of Home Renovation Industry

3.1 Introduction

Objectives

As identified in Chapter 2, there was a considerable number of consumer complaint cases related to the home renovation industry. Nonetheless, the complaint cases only illustrated the issues encountered by the complainants and partially reflected consumers' perception and expectations of the industry. To complete the picture, the Council conducted a consumer perception survey and focus group discussions ("FGDs"):

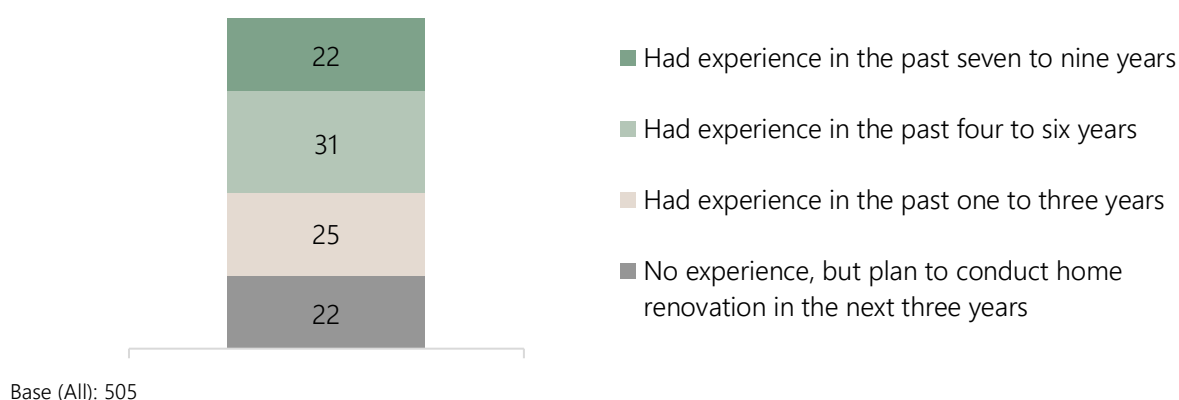
- (i) To gauge consumers' overall perception of the home renovation industry
- (ii) To examine consumers' level of understanding of home renovation works
- (iii) To understand consumers' knowledge about ways to protect their interests in home renovation works
- (iv) To delve into issues faced by consumers in home renovation projects and their response
- (v) To identify consumers' concerns and expectations of the home renovation industry

Eventually, having a sound grasp of consumers' demands would enable the Council to evaluate whether traders' current practices can fulfil consumers' needs and suggest improvement areas.

Methodology

With a view to understanding the home renovation industry from consumers' perspective, the Council commissioned an independent research agency to carry out a quantitative street intercept survey from 22 March to 1 April 2023. Target respondents were Hong Kong residents aged between 30 and 65 who had renovated their homes in the past nine years or were planning to do so in the next three years. The breakdown of their home renovation experience is as follows (Figure 7):

Figure 7: Home renovation experience (%)



To ensure that the sample would properly represent the population in Hong Kong, quotas were set on gender, age, monthly household income, education level and living district based upon data from the C&SD⁸. In total, 505 valid responses were successfully collected. The profile of respondents is illustrated in Table 4 below.

Table 4: Profile of respondents (%)

Gender	Male	43
	Female	57
Age	30-39 years old	27
	40-49 years old	28
	50-59 years old	30
	60-65 years old	15
Monthly household income	Below HKD20,000	38
	HKD20,000-39,999	26
	HKD40,000-79,999	23
	HKD80,000 or above	13
Education	Below university	75
	University or above	25
Living district	Hong Kong Island	18
	Kowloon	30
	New Territories	52

Base (All): 505

Table 5 summarises the key features of respondents' most recent home renovation projects.

Table 5: Details about respondents' most recent home renovation projects

Type of Flat Renovated (%)	PRH flat	41
	Flat under the SSF scheme	15
	Flat of private housing estate	29
	Other types of private housing flats*	15
Type of Renovation (%)	Whole-home	55
	Partial	45
Use of Flat Renovated (%)	For own occupation	95
	For rent	5
Renovation spending (HKD)	Average	248,000 [^]
	Range for whole-home renovation	40,000 – 3,500,000
	Range for partial renovation	10,000 [^] – 500,000
Average renovation duration (days)	Whole-home	83
	Partial	27
	PRH flat	36
	Flat under the SSF scheme	69
	Flat of private housing estate	82

Base (Respondents who had home renovation experience): 394

* Other types of private housing include detached houses, village houses, tenement buildings (Tong Lau), etc.

[^] A few outliers were excluded.

⁸ Census and Statistics Department (2022). Hong Kong 2021 Population Census - Summary results.

In addition, eight qualitative FGDs, involving 50 consumers who undertook home renovation in the past year, were also arranged from 25 April to 10 May 2023 for a deep dive into their real-life experience. The group composition factored in different parameters such as gender, age, flat type, scale of renovation and level of satisfaction, to ensure a good mix of interviewees in each group.

Analysis of the findings from both methods is synthesised and presented below, following the flow of a typical home renovation journey. Consumers' level of confidence in the industry and opinions on protection measures are also covered.

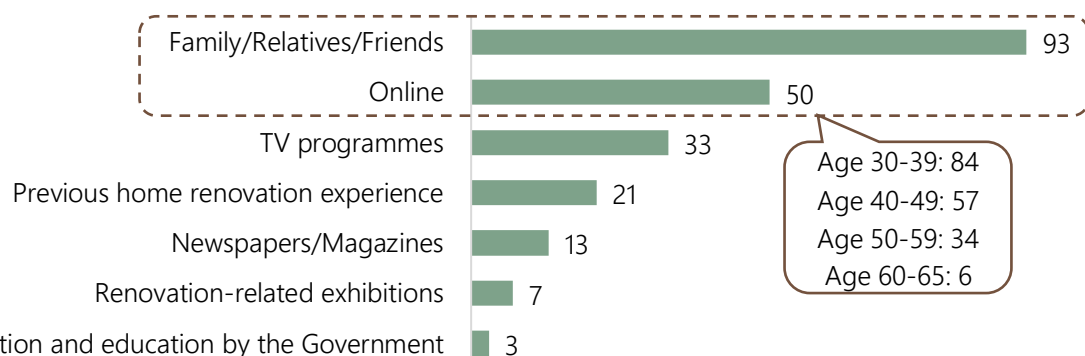
Data presented in this Chapter is mainly based on the total number of respondents. Significant subgroup data might as well be shown in call-out boxes.

3.2 Consumer Survey and Focus Group Discussions

Conducting Basic Search for Home Renovation Information

The first step consumers typically would take is to conduct basic search for home renovation information so that they have a rough idea of the logistics and know how to proceed. In acquiring related information, most respondents indicated that family, relatives and friends (93%) were their main sources of information (Figure 8). While online channels (like websites, online forums and social media) ranked second (50%), the results showed a digital divide – the more mature in years the respondents were, the less likely they would search on the Internet.

Figure 8: Sources of information (%)



Base (All): Total (505); Age 30-39 (135); Age 40-49 (144); Age 50-59 (149); Age 60-65 (77), multiple answers allowed

Sourcing Home Renovation Companies

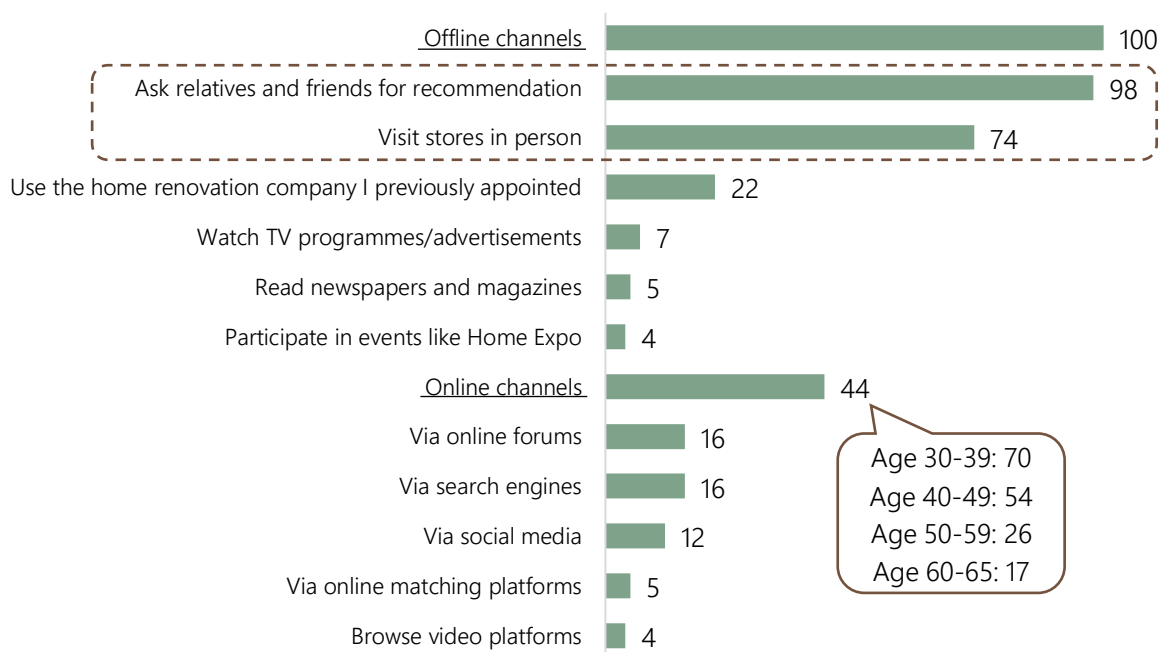
Overview of sourcing channels

After gaining some ideas and basic information, consumers would then start to look for home renovation companies. Regarding the sourcing channels, offline ways still dominate despite the digitalisation trend – most respondents would prefer asking relatives and friends for recommendation (98%) and visiting stores in person (74%) (Figure 9). Online channels were particularly popular among the youngest age group, which is in line with the findings about the sources of information discussed above.

Interviewees from the FGDs emphasised that relatives and friends' recommendations were reliable as their flats renovated were authentic proof, which might help to explain why word-of-mouth from close ones was found to be the dominant channel for sourcing companies.

「我找了四間公司報價，最後都是用朋友介紹的那間，因為他裝修的單位正正是實例。」
 (I asked for quotations from four companies, and ended up engaging the one that was recommended by my friend as his renovated flat served as a real-life sample.)

Figure 9: Channels for sourcing companies (%)



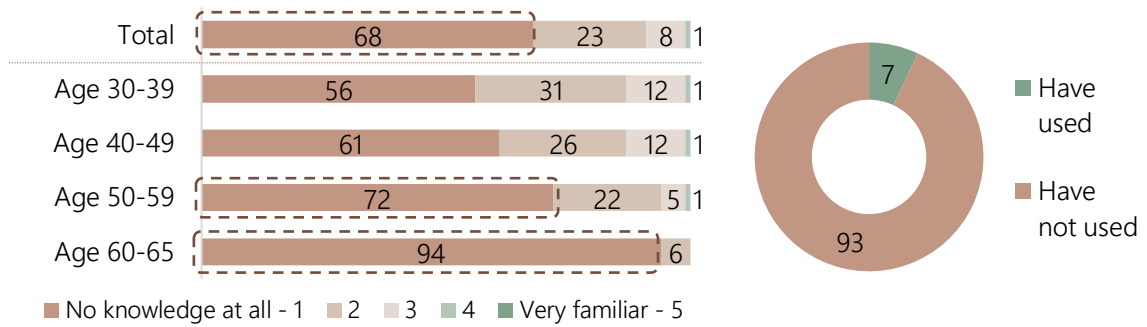
Base (All): Total (505); Age 30-39 (135); Age 40-49 (144); Age 50-59 (149); Age 60-65 (77), multiple answers allowed

Perception of online matching platforms for home renovation services

In recent years, the number of online matching platforms has steadily increased, providing an alternative way for consumers to look for home renovation companies. Brief online research shows that there are already more than ten online matching platforms in Hong Kong nowadays; however, consumers' awareness and usage of online matching platforms is low in general at the moment. As shown in Figure 10, more than two-thirds of the respondents had never heard of them. The proportion is even higher among the older age groups, which could be associated with their low tendency to search for such services through online means as discussed above.

With respect to the use of online matching platforms, only 7% of the respondents who were aware of them had tried the services before (Figure 10). It is believed that respondents' low usage could be attributable to a relatively low trust in online matching platforms – only less than 10% of the respondents who were aware of online matching platforms indicated a high degree of trust in them (i.e. those who chose 4 and 5 in Figure 11).

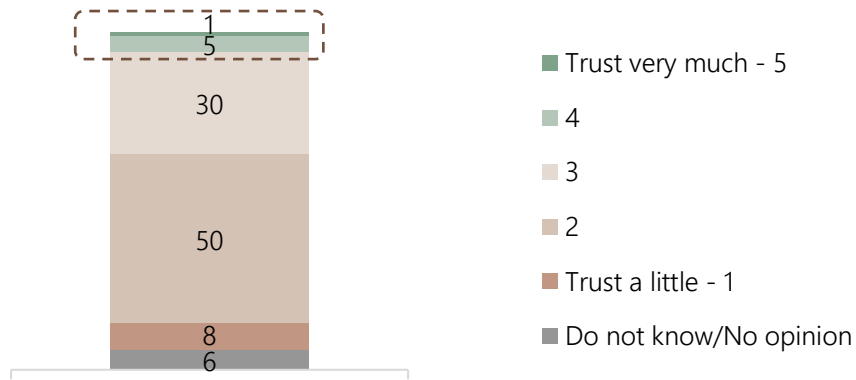
Figure 10: Familiarity with and usage of online matching platforms (%)



Base All: Total (505);
Age 30-39 (135); Age 40-49 (144); Age 50-59 (149); Age 60-65 (77)

Respondents who had heard of online matching platforms: 162

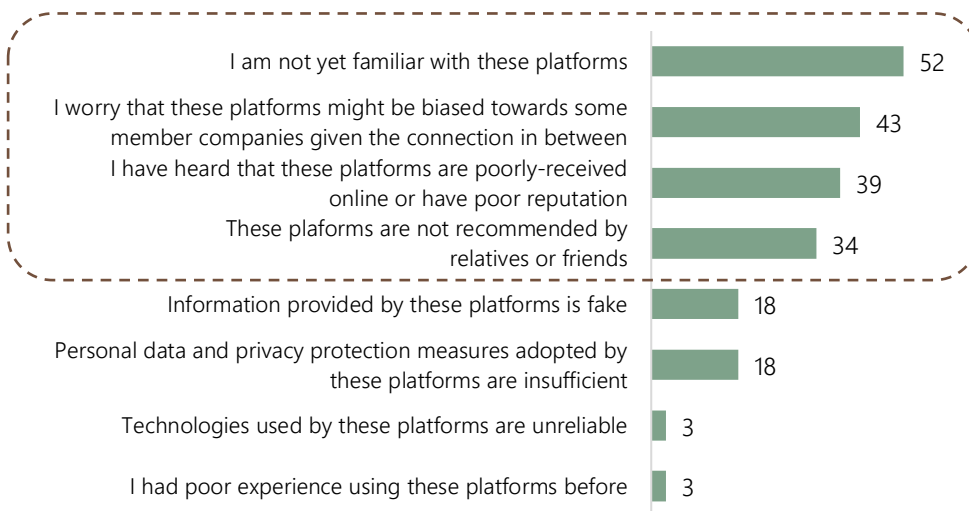
Figure 11: Trust in online matching platforms (%)



Base (Respondents who had heard of online matching platforms): 162

Digging into the reasons why the majority of respondents had reservations about online matching platforms (i.e. those who chose 1-3 above), their unfamiliarity (52%), concern over platforms' potential bias towards related companies (43%), poor reputation (39%), and relatives or friends not recommending (34%) were the main explanations (Figure 12).

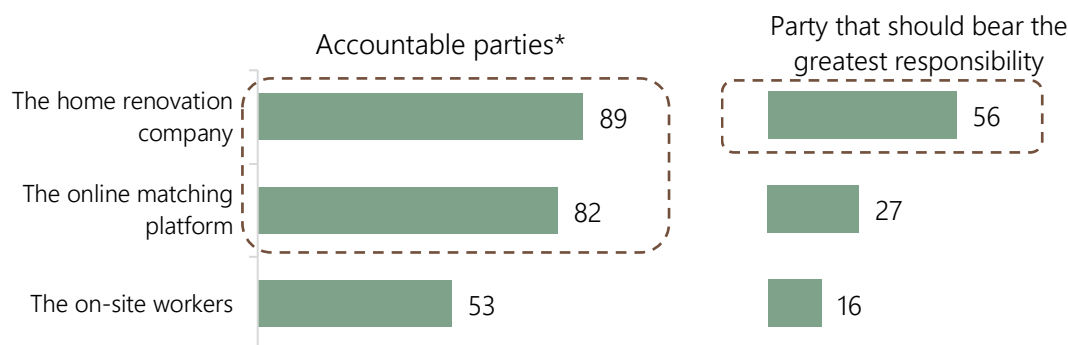
Figure 12: Reasons for not trusting online matching platforms (%)



Base (Respondents who did not quite trust online matching platforms): 143, multiple answers allowed

When asked which parties should be held accountable for issues that occur during home renovation, most respondents deemed that the home renovation company (89%) and the online matching platform (82%) should both be responsible (Figure 13). When they were asked to choose only one party, their view was still the home renovation company (56%), probably because it is ultimately the party that would carry out the actual works.

Figure 13: Accountable parties for issues that occur during home renovation (%)



Base (Respondents who had heard of online matching platforms): 162

* Multiple answers allowed.

Considerations in selecting home renovation companies

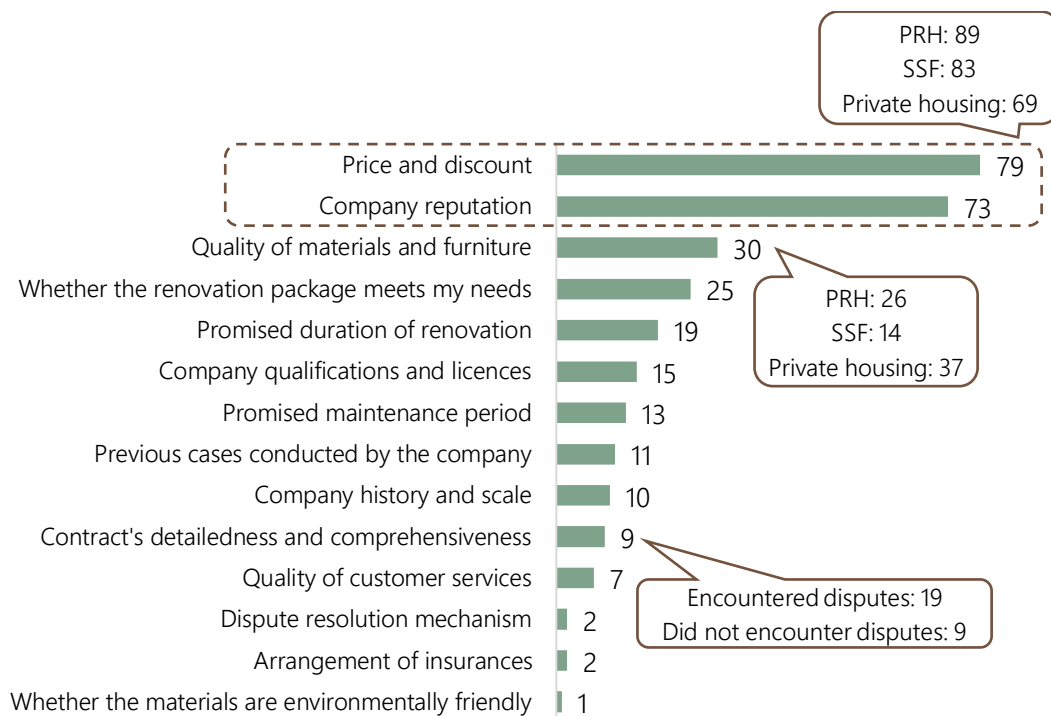
For factors of consideration when deciding which home renovation company to pick, most respondents regarded price and discount (79%), and company reputation (73%) as the top two important factors (Figure 14). However, taking the cost-related factor into account does not necessarily mean consumers think the cheaper, the better. According to findings from the FGDs, certain interviewees would choose the company that offered its services at a medium price to enjoy both affordability and quality of work (as seen in the quote below).

「最後我們選了一間中間價位的公司，因為我們覺得太便宜的話，質素一定會很差；但太貴的話，我又不想做『水魚』被人宰。」

(In the end, we chose a medium-priced company. We were worried that the quality would be poor if the price offered was too low, but at the same time, we did not want those high-priced companies to take advantage of us.)

Subgroup analysis based on the consumer perception survey further found that for respondents whose renovated flats were private ones (and were with better financial strength), they are concerned more about the quality of outcome than financial consideration. Notably, respondents who encountered disputes before would place higher emphasis on the comprehensiveness and detailedness of contract terms and conditions (“T&Cs”) to ensure they have sufficient safeguards when arguments arise.

Figure 14: Considerations while sourcing home renovation companies (%)

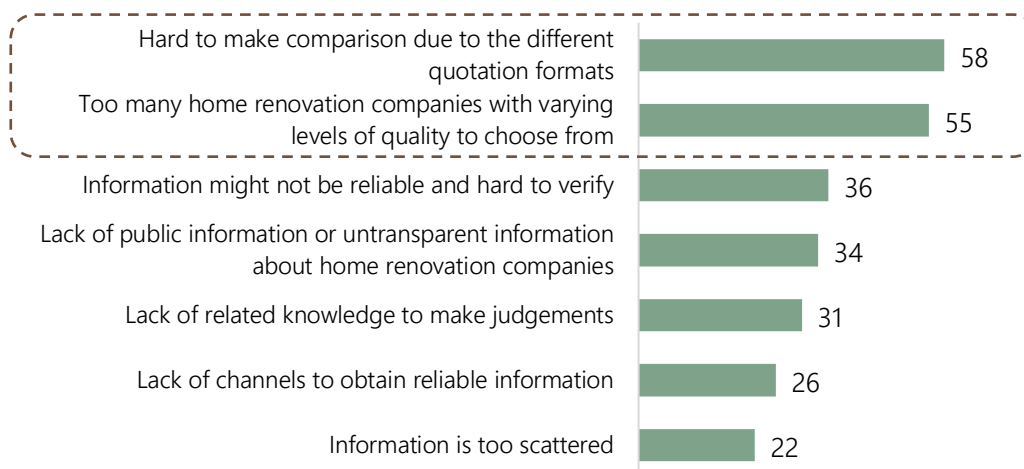


Base (All): Total (505); PRH (163); SSF (59); Private housing (172); Encountered disputes (74); Did not encounter disputes (320), multiple answers allowed

Difficulties in selecting home renovation companies

Meanwhile, respondents also anticipated various difficulties at the company selection stage. Primarily, they considered it “hard to make comparison due to the different quotation formats” (58%) and “too many home renovation companies with varying levels of quality to choose from” (55%) as the two main obstacles (Figure 15). Better education and advisory support may be needed to alleviate these pain points.

Figure 15: Difficulties while sourcing home renovation companies (%)



Base (All): 505, multiple answers allowed

Interviewees from the FGDs further expounded why they were concerned about the abovementioned difficulties:

「我向三至四間公司拿了報價單，但無法自行進行比較。儘管他們好像說的是同一個裝修項目，但表達方式卻很不同。」

(I requested quotations from three to four companies, but I could not compare them myself. Although the quotations seemed to talk about the same item, their presentation could vary drastically.)

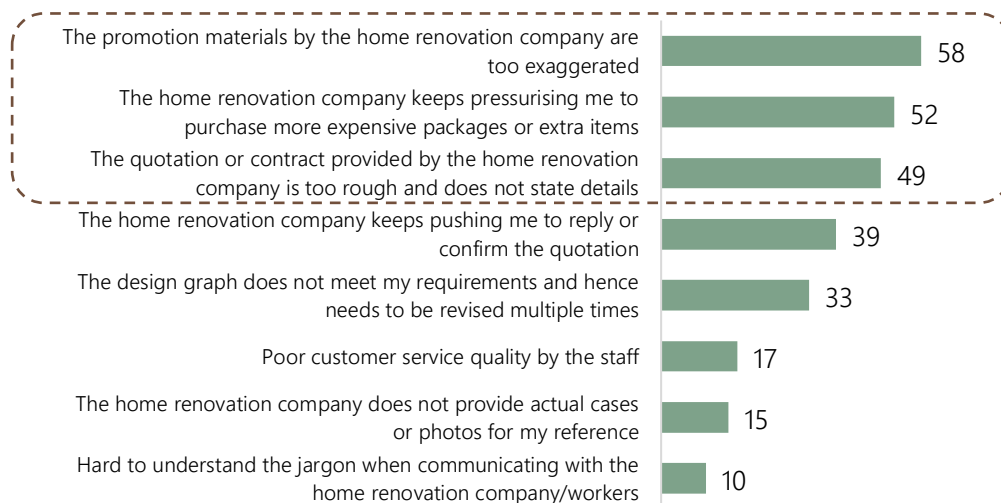
「裝修公司一向會用成功裝修的圖片來吸引消費者，但因為那些照片拍得太漂亮了，所以我根本不知道它們是真實圖片，還是電腦合成圖。」

(Home renovation companies often attract consumers with photos of successful renovation. But those photos look so good that I cannot tell whether they are authentic or computer-generated.)

Worries arising from home renovation company trade practices

Apart from difficulties encountered in company selection, consumers also have different worries in terms of trade practices. Respondents reflected that they were most worried about exaggerated promotions by the home renovation company (58%), being pressurised to purchase expensive home renovation packages or additional items (52%), and rough or unclear quotations (49%) (Figure 16).

Figure 16: Worries before work execution (%)

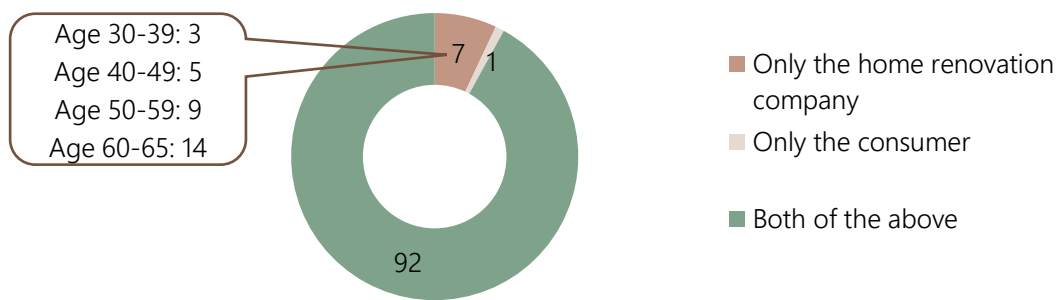


Base (All): 505, multiple answers allowed

Entering into Agreements with Home Renovation Companies

After deciding which home renovation company to choose, the next step is to sign a contract or quotation to confirm the home renovation works. Overall, 92% of the respondents considered that both the consumer and home renovation company should sign the contract. However, 7% of them took the view that a signature from just the company would suffice, and the percentage is even higher among the older age groups (Figure 17), indicating that the older the respondents, the less importance they attach to written contracts. This laxity needs to be discouraged and corrected.

Figure 17: Parties involved in contract signing (%)

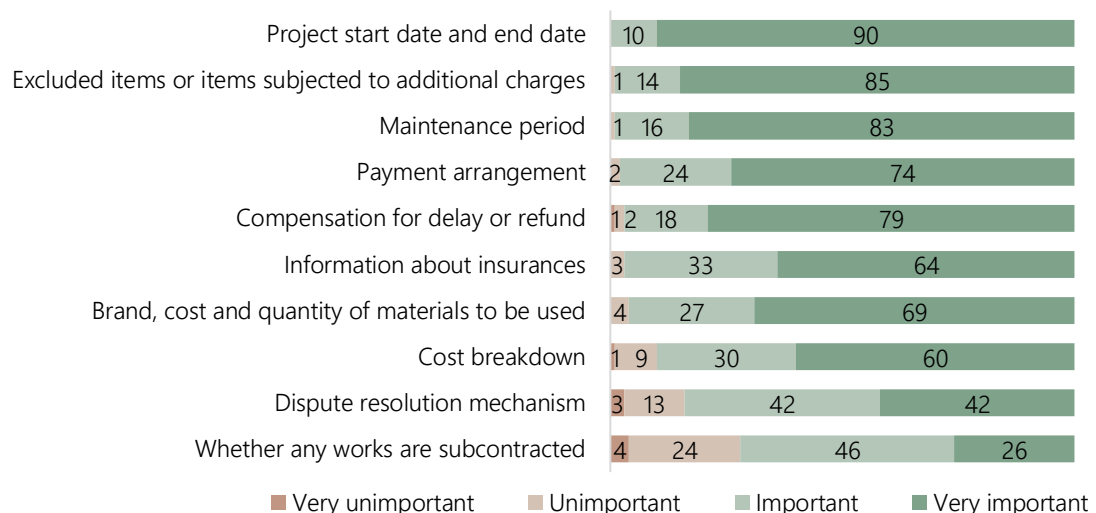


Base (All): Total (505); Age 30-39 (135); Age 40-49 (144); Age 50-59 (149); Age 60-65 (77)

Over 90% of the respondents believed that most items listed in the survey questionnaire (such as “project start date and end date”, “excluded items” and “maintenance period”) were indispensable in a home renovation contract (Figure 18). Yet, 16% of the respondents considered “ADR mechanism” less important, which might be a reflection of their anticipation of a lower possibility of resorting to this solution. Besides, 28% of the respondents deemed “whether any works are subcontracted” unimportant too, likely because they cared less about who would carry out the works as long as the project was duly completed in the end.

Moreover, the FGDs revealed that in reality, some consumers might accept the contract even if some of these important terms were omitted. For example, some interviewees signed quotations which only contained price information without other T&Cs, and some only confirmed details of their projects via messaging apps like WhatsApp without formal documentation or record keeping. In the absence of a proper written agreement, it could be difficult to ascertain the rights and obligation of the parties solely based on verbal dialogues when disputes arise.

Figure 18: Items to be included in contract (%)

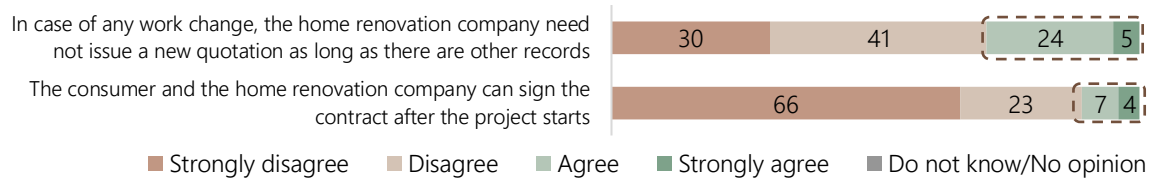


Base (All): 505

On handling contracts, only 11% of the respondents agreed or strongly agreed with signing the contract after the project has kicked off (Figure 19), meaning that the majority deemed it better

to have the contract signed beforehand. However, 29% agreed that in the event of variation in orders, the home renovation company need not issue a new quotation if there is a change in works to be carried out, as long as there are other records, implying that some consumers are lax about the formality of contracts, which is undesirable.

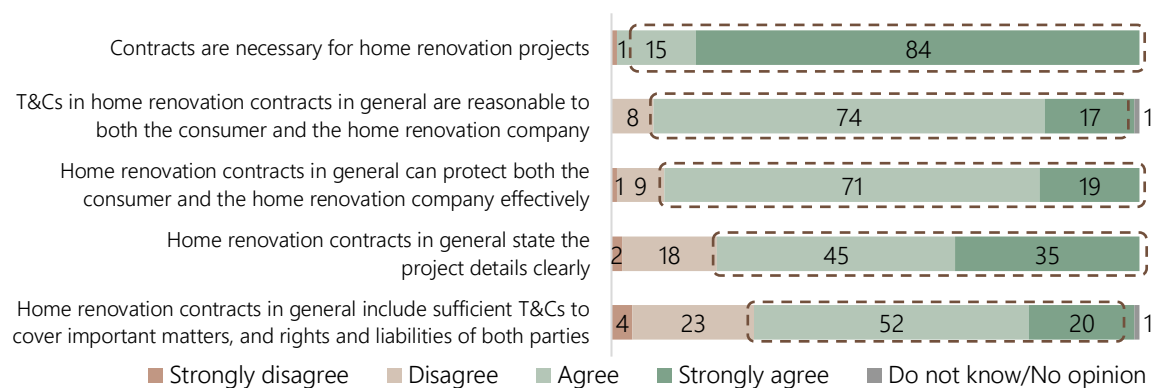
Figure 19: Agreement with statements related to ways of handling contracts (%)



Base (All): 505

Respondents who had home renovation experience further evaluated contracts from different aspects (Figure 20). It was nearly unanimously agreed that contracts are necessary for home renovation projects (99%). When evaluating the usefulness of home renovation contracts for consumer protection, consumers in general held a relatively positive attitude, with approximately 90% of the respondents with home renovation experience agreeing that the presence of contracts is reasonable and effective in consumer protection. However, in terms of clarity and T&Cs sufficiency, the agreement level was not as high – 80% and 72% respectively. These could be areas where disputes usually arise from, so improvement might be necessary.

Figure 20: Agreement with statements related to contracts (%)



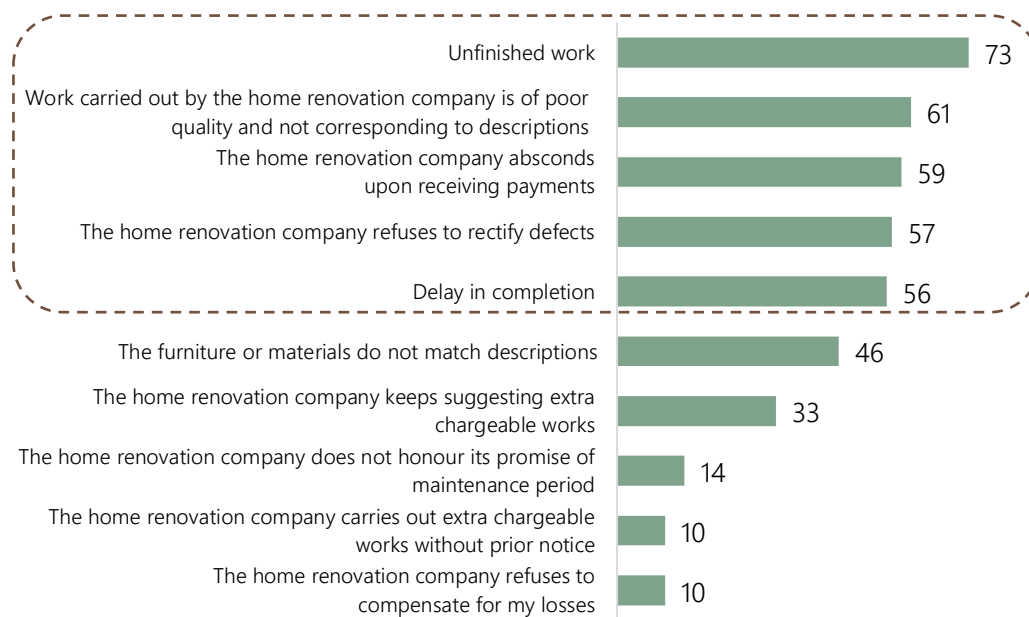
Base (Respondents who had home renovation experience): 394

Executing Home Renovation Work

Concerns during work execution

During work execution, the top five concerns of consumers were unfinished work (73%), defective work (61%), absence of the home renovation company upon payment (59%), the home renovation company not willing to rectify defects (57%), and delay in completion (56%) (Figure 21).

Figure 21: Concerns during work execution (%)

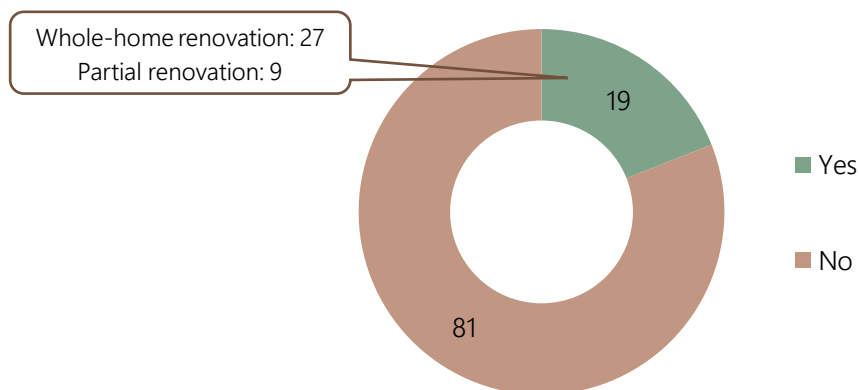


Base (All): 505, multiple answers allowed
 * Only attributes not less than 10% are shown.

Disputes encountered

Indeed, some of the concerns expressed above did happen in practice. Among respondents who had renovated their flats, 19% had disputes with the home renovation companies they appointed (Figure 22). Disputes were more likely to occur for those who conducted whole-home renovation (27%), which could be attributable to the fact that whole-home renovation is more complex and hence more prone to arguments arising.

Figure 22: Whether respondents encountered disputes (%)



Base (Respondents who had home renovation experience): Total (394); Whole-home renovation (218); Partial renovation (176)

As shown in Table 6, the top three types of disputes were delay in completion (61%), defective work (39%), and company not willing to rectify defects (30%), largely in alignment with the concerns indicated in Figure 21, as well as the nature of complaints received by the Council. Interviewees from the FGDs shared some typical examples:

「公司經常寄錯物料來，譬如床頭板的顏色並非我最初要求的，所以又要重寄，前前後後導致遲了一個月完工。」

(The company always sent me the wrong materials. For example, the colour of the headboard was not what I requested, and they needed to resend the correct one. This back-and-forth meant the time of completion was set back by a month.)

「其中一扇門少了一口釘；雪櫃門又撞壞了；水喉亦開不了；去水位無故卡了一塊石頭，總之問題非常嚴重，手工真是不知道怎麼形容。」

(A nail was found missing from one of the doors; the refrigerator door was wrecked; the water tap was faulty; a stone was stuck inside the floor drain for unknown reasons. Anyway, the problems were very serious, and I was at a loss of words to describe the workmanship.)

「因為我對公司的施工質素很不滿意，所以想待他們替我執漏後才付尾數，但他們拒絕，結果我就跟他們吵起上來，而他們更拆走我的鋁窗作報復。」

(I was very dissatisfied with the company's workmanship, so I requested to pay the final payment only after they rectified the defects, but they refused this arrangement. I ended up quarrelling with them, and they uninstalled my windows in revenge.)

Table 6: Details about disputes (%)

Top 5 Types of Disputes*	Delay in completion	61
	Work carried out were of poor quality and not corresponding to descriptions	39
	The home renovation company refused to rectify defects	30
	The furniture or materials did not match descriptions	15
	Short supply of labour or absenteeism	12
Results of Disputes	Successfully resolved with the home renovation company after negotiation	76
	Failed to resolve with the home renovation company	21
	Others	3

Base (Respondents who encountered disputes): 74

*Multiple answers allowed.

Having said that, approximately three-fourths of the respondents that encountered disputes were able to resolve the issues with the home renovation companies after negotiation. For instance, some interviewees from the FGDs mentioned that they would talk to the designer or the project manager first, and the person in charge would help instruct on-site workers to fix the problems.

Besides, interviewees from the FGDs also pointed out that the final project spending and duration did not necessarily align with initial understanding, and they often ended up with extension of completion date and increase in spending. In general, they would accept the extension in time and increase in spending if the underlying reasons were legitimate. Reasons such as COVID-19 restrictions (which affected shipment of materials and furniture), upgrade of materials based on mutual agreement, and additional costs to fix problems which only surfaced after the kick-off of projects were considered justifiable. Having said that, the delay and

additional costs had to be within their tolerable range. Related quote from the interviewee is shown as follows:

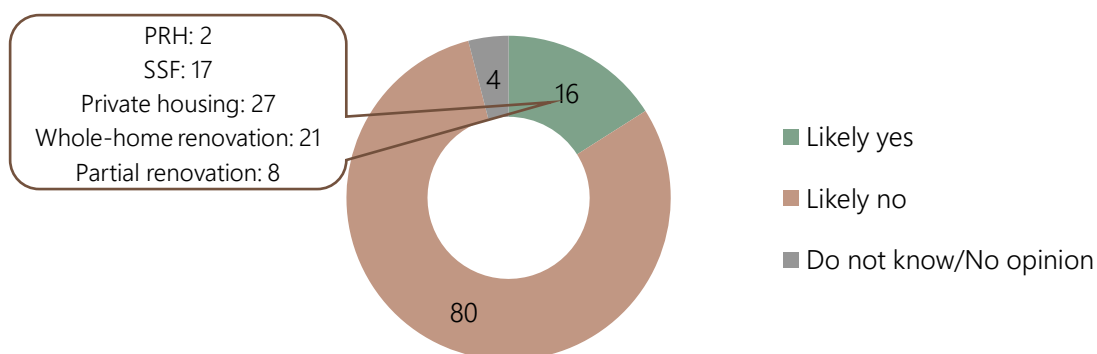
「遲一個月可以接受，但是如果超過一個月就不能了，因為我要另付的租金太貴了。」
 (One-month delay is acceptable, but not beyond that – I have to pay extra rent, which is costly.)

Following up on Completed Work

Respondents were asked if they would arrange third-party inspection to evaluate the quality of home renovation works. Most respondents (80%) did not intend to do so after completion of the home renovation (Figure 23). Having said that, the intention was higher among private housing owners with whole-home renovation. Apart from their better affordability, the complexity of whole-home renovation might have also made them more willing to inspect the work done thoroughly.

Respondents who did not intend to arrange third-party inspection were asked about the reasons behind (Figure 24). Up to three-fourths of them indicated that the high cost was the primary reason. Respectively, around one-third of them doubted the reliability of the third parties and another one-third explained that they did not know the sourcing channels at all.

Figure 23: Intention of arranging third-party inspection (%)



Base (All): Total (505); PRH (163); SSF (59); Private housing (172); Whole-home renovation (218); Partial renovation (176)

Figure 24: Reasons for not intending to arrange third-party inspection (%)

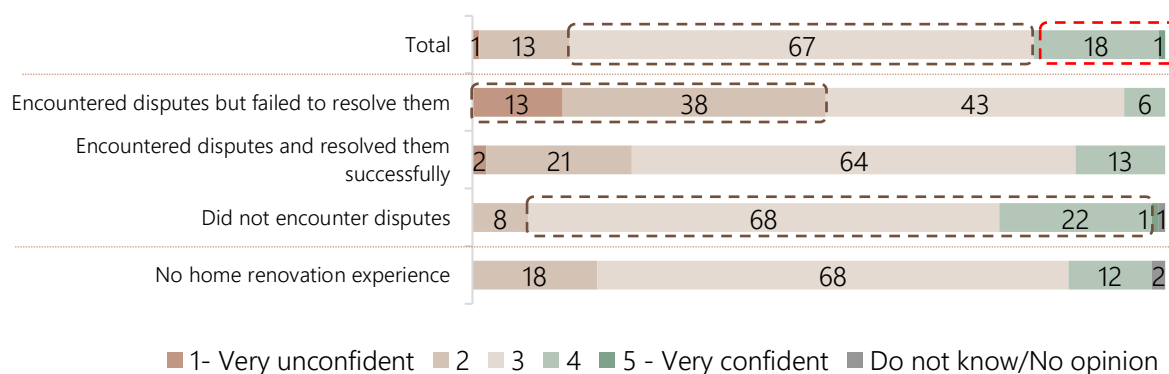


Base (Respondents who would likely not consider arranging inspection): 403, multiple answers allowed

Consumer Confidence in Home Renovation Industry

Respondents were asked to rate the home renovation industry in Hong Kong in terms of their degree of confidence after answering questions pertaining to their home renovation experience. As shown in Figure 25, the majority of respondents were neutral (67%), with an average score of 3.1 out of 5 (5 as "very confident"). Noteworthy, 19% graded a score of 4 or above. Those who did not encounter any disputes obviously had a better impression on the industry and thus gave a higher score – 23% rated 4 or above. Nonetheless, those who previously had disputes with the home renovation companies but failed to resolve them showed significantly lower confidence – 51% rated 2 or below, and the average score was 2.4 out of 5 – suggesting that home renovation experience highly affected consumers' perception of the industry.

Figure 25: Confidence in home renovation industry (%)



Base (All): Total (505); Encountered disputes (74); Did not encounter disputes (320); No home renovation experience (111)

Respondents further pointed out that the top three areas in which they desired improvement were quality of workmanship (63%), promise keeping (e.g. compensation, refund and maintenance) (45%), and payment description and arrangement (35%) (Figure 26).

Figure 26: Desired areas of improvement (%)



Base (All): 505, multiple answers allowed

Below are some quotes from interviewees from the FGDs regarding the areas they felt dissatisfied with:

「髹油方面，可能因為有些位置師傅以為我不會看到，所以就沒有髹，入住了一段時間後我才發現。」

(As for painting, there were some areas that the workers did not paint. Maybe because they thought I would not see them. I only noticed this a while after moving in.)

「雖然在兩年的保養期內，但公司經常拖延，不會盡快解決，而是待累積了五至六項問題後才一次過上門修理。」

(Even though it was within the two-year maintenance period, the company always procrastinated instead of solving the issues in a timely manner. The company would only carry out repair works in one-go when five to six issues had been piled up.)

「以水管工程為例，師傅跟我說裝在屋外屋內均可，我最終選擇了屋外。惟工程完成後，他才告訴我屋外會額外收費，但他最初卻沒有說清楚。」

(To take plumbing installation as an example, the worker initially said that the installation could be either inside or outside the flat, and I opted for the latter. Only after the work was done did he tell me there was an addition charge for outside installation, which he had not informed me about initially.)

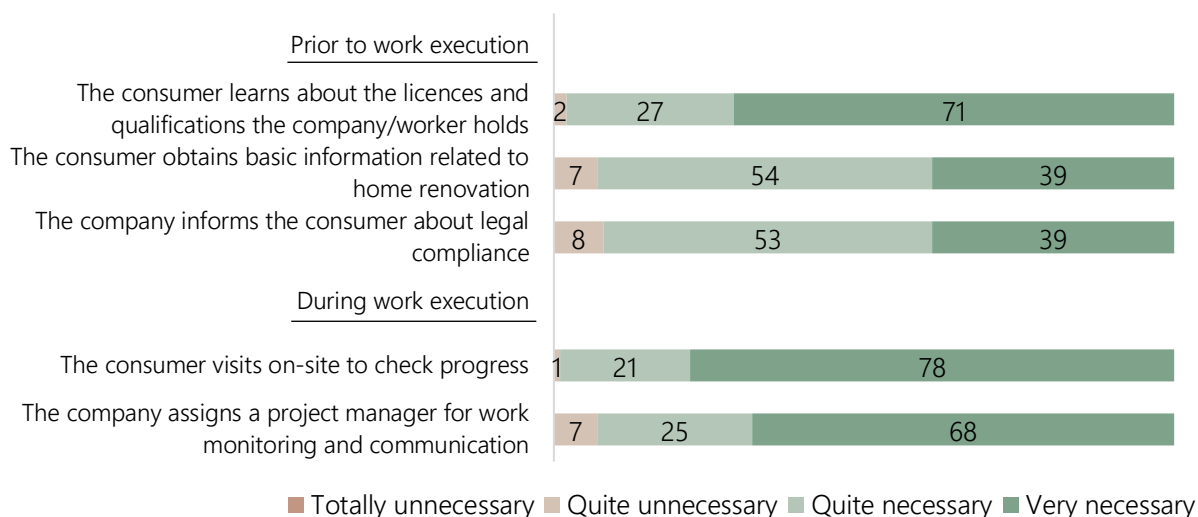
Measures to Safeguard Consumer Interests

Aside from gauging the concerns of consumers and their overall attitude, the Council also examined their knowledge and opinions about measures to safeguard themselves.

Necessity of steps to take

Respondents were asked to evaluate the necessity of a series of steps to take before and during renovation work execution. All the steps put forward were considered necessary by over 90% of the respondents (Figure 27), but in reality, not all were followed. For example, certain interviewees from the FGDs admitted that they did not check information like licences and qualifications for different reasons, such as assuming these were prerequisites for home renovation companies' operations, feeling it would be too awkward to ask, or paying no attention to such matters (as the quotes following Figure 27 indicate).

Figure 27: Necessity of steps related to home renovation (%)



Base (All): 505

「那間公司肯定是有牌的。」

(The company must have been licensed.)

「我不可能要求人家展示牌照，這真的很尷尬。」

(It is impossible for me to ask people to show their licences. It would be very awkward.)

「我不知道，沒有怎麼留意那間公司有沒有牌。」

(I did not know. I did not pay attention to whether the company was licensed or not.)

Some other interviewees from the FGDs also shared that even when they recognised the necessity of those actions, they might encounter hindrances from the home renovation companies. For instance, the companies might dodge their questions and even persuade them to conduct non-compliant works. Instances are quoted below:

「我問公司有沒有牌照，他們沒有正面回應，只是說他們的師傅都很專業的，不會發生問題，答案很模糊。」

(I asked the company whether they were licensed, but they did not reply directly. They just said their workers were professional and there would not be issues. The answer was very vague.)

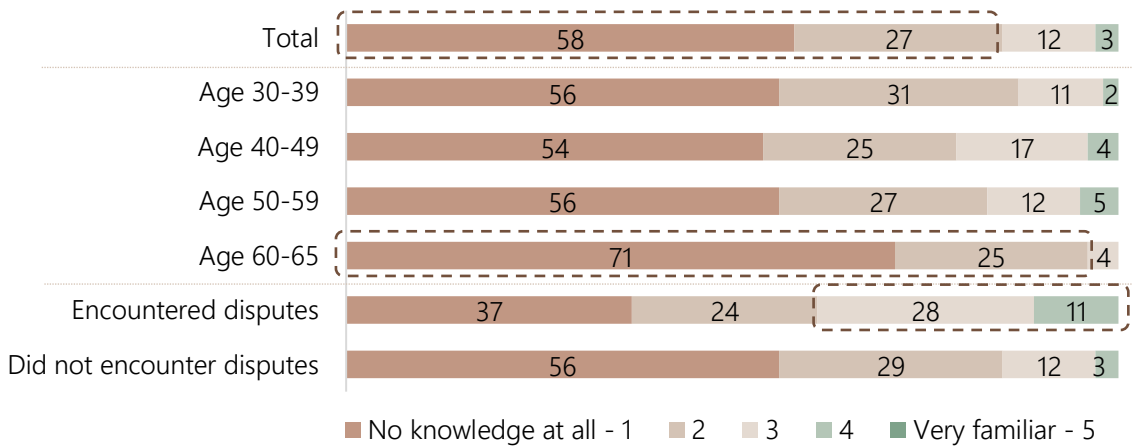
「我住的是舊式公屋，我聽說房屋署對安裝分體式冷氣機有些要求，冷氣機太大或安裝數量過多的話未必可以，但師傅還是說服我安裝，說其他人都是如此。」

(I lived in an old-style PRH flat. I heard that the Housing Department ("HD") has some requirements for installing split type air-conditioners. It might not be allowable if the air-conditioner is too big or too many are installed. Nonetheless, the workers still persuaded me to install them, saying that others were doing the same thing.)

Perception of industry guidelines

The Council noticed that some practitioners in the industry voluntarily published “guidelines” to help consumers arrange their home renovation projects and remind them of items that require attention. However, in terms of the awareness of these industry guidelines, 85% of the respondents expressed that they had little knowledge or none at all (Figure 28). Among the 60-65 age group, the proportion rose to 96%. The findings imply that public awareness of the guidelines is still low, especially among the elderly. Noteworthy, respondents who had encountered disputes with the home renovation companies before expressed higher familiarity, which could be because they came across the industry guidelines when conducting research to resolve the problems encountered.

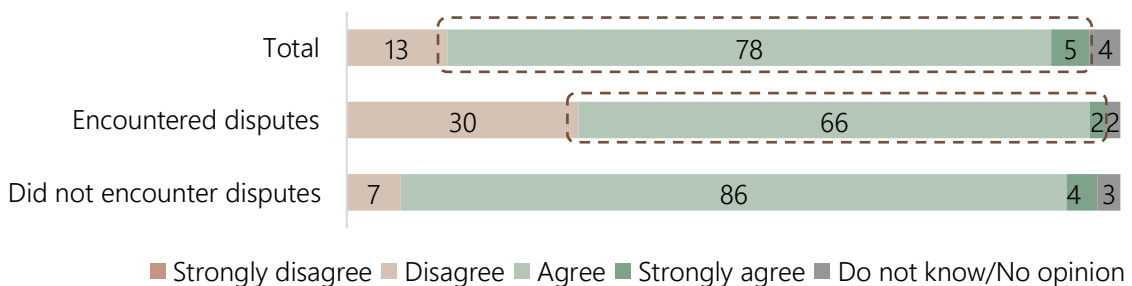
Figure 28: Awareness of industry guidelines (%)



Base (All): Total (505); Age 30-39 (135); Age 40-49 (144); Age 50-59 (149); Age 60-65 (77); Encountered disputes (74); Did not encounter disputes (320)

In spite of the overall low awareness, among respondents who had heard of the industry guidelines, more than 80% agreed that they are effective in protecting consumers. Comparing those who encountered disputes previously and those who did not, the proportion that agreed among the former was significantly (68%) lower than that among the latter (90%) (Figure 29), hinting that they found the industry guidelines not necessarily helpful in preventing or resolving their arguments with home renovation companies, or that the general public had an over-expectation of the guidelines.

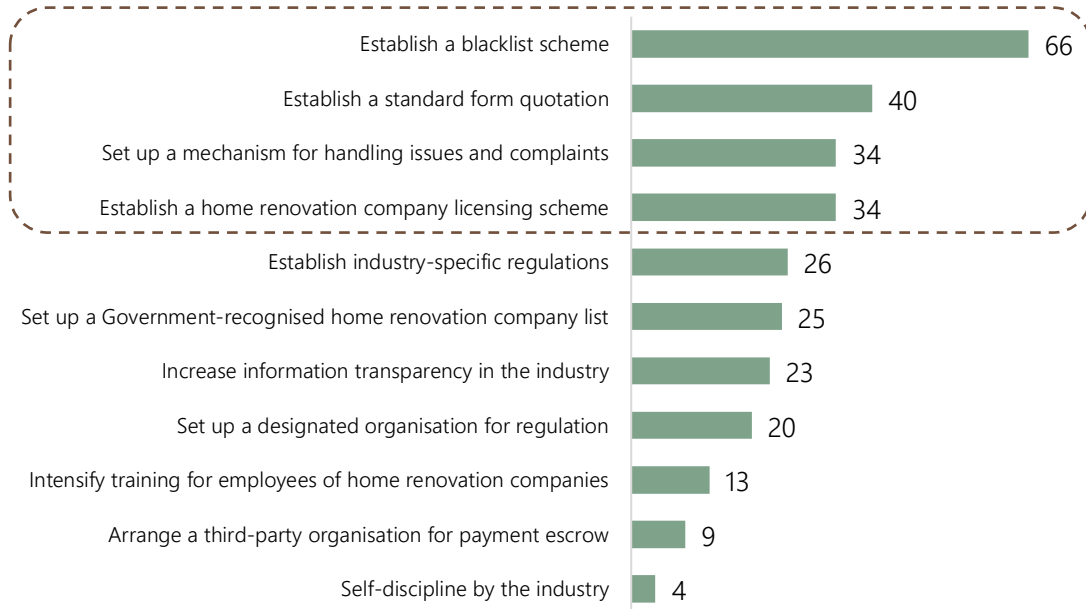
Figure 29: Perception of effectiveness of industry guidelines (%)



Base (Respondents who had heard of industry guidelines): Total (213); Encountered disputes (47); Did not encounter disputes (140)
 * Data of the remaining n=26 respondents who had no home renovation experience is not shown.

As reflected by the abovementioned issues and difficulties, there is still room for improvement in the industry. Thus, respondents called for various actions to improve the professionalism of the industry. Among the measures asked, establishing a blacklist scheme was most supported (66%), followed in order by establishing a standard form quotation (40%), setting up a mechanism for handling complaints (34%), and establishing a home renovation company licensing scheme (34%) (Figure 30).

Figure 30: Measures for enhancing industry standards (%)



Base (All): 505, multiple answers allowed

Meanwhile, interviewees from the FGDs opined that these measures had certain limitations. Details are as follows:

On the blacklist scheme, regulations and regulatory bodies:

「有些專業騙子經常以不同公司名稱行騙。當舊公司被識穿而倒閉，他們就會再另開公司，以新的名義繼續瞞騙消費者。即使有監管機構或法例也阻止不了此類個案。」

(There are professional fraudsters who swindle people under different company names. When the original company is caught red-handed and closes down, the fraudster will just set up a new company to continue deceiving consumers. Even with regulations or regulatory bodies, this kind of case cannot be prevented.)

On the standard form quotation:

「我覺得裝修牽涉太多細節，很難統一的。」

(I think renovation involves too many items, so it is hard to standardise them.)

On the complaint handling mechanism:

「投訴也未必有用，因為師傅或是黑工，遭投訴後他們可能回原居地暫避就算。」

(Sometimes, complaining might not be effective as the workers might be illegal workers. After being complained about, they might just flee back to their home countries for a while.)

On increasing information transparency:

「畢竟裝修也是一筆生意，個別公司也可以因其經驗多、手工好而收得貴點。透明度提高了又如何？他們的收費是監管不了的。」

(After all, renovation is business. Some companies can charge more because of their better experience and workmanship. Even if transparency is enhanced, how they charge consumers cannot be regulated.)

On the licensing scheme:

「手工之類的項目很難界定的，不知道怎樣衡量師傅的手工好不好。」

(It is hard to define items like workmanship, given the lack of means to evaluate the workmanship of workers.)

3.3 Summary

Consumers generally demonstrate a neutral attitude towards the home renovation industry in Hong Kong, although certain unscrupulous trade practices had lowered the confidence of some. Issues like exaggerated promotions, hard sell, delay in completion and defective work were common worries among consumers, which are in line with issues identified in the analysis of consumer complaint cases in Chapter 2. Indeed, the consumer perception survey also found that approximately one out of five consumers encountered these types of disputes in their previous home renovation experience.

Although many consumers were aware of precautions against general malpractices, such as signing the contract before project kick-off and looking for basic information beforehand, they might not necessarily do so in practice. Even if they do, they might still face hindrances. For instance, at the company selection stage, they may have difficulties in comparing quotations provided by different home renovation companies and choosing a suitable company; during work execution, they might have no choice but to follow the suggestions proposed by the company which could potentially be non-compliant with laws and regulations.

To reduce the risks and smoothen consumers' home renovation journey, education is of paramount importance. Meanwhile related stakeholders should consider the feasibility of the major measures called for by consumers.

4 Common Trade Practices in Home Renovation Industry

4.1 Introduction

As revealed in Chapters 2 and 3, consumers might encounter various difficulties and issues along their home renovation journey. In particular, some home renovation companies exaggerated their promotions or adopted hard-sell tactics at the pre-work execution stage to attract consumers.

Against this backdrop, the Council took a deeper look into the marketing and sales tactics employed by home renovation companies and online matching platforms (“traders”) from the perspective of consumers by conducting (i) an analysis of traders’ advertising materials that are available to the public, (ii) mystery visits through which traders were engaged, and (iii) a review of quotations received from home renovation companies. The Council aimed to identify common malpractices in the industry and hence alert consumers of potential sales traps via these exercises. Respective findings are presented in the following sections.

4.2 Review of Traders’ Advertising Materials

To kick off a home renovation project, the first step consumers would usually take is to search for information through different channels. Clear and accurate information on advertisements and other marketing materials is legitimately expected so that consumers can choose which traders to engage based on that information. In fact, from the consumer perception survey (Chapter 3), it is found that the top concern of consumers prior to the execution of home renovation projects was exaggerated promotions of home renovation companies (58%). Thus, the Council conducted a review of related advertisements to identify the common marketing tactics being used.

Currently, advertisements of home renovation works are not subject to specific regulatory requirements. Like other advertisements in general, they are mainly governed by the TDO which prohibits certain unfair trade practices deployed against consumers, including (i) false trade descriptions, (ii) misleading omissions, (iii) aggressive commercial practices, (iv) bait advertising, (v) bait-and-switch, and (vi) wrongly accepting payment. Of these prohibitions, false trade descriptions, misleading omissions and bait advertising are of particular relevance to some of the home renovation advertisements found in the review.

To collect market information from traders and review their ways of advertising, the Council collected 225 samples in Q1 2023 for analysis, including pamphlets and advertising materials randomly sampled from physical shops, official websites and social media pages, newspapers and magazines, online videos and TV programmes. Details of the sampling method are shown below in Table 7.

Table 7: Information sources of selected traders' advertisements

Collection channels	No. of samples	Sources of samples
Physical shops	30	<ul style="list-style-type: none"> Random shops in seven districts (North Point, Wan Chai, Kowloon Bay, Kwun Tong, Shatin, Tsuen Wan and Yuen Long)
Official websites and social media pages	61	<ul style="list-style-type: none"> Random samples found in search engines (Google, Yahoo) and social media platforms (Facebook, Instagram)
Newspapers/ magazines	114	<ul style="list-style-type: none"> Samples found in home magazines (<i>Home Journal, Modern Home, Today's Living</i>) Samples found in newspapers with property magazines (<i>Hong Kong Economic Times</i> and <i>Sing Tao Daily</i>)
Online videos/ TV programmes	20	<ul style="list-style-type: none"> Random samples found on YouTube Random episodes from TV programmes relating to home renovation (TVB – <i>家居築則</i>, ViuTV – <i>磚們港樓</i>, HOY TV – <i>香港奇則2, 香港空間改造王</i>)
	225	

Traders usually used multiple advertising channels to attract consumers from different sources, thus for advertisements found on different channels but belonging to the same traders, the Council analysed them together to review their consistency and clarity. A total of 178 traders were covered in these 225 samples.

Potential Issues in Advertisements

Among the samples reviewed, some of the advertisements contained problematic and suspicious content, including superlative claims, promises that were not easily verifiable and unclear offer details. The following highlights some examples to illustrate the degree of exaggeration or unclarity of offers. The Council took follow-up actions such as mystery enquiries and visits to engage with the concerned traders as phase two of the advertisement review to further verify the information or sales claims in their advertisements.

Superlative claims

Taking Figures 31 and 32 as examples, some advertising materials of traders included not just factual descriptions, but wordings such as “absolutely trustworthy (絕對可以信賴)”, “the best output (最好的效果)”, “No. 1 (第一)”, “done perfectly without unfinished work (完美絕無手尾)”, “super-low price (特平)” and “risk-free (零中伏)”, which were superlatives that consumers can hardly ascertain their truthfulness.

Figure 31: A trader claimed that it was absolutely trustworthy



Figure 32: A trader claimed that it was risk-free and would not leave any work unfinished



Promises that are not easily verifiable

Besides, some traders promised “punctuality (準時完工)”, “within budget (不超支)” (Figure 33), “exceptionally long warranty period (保用年期特長)” without details in their advertising materials. Meanwhile, a trader claimed that its price was “as low as one-third of its counterparts (低至一般公司 1/3 的價格)” (Figure 34). It might be difficult for consumers to conduct a fair comparison and check if these guarantees and claims are truthful.

Some traders also promised that there were “no hidden charges (絕無隱藏收費)” (Figure 35), or “no add-on costs (不會不斷後加)”, yet it was not easy for consumers to verify if the promises would be upheld before entering into a contract.

Figure 33: A trader promised punctuality and budget control

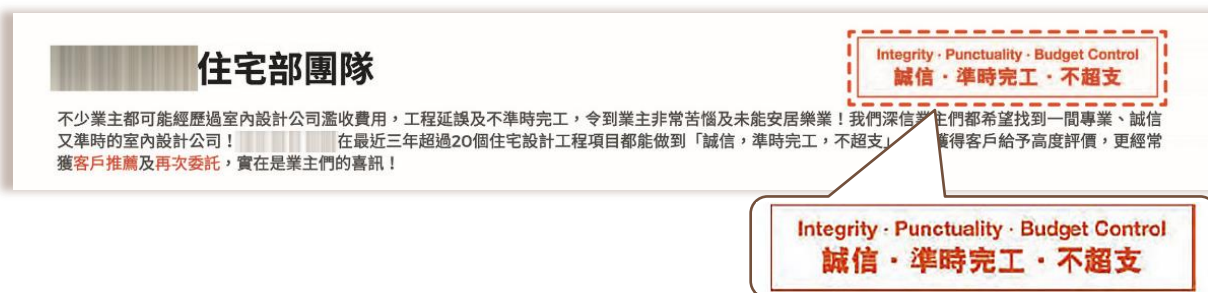


Figure 34: A trader claimed that its price was cheaper than those of its counterparts

二人同行
每人減\$5000

有別於一般裝修設計公司盲目追求複雜、大改動，以達到
們為已有基本裝修的新落成屋苑開發了全新的裝修設計

不但減少產生了裝修廢料，更環保，而且工期更短，裝修連家具可短至45天內完成。配合
我們的團購優惠套餐，更可低至一般公司1/3的價格，就可達至一樣甚至更好的效果！

更可低至一般公司1/3的價格

Figure 35: A trader claimed that there would not be any hidden charges

三大承諾保證，全方位想你所需

1. 明碼實價，絕無隱藏收費，歡迎報價比較
2. 準時完工
3. 保養期內，有問題，我跟進

Unclear offer details

Some traders offered unclear discounts in their advertisements. For example, one trader stated that “the first five patrons (首五名客戶)” in a particular estate or in a particular month could enjoy special offers” (Figure 36). However, when the trader was asked about the details, its response was very ambiguous. Tempted by this kind of promotional material, consumers might easily get into impulse purchase due to the low entry price and the discounts without due regard to the total project price. Also, consumers could hardly validate if they were entitled to the special offers but count on the trustworthiness of the traders.

In addition, some traders enticed consumers with reward offerings mentioned in their advertising materials, but in fact, some of them were chargeable (Figure 37) or subject to certain conditions which were not shown correspondingly (Figure 38). Consumers may be lured by these reward claims that could not be realised in the end.

Figure 36: A trader claimed that discount offers would be available for the first five patrons

追加贈送!

(三選一額外服務)

- 專業驗樓服務及相關驗樓報告
- 專業全屋除甲醛服務

450呎內單位	\$
550呎內單位	\$
650呎內單位	\$
750呎內單位	\$
850呎內單位	\$

需要合乎相關條款，方可獲額外\$5888金額回贈

** 首五名指定屋苑客戶可於指定日期前確定訂單，方可獲九五折優惠

每呎樓多收250元。如樓層高度不超過1200mm，則當作1呎計算。
4) 油漆以樓底高度不超過0.5呎計算，如超出需補回差價。
5) 傢俬如電器櫃、門板、燈具或特別五金，需另收費。
需要合乎相關條款，方可獲額外\$5888金額回贈
** 首五名指定屋苑客戶可於指定日期前確定訂單，方可獲九五折優惠
如有任何爭議，本公司保留最終決定權

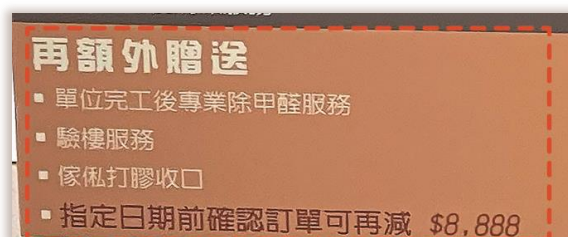
Follow-up enquiry:

「請問指定屋苑包括哪些？我住在 XXX，符合資格嗎？」
(What are the "designated estates"? I live in XXX. Am I eligible?)

Trader's response upon mystery enquiry:

「公司有不同優惠，會面時會再有其他同事詳細解答。」（公司沒有正面回應是否可享用該優惠）
(Our company has different discounts and other colleagues will explain in detail during the face-to-face meeting.) (Not responding directly if the consumer could enjoy the said discount.)

Figure 37: A trader claimed that it would offer "free services" including formaldehyde removal service, but some of them in fact were chargeable



Follow-up enquiry:

「請問你們廣告上寫的贈送服務還可享用嗎？」
(Are the free offers mentioned in your advertisement still available?)

Trader's response upon mystery enquiry:

「會送清潔服務，但驗樓、除甲醛服務另外有收費。」
(Cleaning service is included, but there are additional charges for the inspection and formaldehyde removal service.)

Figure 38: A trader claimed that free products and services would be provided for contracts above HKD200,000, but they were in fact subject to certain conditions



Follow-up enquiry:

「你們真的會送智能燈和除甲醛服務嗎？」

(Are the offers of free smart lighting and formaldehyde removal service for real?)

Trader's response:

「智能燈要裝修工程包括安裝燈槽時才會贈送。」

(The smart lighting will be provided only if the renovation works involve the installation of lighting trough.)

Good Advertising Practices

Notwithstanding the potentially problematic examples shown above, certain good practices were also found in the review exercise, albeit only in limited instances.

Display of licences and qualifications

Some traders provided their registration numbers for Electrical Contractor for Electrical Work and Minor Works Contractors, as well as their professional qualifications and relevant awards in the advertisements, which facilitated consumers to ascertain whether the traders are licensed and professionally qualified (Figure 39).

Figure 39: Traders displayed their licences and certificate numbers on their advertising materials



Price list for reference

Some traders provided a price list on their websites for reference (Figure 40). This practice not only increases the transparency of the fees to be charged and allows consumers to roughly estimate the budget required, but it also gives consumers an idea of what types of works will be involved in a home renovation project.

Figure 40: A trader displayed a price list on its website, stating clearly whether renovation materials were included, the measurement unit and the fee for each work item

	家居裝飾工程項目	包料/ 不包料	計算單位	工程收費
牆身	全屋油 (牆身連天花刮底 批灰油防潮油再油 油至細緻水平)	不包牆紙	平方尺	HK\$
	全屋裱牆紙(牆身連天花刮底批灰油防潮油 再裱牆紙)	連工包料	平方尺	HK\$
地台	全屋鋪地台磚(包英泥沙)及防潮掃口粉	不包台磚	平方尺	HK\$
	全屋鋪木地板(包防潮膠及4分底板)	連工包料	平方尺	HK\$
	全屋木地板車磨打水晶地臘4次(分2日做用德國臘)	連工包料	平方尺	HK\$
門	全屋門及門框翻新油叻架	連工包料	每套	HK\$
	全屋門及門框翻新油磁漆	連工包料	每套	HK\$
	全屋門及門框翻新油手掃漆	連工包料	每套	HK\$
	全屋新做房門連木框及門鎖	人工	每套	HK\$

4.3 Mystery Visits

After reviewing and comparing the marketing and advertising materials of different traders, the next step consumers would take is to communicate with prospective or selected traders for more information and get draft quotations for review. To obtain first-hand experience of trade practices and sales tactics adopted by home renovation companies and online matching platforms, the Council conducted mystery visits in Q2 2023.

In total, 59 home renovation companies (including those that were randomly selected and those recommended by online matching platforms), and 14 online matching platforms were engaged by eight mystery shoppers. Four sample residential flats, which were unmodified, developer-standard units with basic finishes and operational utilities, were used in this exercise. The mystery shoppers communicated with the traders based on a series of preset questions, aiming to ask them to provide advice and a draft quotation according to the home renovation requests provided (Table 8). Communication channels included (i) face-to-face meetings; (ii) telephone calls and (iii) messaging apps – often with the salespersons, designers or project managers of traders.

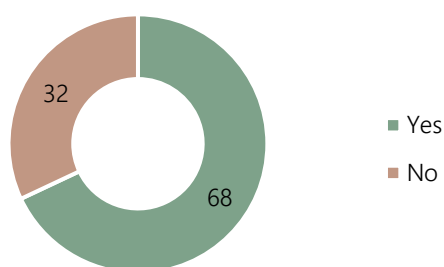
Table 8: Home renovation requests provided to traders

Item	Details
Style	Japanese minimalism
Whole flat	Replace all doorknobs
	Change the flooring colour/material
	Conduct plastering works
	Install lighting troughs and lighting
Living room	Customise TV cabinets, shoes racks and display shelves
	Add power sockets
Kitchen	Change the kitchen door to a sliding door
	Change the colour of cabinet doors
Toilet	Replace the bathtub with a shower cubicle
	Replace the countertop basin with an undercounter basin
Bedrooms	Remove the wall between two bedrooms
	Customise beds, wardrobes and work desks

** Professional advice had been sought on the above specifications, such that common home renovation works required for an average household were covered.*

A total of 40 draft quotations (68%) were received from the home renovation companies before the payment of deposits (Figure 41). On average, it took almost two weeks (13.5 days) to receive a quotation from a home renovation company, while the longest waiting time was 38 days. The remaining 19 companies did not provide quotations for different reasons as illustrated in Table 9.

Figure 41: Quotation provision by home renovation companies before the payment of deposits (%)



Base (All): 59

Table 9: Reasons for not being able to get quotations

Reasons	No. of companies
Deposits were needed in advance	9
Further details (e.g. choice of materials, structural dimensions of the flats based on on-site measurement) needed to be confirmed in advance	6
Quotations were presented to the mystery shoppers during face-to-face meetings, but photo-taking of the quotations was not allowed, or no hard copy was available	2
Home renovation company did not respond	1
Home renovation company shut down	1

Base (All): 19

Indeed, it is understandable that to mitigate the risk of abuse, some home renovation companies would rather provide services such as drafting quotations, advising brief design graphs or conducting on-site measurement only after receiving payments. For comparison of the service quality with and without the payment of deposits, the Council randomly selected nine out of these 59 home renovation companies and had the mystery shoppers further engage with them by paying deposits (ranging from HKD1,000 to HKD3,000) to use extra services and collect further information from them.

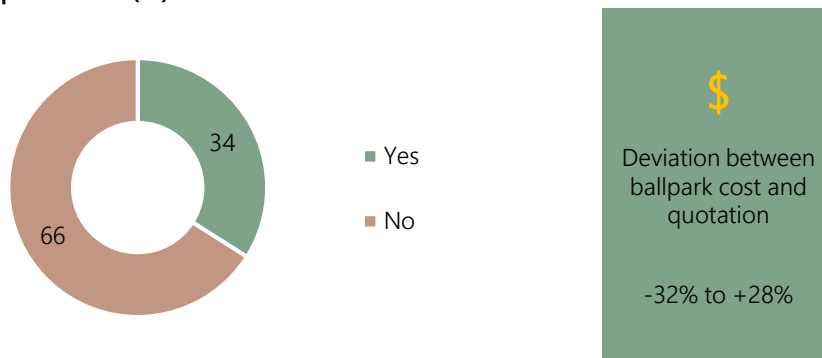
Nevertheless, not much difference between the free and paid quotations in terms of detailedness was observed. While the home renovation companies might be able to provide more accurate design graphs after on-site measurement, the services they provided in general did not differ significantly given that the mystery shoppers still had not commissioned them for the home renovation projects at that stage.

Regarding the online matching platforms, the mystery shoppers submitted matching requests to 14 platforms. The average time required for the platforms to make the first matching suggestion was 2.7 days. In general, the platforms matched one to three home renovation companies for the shoppers to choose. In cases where the platform only returned with one matching suggestion, the shopper would follow up by asking for more choices. Two platforms refused to do so and recommended the shopper to meet the suggested home renovation company first.

Initial Contact and Meeting with Traders

After submitting the home renovation requests, the mystery shoppers asked the home renovation companies to advise a ballpark cost before further engagement for a more detailed quotation. Yet, only 20 out of 59 (34%) companies agreed to do so (Figure 42) – 15 of them advised an estimated total, and five advised an estimated total along with subtotals for different categories of works.

Figure 42: Provision of ballpark costs (%)



Base (All): 59

Given that a ballpark cost is not always provided, consumers might not have a good sense of the level of charges of a home renovation company until further engagement happens. Among those who provided an estimation, the deviation of the actual quotation from the ballpark cost ranged from -32% to +28%.

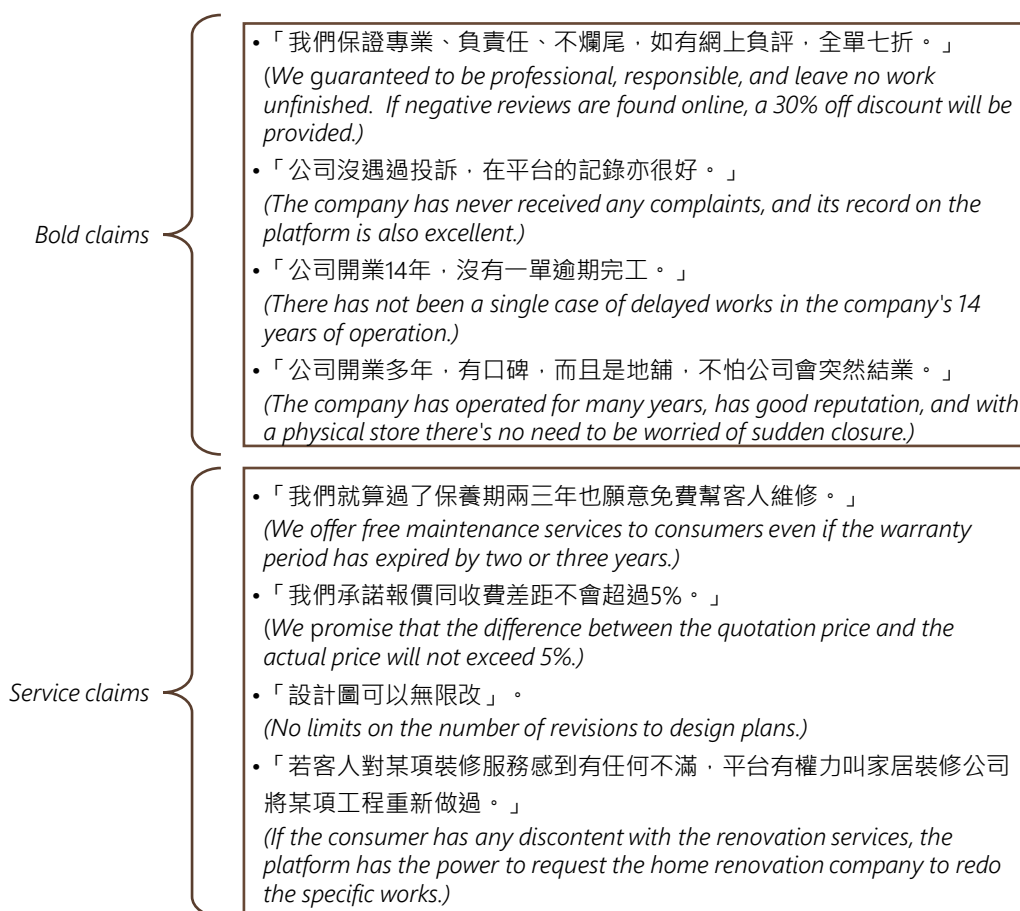
Issues Identified in Mystery Visits

During initial contact and meetings with home renovation companies and online matching platforms, the communication covered details of works and procedures. From the conversations, it was observed that some suspicious claims, undesirable practices and potentially problematic sales tactics might have been adopted, which could be sales traps or end up as areas for disputes after the consumer commissioned the project. Even worse, some traders showed a lax attitude towards compliance with laws, which could cause significant safety and financial risks to consumers too.

Suspicious claims

Some traders made suspicious claims when engaging with the mystery shoppers, such as claiming that they had not received any complaints before, and guaranteeing not to leave the home renovation project unfinished (Figure 43). Such claims cannot be verified by consumers without further engagement.

Figure 43: Selected examples of suspicious claims



Undesirable practices

During detailed discussion with traders, undesirable practices such as discrepancy between written and verbal messages, unclear payment arrangements, and lack of transparency were also observed (Figure 44).

Figure 44: Selected examples of undesirable practices

Discrepancy in statements	<ul style="list-style-type: none"> • 公司在WhatsApp上聲稱報價不會收費，但口頭講解時卻指報價連設計收1,000元訂金，但可以之後在總額中扣除。 (The company stated via WhatsApp that quotation would be free of charge, but during verbal explanation, the company requested a deposit of HKD1,000 for quotation and design, which could later be offset in the total payment.)
Referral to other companies	<ul style="list-style-type: none"> • 公司職員稱他剛剛轉了公司，問客人「會不會考慮轉用我的新公司做裝修？新公司價錢應該會比較便宜。」 (The staff mentioned that he recently moved to another company and asked the mystery shopper, "Would you consider using the renovation services of my new company instead? The fees of the new company should be lower.") • 公司職員告訴客人項目會由他的商業夥伴接手，但經查詢後，他才說明其夥伴並非屬同一公司。 (The staff of a company informed the mystery shopper that his business partner would take over the project. Upon enquiry, the staff revealed that his business partner and him belonged to different companies.)
Low transparency	<ul style="list-style-type: none"> • 公司有預備報價單，亦有向客人就逐項細節講解，但不准客人拍照作紀錄和帶走。 (The company had prepared a quotation and explained each item to the mystery shopper, but did not allow him to take photos for record or take home the quotation.)
Lack of customer support	<ul style="list-style-type: none"> • 平台只提供電郵地址供客戶查詢，若出現問題，可能很難找到員工處理。 (The platform only provided an email address for enquiries. If there are any problems, it may be hard to get help from the staff.) • 到平台辦公室跟商家會面時，平台代表全程沒有參與。 (When meeting with the company in the platform's office, platform representatives were not present or involved throughout.)
Absence of a clear quotation validity period	<ul style="list-style-type: none"> • 公司沒有特別註明報價單有效期，但表示通常3個月內都有效。 (The company did not specify the validity period of the quotation, but claimed that usually the quotation was valid for three months.)
Shift of responsibilities for compliance and work monitoring to consumers who are supposedly not qualified professionals	<ul style="list-style-type: none"> • 公司指出客人需主動去現場監察師傅的電工工程是否完全按要求做，如果客人不認真檢查，責任就在客人身上。 (The company pointed out that consumers should proactively monitor the on-site workers and check whether the electrical works comply with relevant requirements. If the shopper did not check carefully, it would be his fault.) • 公司指出沒有人會幫手驗收，客人要自己檢查。 (The company pointed out that it would not send staff to help check defects, and consumers had to check by themselves.)

Problematic sales tactics

Different discounts and offers were used to attract consumers. Some sales tactics were considered problematic and some even potentially constituted unfair trade practices under the TDO. Examples are illustrated below.

Potential bait advertising/false trade description

One home renovation company advertised “zero-deposit package: kick off the project first, and pay later (\$0 按金套餐先開工後付款)” (Figure 45). However, the offer was subsequently refuted by the company on telephone enquiry by the mystery shopper.

Figure 45: A home renovation company claimed that it could offer a zero-deposit package



Shopper's question:

「我看到你們網頁上有\$0 按金套餐，請問我可以用這個優惠嗎？」

(I saw that there is an offer of zero-deposit package on your website. Is this offer available?)

Company's response upon mystery enquiry:

「無此優惠，可能同事在網頁上寫錯了，這行業無公司會不收按金就開工。」

(There is no such offer. It may have been wrongly displayed by our colleagues on the website. No companies in the home renovation industry would start the work before receiving deposit from consumers.)

Potential bait-and-switch

Another home renovation company displayed a discount offer on its Facebook page (Figure 46). When the mystery shopper enquired about such offer, the company responded that the offer was not available, and suggested another discount package to the mystery shopper.

Figure 46: A home renovation company displayed a discount offer which was not available



Shopper's question:

「我看到你們 Facebook 上有寫八折優惠，請問我可以用這個優惠嗎？」

(I saw that there is a 20% off discount on your Facebook page. Is this discount available?)

Company's response upon mystery enquiry:

「這個優惠不適用，我已在報價中計了另一個更優惠的套餐給你。」

(This discount is not applicable. I have included another cheaper discount package in the quotation.)

Service attitude of traders/salespersons

In the communications with different traders, most traders had a good service attitude. However, there were some who adopted aggressive sales tactics, while some seemed to show a lack of professionalism.

Lure consumers to pay a deposit

A home renovation company asked the mystery shopper repetitively to pay a deposit of HKD1,000 before providing further advice on the design style and the estimated budget. The company explained that by paying the deposit, fees of two to three initial design drawings could be waived. If the consumer decided not to proceed further due to an unsuitable design or budget, the deposit would not be refunded, and the fund could only be used to purchase products at the store. Yet, the company did not provide any information about what products were available after being prompted.

Lack of professionalism

During face-to-face meetings, there were cases where the responses given by the home renovation companies or their staff were not satisfactory. For instance, a staff misread the floorplan two to three times; and another one could not answer whether the company was registered as a minor works contractor under the Buildings Ordinance (Cap. 123) (“BO”) and whether their workers were licensed. When asked if there would be any compensation for delayed work, a home renovation company shot back bluntly at the mystery shopper, asking “what would you offer if we finish ahead of schedule?”.

Compliance with laws

In the home renovation requirements (work specifications) provided to the traders, two items of works might require extra attention and sensitivity as to whether the works were lawful, i.e. (i) replacing the kitchen door with a sliding door, and (ii) wall removal.

According to the Code of Practice for Fire Safety in Buildings 2011, for flats with a single exit door, the kitchen should be separated from the rest of the flat by walls and a door of prescribed fire resistance rating. Open kitchens require installation of smoke detectors, sprinklers and a fire-rated, full height wall with a minimum width of 600mm.

In addition, according to the provisions of the BO, for alteration and addition works carried out inside a unit of a private building, if structure of the building is involved, e.g. removal of a structural wall, the owner is required to appoint an authorized person and a registered structural engineer for advice on the feasibility of the works to be carried out and to submit building plans to the BD. The works should be carried out by a registered contractor after obtaining approval and consent from the BD⁹. Details about the current regulatory regime in Hong Kong can be found in Chapter 6.

Shopper’s question on replacing the kitchen door:

「廚房換趟門有沒有防火要求要注意？」

(Are there any fire safety requirements I should bear in mind when replacing the kitchen door with a sliding door?)

When the home renovation companies were asked about the viability of replacing kitchen doors, more than 75% of them advised that the mystery shoppers could use a sliding door for the kitchen, which in fact could violate the BO.

Shopper’s question on wall removal:

「我有聽說最近發生的主力牆事件，如果我拆牆打通兩間房有什麼要注意嗎？」

(With the recent incident of alteration of an alleged structural wall, is there anything I should bear in mind for a wall removal between the two bedrooms?)

⁹ Buildings Department (2023). Alteration and Addition Works in Domestic Premises. Retrieved from https://www.bd.gov.hk/en/resources/faq/index_alteration_and_addition_works_in_domestic_premises.html

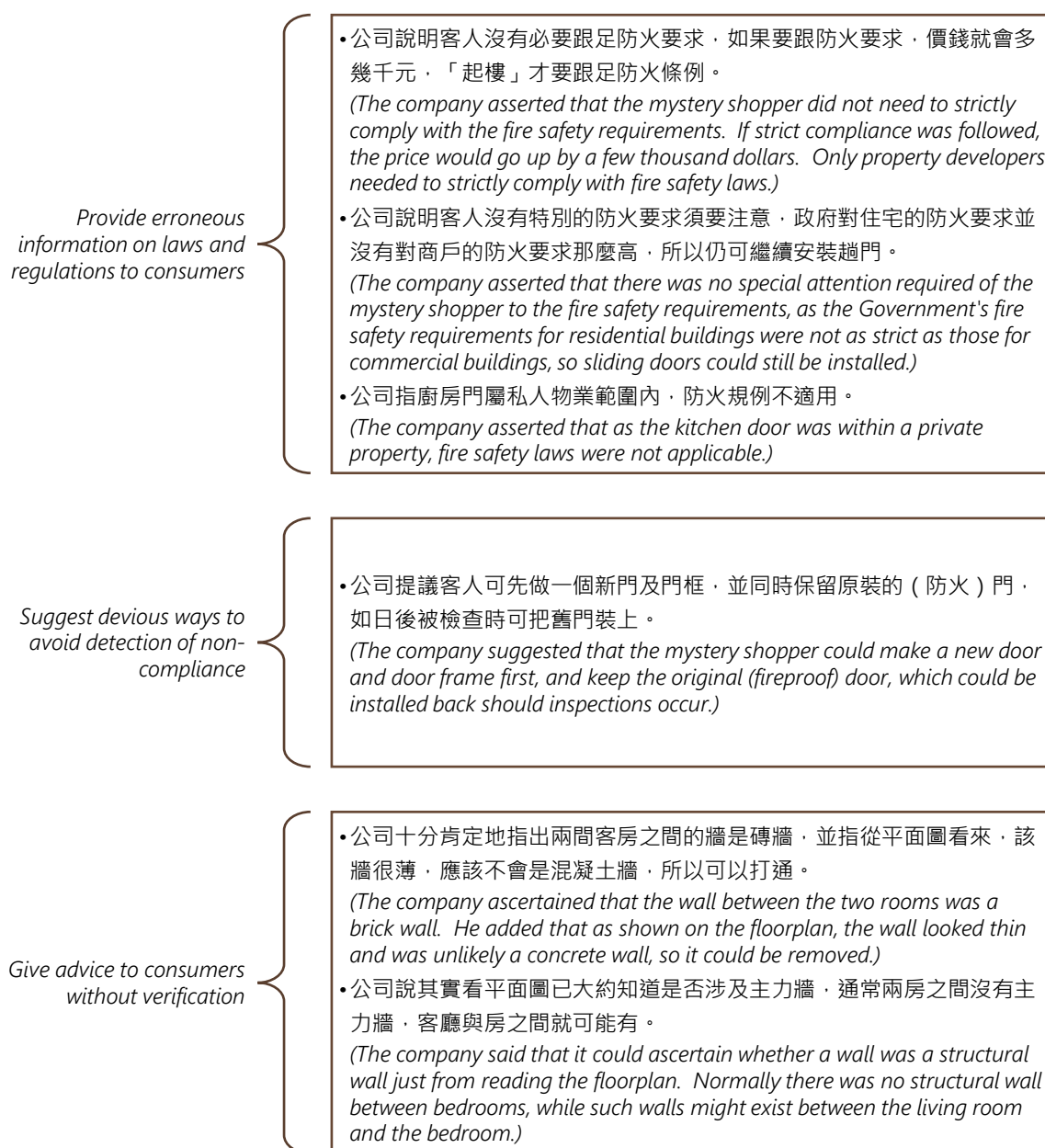
When asked about the scenario of wall removal, three-quarters of the home renovation companies claimed that the wall could be removed. Some companies asserted that the wall was not a structural wall just from reading the floorplan provided by the mystery shoppers, and they did not mention the need to check for any restrictions on alteration of the unit in the Deed of Mutual Covenant ("**DMC**") or check with the property management office concerned.

Although the removal of non-structural walls in a domestic flat may be exempted building works, the Council is of the view that a prudent home renovation company should conduct appropriate verification before advising consumers on the feasibility of the works. According to the BD, consumers are advised to refer to the approved plan of the flat and to seek professional advice on their home renovation works. Whether a wall is structural or not cannot be concluded by simply referring to a floor plan which is not an approved plan, nor be determined according to the thickness of the wall. In other words, thickness of a wall as appears on the floor plan should not be relied on to determine whether it is a structural wall or not. Moreover, even when the wall is not a structural wall (which may serve other functions), removal of it could be prohibited by other rules and regulations, such as fire safety regulations.

Despite the widespread news coverage in May 2023 about the incident of alteration of an alleged structural wall of a flat in a private residential development in Tseung Kwan O, some home renovation companies still advised the mystery shoppers that restructuring could be carried out without further verification, which suggested a lack of awareness and prudence pertaining to legal compliance on the part of the industry.

In addition, it was found that some home renovation companies gave erroneous information about the laws and regulations to consumers. Some even gave suggestions to help consumers avoid detection of non-compliance. Some of the examples are quoted below in Figure 47.

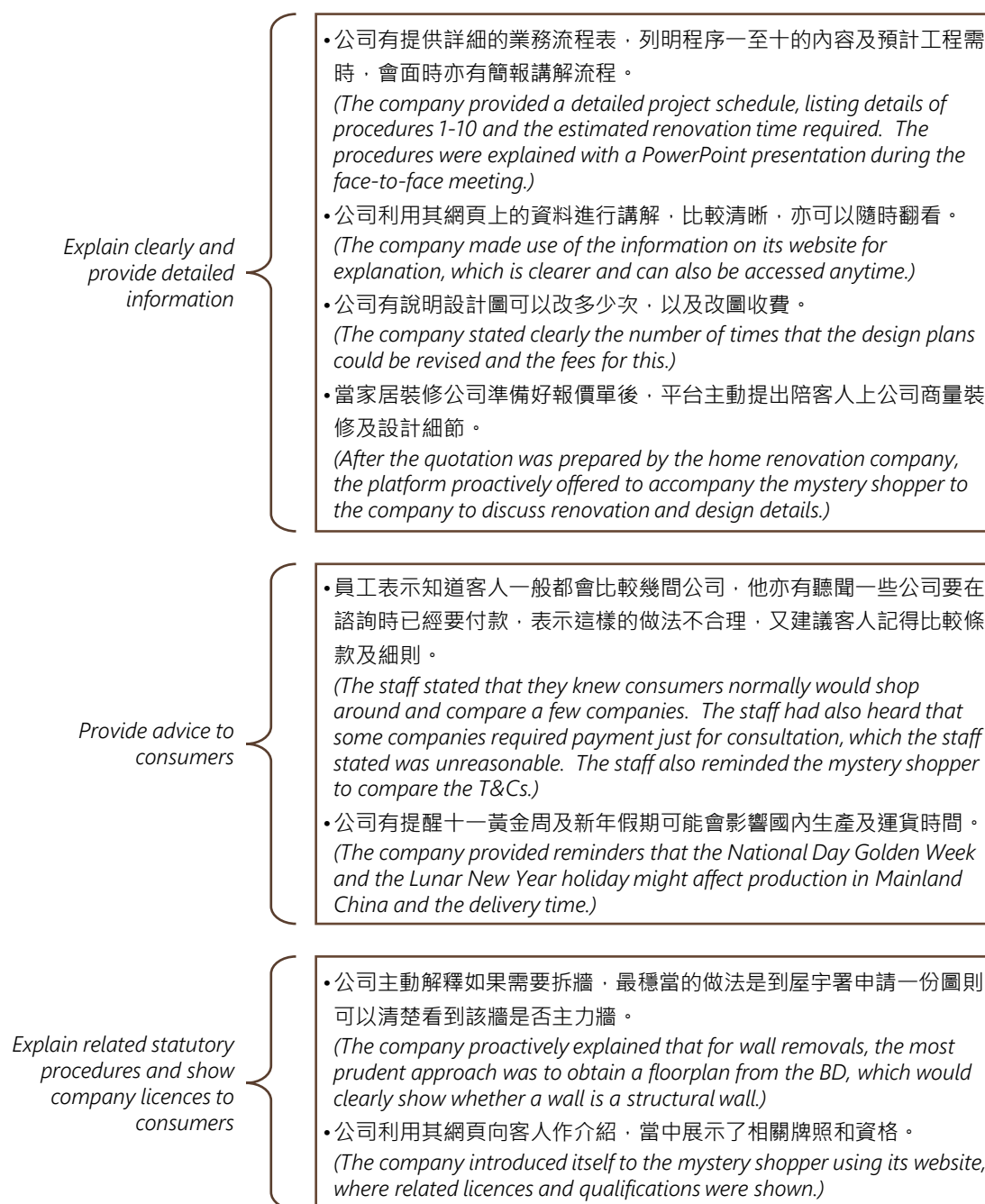
Figure 47: Selected examples of home renovation companies' responses regarding legal compliance



Good Sales Practices

While the mystery visits revealed certain practices of home renovation companies and online matching platforms that posed potential risks to consumer interests, the mystery shoppers still could come across good practices (Figure 48). These practices should be promoted for the sake of consumer protection, especially when the market information is scattered and unsystematic.

Figure 48: Selected examples of good practices of traders



4.4 Analysis of Quotation Samples

In selecting a home renovation company to carry out the home renovation project, consumers would compare the draft quotations provided by different companies and evaluate them based on their budgets in mind. Therefore, it is important to analyse the quality and usefulness of the quotations provided by home renovation companies, including the presence of clear T&Cs that would help protect the interests of consumers.

Through the mystery visits, a total of 40 draft quotations were collected (Table 10), and the analysis was conducted based on these samples. It is important to note that this exercise did not proceed to further commitments (e.g. signing a contract), analysis based on the finalised

quotations and verification on some quotations were not viable. Moreover, since the quotations were not obtained via random sampling, care should be taken before interpreting the results as a snapshot of the whole industry. Rather, the results may serve to point out areas for improvement as well as good practices that are worth referencing.

Table 10: Breakdown of quotations collected in mystery visits by sources

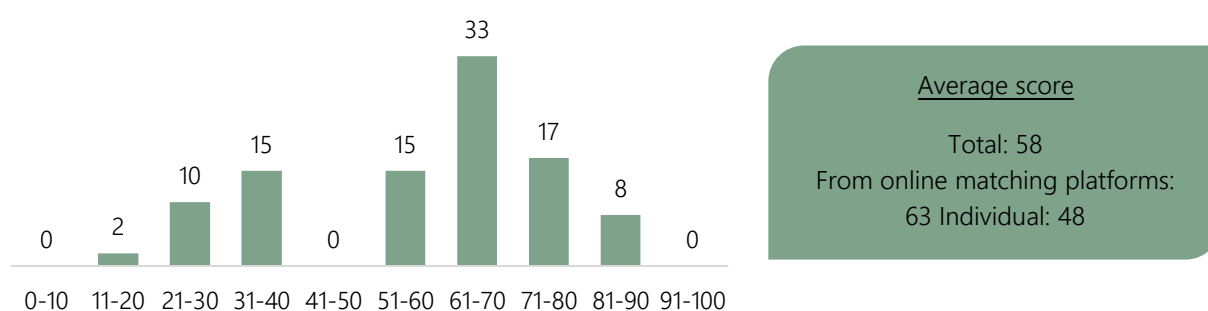
Source	No.
From individual companies	17
From companies recommended by online matching platforms	23

Base (All): 40

To ensure a professional and fair evaluation of the draft quotations, the Council invited the HKIS to develop a comprehensive marking scheme and conduct anonymous assessment accordingly. In the marking scheme, a total of 31 parameters were set (Annex 2). Aside from 25 parameters that considered whether certain key information was included in the draft quotations (e.g. validity of quotation and payment terms), there were also six parameters that considered the level of detailedness of the key information such as specification of work items and insurance arrangement. Parameters related to specific works such as scaffolding erection and dismantling were not covered in the assessment because they were not required in the renovation specifications provided by the mystery shoppers to home renovation companies. However, it is strongly recommended that consumers should also take these factors into account in practice (if applicable) when considering a quotation.

The average score of the 40 draft quotations was 58 out of 100 (Figure 49). Most quotations (33%) fell into the range of 61-70; and only 8% could score higher than 80, reflecting that the majority of quotations were not comprehensive enough to enable a fair and meaningful price comparison. In general, quotations provided by home renovation companies recommended by online matching platforms (score of 63) performed better than those offered by individual ones (score of 48). One possible explanation is that the former were guided by certain templates or guidelines provided by the platforms.

Figure 49: Score distribution of the 40 draft quotations provided by home renovation companies (%)



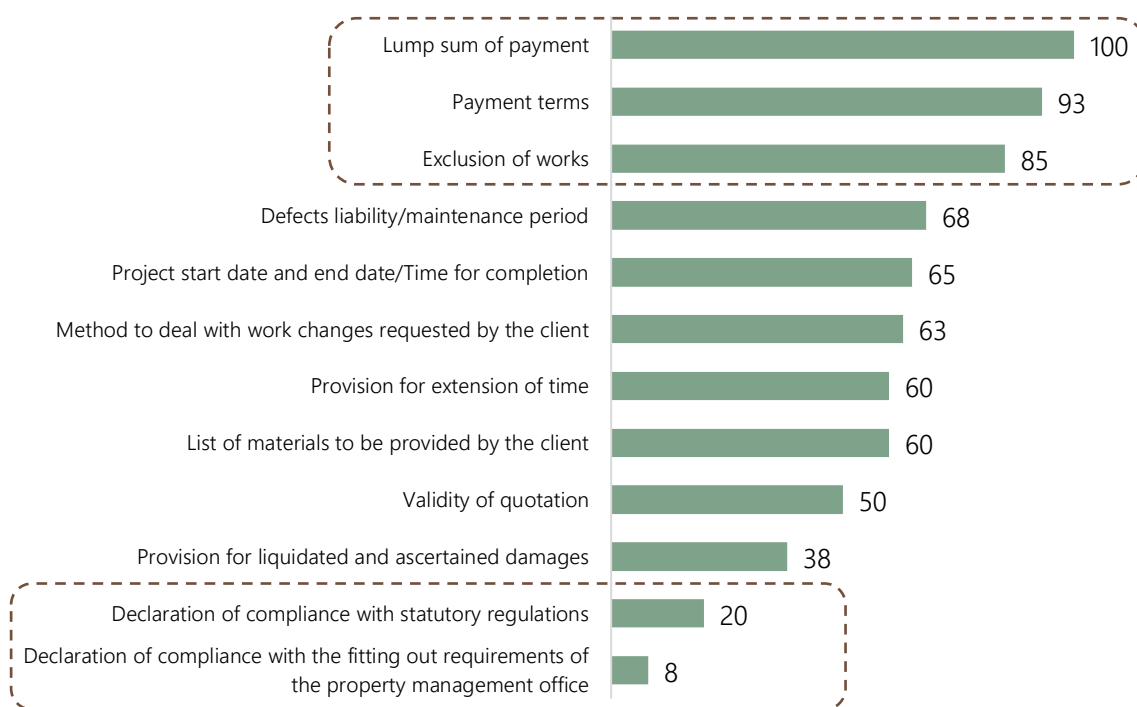
Base (All): 40

Looking into the parameters specifically, the top three key items mentioned in the draft quotations were "lump sum of payment" (100%), "payment terms" (93%) and "exclusion of works" (85%) (Figure 50). Nevertheless, the mention of other crucial items was not necessarily as common. For instance, only 60% to 70% of the quotations mentioned "defects liability/maintenance period", "project start date and end date/time for completion", "method to deal with work changes requested by the client" and "provision of extension of time". On the other hand, items that were rarely mentioned included "declaration of compliance with

statutory regulations” (20%) and “declaration of compliance with the fitting out requirements of the property management office” (8%). When disputes over these areas arise, the presence of related clauses would be of vital importance.

As reflected in Chapter 3, consumers considered most items asked in the consumer perception survey to be so important that they were indispensable in a home renovation contract. Such items included “project start date and end date”, “excluded items or items subject to additional charges” and “maintenance period”. While there were indeed quotations that contained these items, the number of those quotations was not necessarily high, implying a discrepancy between expectation and reality.

Figure 50: Mention of selected parameters in quotations (%)



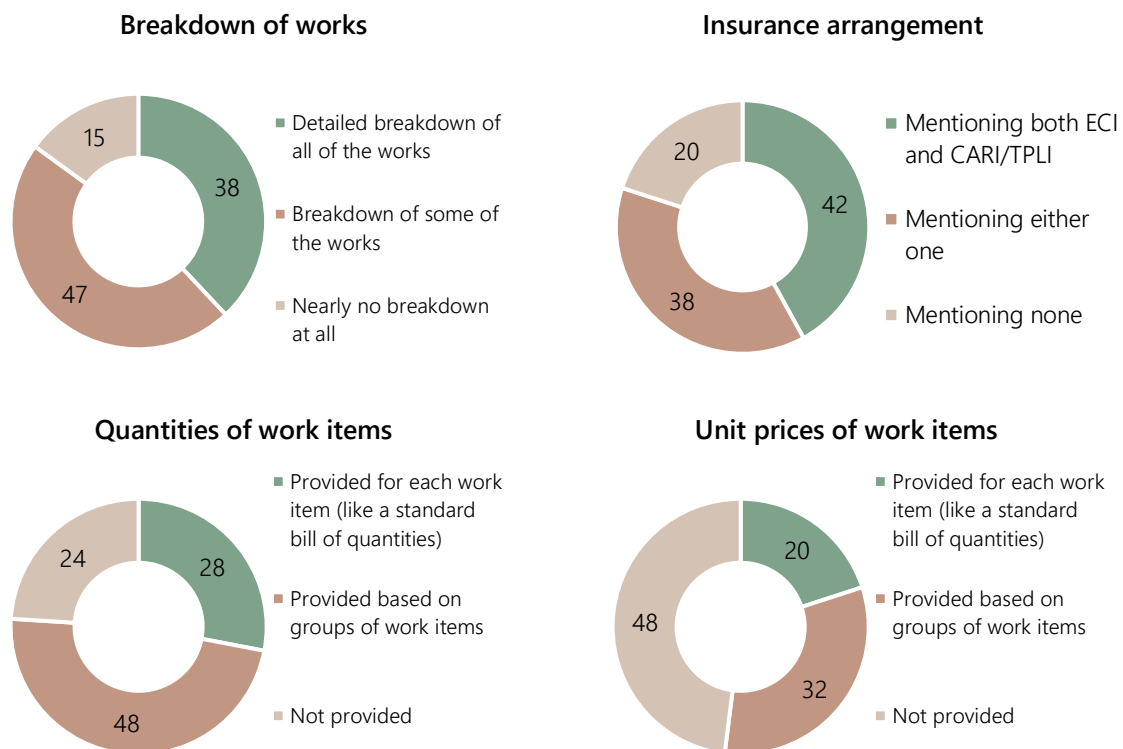
Base (All): 40

* Only 12 key parameters are shown here; the remaining 13 basic parameters (e.g. name of the contractor, address of flat to be renovated, contractor's signature or chop, etc.) are not presented due to limited space.

In addition, Figure 51 demonstrates the evaluation results of the detailedness of key information in the draft quotations. On breakdown of works, only 38% of the quotations provided a detailed breakdown for all of the works. For insurance arrangement, 42% of the quotations mentioned the provision of both employees' compensation insurance (“**ECI**”) and contractors' all risks insurance (“**CARI**”)/third party liability insurance (“**TPLI**”); 38% mentioned either one, and 20% did not mention any at all. Information disclosure related to both parameters (i.e. specification of work items and insurance arrangement) needs to be improved.

As regards pricing information, showing both the quantity and unit price for each work item in the draft quotations was uncommon. For example, only 28% of the quotations specified the quantity per work item; and only 20% of the quotations provided the unit price for each work item. Related examples are shown in Figures 52 and 53.

Figure 51: Detailedness of selected parameters in quotations (%)



Base (All): 40

Figure 52: Example of quotation with both the quantity and unit price per work item

QUOTATION				
項目	內容	數量	單價	金額(港幣)
A) 基本工程				
1	購買工程期間第三者保險及勞工保險	1 單	\$	\$
2	新造舖部份公眾位置及冷氣出風保護板,地台及窗台保護板	1 單	\$	\$
3	新造噴白全屋木地腳線	1 單	\$	\$
4	新造噴白房門連門框	5 單	\$	\$
5	新造全屋鏟底批灰油乳膠漆	1 單	\$	\$
6	裝修後清潔	1 單	\$	\$
B) 客飯廳工程				
1	新造飯廳高身儲物櫃	5 直尺	\$	\$
2	新造飯廳高身儲物櫃現場木工收邊	1 單	\$	\$
3	新造電視背裝飾牆身	1 單	\$	\$
4	新造電視地櫃	5 直尺	\$	\$
5	新造客飯廳木殼假天花	1 單	\$	\$
6	新造窗簾木殼	1 單	\$	\$

Figure 53: Example of quotation only showing subtotal prices for groups of work items

工程內容		價格
1	泥水工程	
1.1	清拆廁所座廁浴缸及洗手盆	
1.2	清拆廳房原有木地板	
1.3	新做廁所企缸及防水層工程	
1.4	廁所防水材料為 <input type="text"/> 混合防水砂漿	
1.5	企缸部分重新鋪上牆身磚及地磚 (提供指定款式磁磚)	
1.6	重新鋪上廳房地磚 (提供指定款式磁磚)	
泥水工程小計		\$ <input type="text"/>
2	廚房工程	
2.1	清拆廚房原有廚房門 (門框保留)	
2.1	安裝廚房金屬玻璃格子趟門 (連工包料)	
廚房工程惠小計		\$ <input type="text"/>
3	傢俬工程	
3.1	新造及安裝共30直呎內到頂傢俬	
3.2	費用已包括度尺、電腦出圖、運輸、五金配件及收口	
3.3	訂造傢俬板材為E1實木夾板，櫃面採用環保生態板	
3.4	備注 -- 傢俬或吊櫃高度如不足4呎以半直呎計算	
傢俬工程小計		\$ <input type="text"/>

The above evaluation suggests that quotations of some home renovation companies may not be comprehensive and detailed enough. To respond to consumers' demands and provide better consumer protection, home renovation companies should consider reviewing their quotations (regardless of whether they are draft or finalised versions) and enhancing their comprehensiveness, accuracy and sufficiency. To this end, home renovation companies may refer to the standard form quotation recommended in Recommendation 1, Chapter 8 of this Report for guidance.

The collected quotations were further analysed by the Council based on the (i) quotation formats, and (ii) content of T&Cs such as payment terms, contract termination, insurance arrangement, etc.

Quotation Formats

Apart from discrepancies in the level of comprehensiveness and detailedness between quotations, different home renovation companies might have also different quotation formats. In terms of price calculation, while there were companies including the prices of unconfirmed items in the lump sum or subtotal (Figure 54), there were also companies that excluded these items from the calculation (Figure 55). As a result, the price disparity could be large (Table 11). This might be confusing or inconvenient for consumers to make a fair price comparison.

Figure 54: Example of a quotation highlighting an unconfirmed item

項目	室內裝修工程內容	數量	金額(港幣)
B1	訂造廁櫃		
1	浴室新造 2.5尺地櫃	1項	\$ <input type="text"/>
2	浴室新造 2.5尺鏡櫃	1項	\$ <input type="text"/>
3	浴室新造 2.5尺石英石 (指定款色)	1項	\$ <input type="text"/>
小計:			\$ <input type="text"/>

Figure 55: Example of a quotation excluding unconfirmed items from the price calculation

泥水工程項目		
1	新舖廳房600x600地台磚及地腳綫 (*此項未包面磚、腳綫)(包廳房英泥沙底料,包白英泥掃口)	\$
2	供應廳房600x600地台磚及地腳綫 (地台磚以 /平方尺計算),價錢為	未計
3	廁所原有浴缸改做企缸 - 包英泥沙底料,包白英泥掃口 - 包試水過夜	\$
4	供應新企缸300x600飾面磚 (飾面磚以 /平方尺計算),價錢為	未計
5	廁所新鋪300x600mm地台磚及牆身磚,價錢為 - 包英泥沙底料,包白英泥掃口 - 包防漏工程,批盪底料包英泥寶做第一浸防水, 做第二浸防水,淋浴間牆身做1.8米高,其他位置牆身做0.3米高	未計

Table 11: Price range of quotations

Flat	Price range (HKD)
Flat A (two bedrooms)	88,900 – 362,000
Flat B (two bedrooms)	145,700 – 386,800
Flat C (three bedrooms)	300,950 – 450,000
Flat D (three bedrooms)	360,000 – 645,500

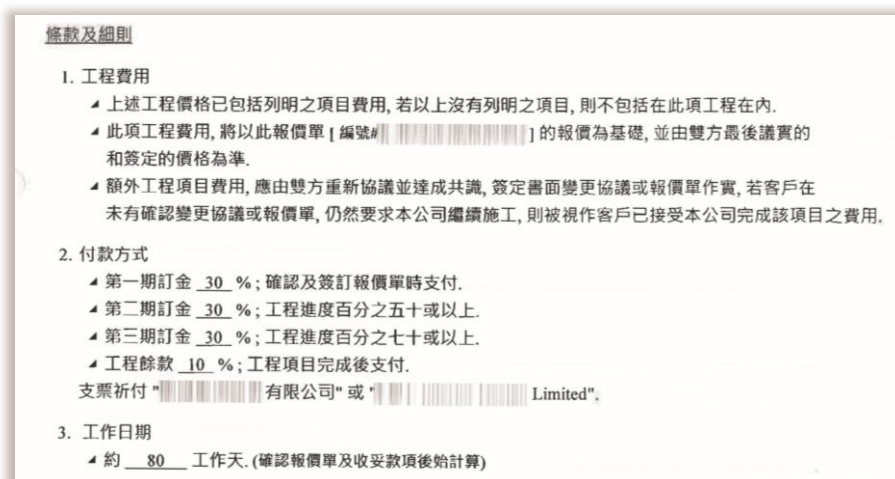
Base (All): 40; Flat A – 8; Flat B – 15; Flat C – 3; Flat D – 14

Moreover, disparity in the T&Cs section was also observed. While some home renovation companies included clauses mainly related to issues such as liabilities, project termination and dispute resolution in their T&Cs (Figure 56), some included items like project cost, payment arrangement and work schedule as part of their T&Cs too (Figure 57). As companies included different items in their T&Cs, consumers might find it hard to compare the T&Cs stated by different companies.

Figure 56: Example of quotation with T&Cs about liabilities and project termination

合約條款
1 任何為配合物業管理處指示的申請文件及按金,均由委託方負責處理及支付。
2 合約簽署後,若其中一方於開工前終止工程,須向另一方支付合約總額的百分之十作賠償。
3 收貨標準應由委託方與承辦方於工程展開前協定,在工程開始後,承辦方有權不接受法定機構(如公正行)以外的工程標準指引。
4 合約內的工程字眼須根據業界主流標準定義,例如「劃底」指劃走面漆及鬆灰,「基本清潔」指清理大件垃圾及頑固污漬。
5 承辦方有責任於議定期限前完工,因此有權拒絕任何後加工程,亦有權為後加工程作重新報價及延後起貨日期。
6 工程進行中的任何增減項目,必須雙方同意,相關費用和工程日期調整,以文書或WhatsApp確認均可。
7 一旦預期工程出現延誤,承辦方必須盡快更新完工日期及制定進度表,以供委託方查閱進度。否則可視為工程不合理延誤。
8 如工程不合理延誤(超過合同所訂明的交貨日達20個工作天),委託方有權再配對 旗之下裝修公司會員接手該項目,而委託方不會被視為毀約,而相關費用可由未付之工程費用內扣除;如有超支部份,則以協商或仲裁方式(見條款12.)解決。
9 完工定義以不影響合理入住(住宅)或合理使用為標準,保養期以完工日開始計算。

Figure 57: Example of quotation with T&Cs about project cost and payment arrangement



Content of Terms and Conditions

In the review of T&Cs stated in the collected quotations, some potentially problematic areas were identified, as illustrated below.

High deposits or down payments

Some home renovation companies included clauses for huge deposits or down payments, requiring consumers to pay a huge sum upon entering into the contract and prior to the commencement of work. As shown in Figures 58 and 59, both companies required a 40% down payment for their projects. As analysed in Chapter 2, the complaints handled by the Council normally involved 40% deposit prior to commencement of work. Given the total project costs (HKD386,800 and HKD285,400), the down payments would be HKD154,720 and HKD114,160 respectively, which might be unreasonably high and unjustified considering that the consumers had yet to see the design graphs, and no work had been executed at that stage.

Figure 58: Example of clause mentioning high deposits and first instalment

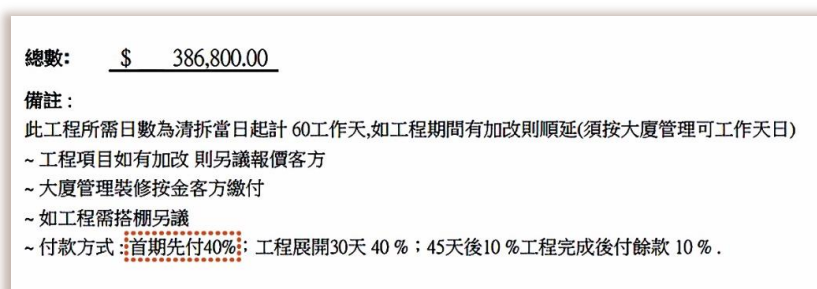
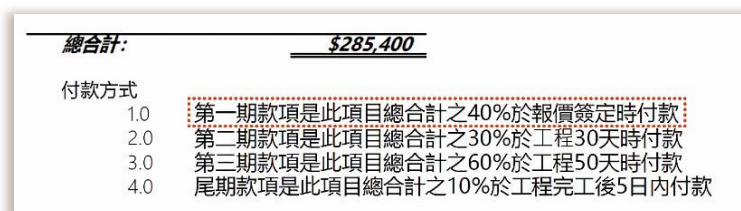


Figure 59: Example of clause mentioning high deposits and first instalment



Unclear payment terms

Some home renovation companies included unclear milestones on payment arrangement, such as using certain percentages of work completed as payment milestones (Figure 60). Without relevant technical knowledge, consumers might not be able to assess the progress of work and when the payment should become payable. This kind of ambiguity often gives rise to disputes between the parties.

Figure 60: Example of clause with unclear payment milestones

2. 付款方式
- ▲ 第一期訂金 30 %; 確認及簽訂報價單時支付.
 - ▲ 第二期訂金 30 %; 工程進度百分之五十或以上.
 - ▲ 第三期訂金 30 %; 工程進度百分之七十或以上.
 - ▲ 工程餘款 10 %; 工程項目完成後支付.

Photo-taking

A few home renovation companies included clauses to give themselves the right to take photos of the renovated flat for marketing purposes (Figure 61). Such clauses were, however, not brought to the attention of the consumers nor was the consent of consumers specifically sought, potentially compromising their privacy.

Figure 61: Example of clause related to photo-taking

本平台有權使用該單位設計進行拍攝，並作宣傳或業務推廣之用途。

Good examples

Notwithstanding certain potential problematic clauses found in the review of T&Cs of home renovation companies, some good instances were also spotted. For example, some companies required written proof and signature of both parties upon any changes (Figure 62); some also included clauses that mentioned the acceptance criteria of the renovation works would be determined by both the company and consumers before work execution (Figure 63), and some ensured the compliance with statutory regulations (Figure 64). These clauses may promote fairness for both parties and protect consumer interests.

Figure 62: Example of clause requiring written proof and signature upon any changes

所有報價內容都遵照顧客的要求而制定合適的章程，如在工程期間有任何設計或物料被要求更改，所有修改、附加或刪減任何此報價的內容，均要得到雙方同意，並由授權代表簽署有關文件確認，即後加或後減工程之更改單。

Figure 63: Example of clause mentioning the acceptance criteria would be defined with consumers

收貨標準應由公司與戶主於工程展開前協定。

Figure 64: Example of clause ensuring the compliance with statutory regulations

承辦方需根據香港法例安排合資格人士進行工程，並承擔違例責任。

4.5 Summary

As revealed in Chapter 3, consumers expressed their worries about different difficulties and issues when engaging with home renovation companies, which prompted the Council to take a deeper look into the marketing and sales tactics employed by home renovation companies.

At the stage of information search, it was found that some traders made use of superlative claims and descriptions in their advertising materials to lure consumers. Consumers might not be able to ascertain the truthfulness of the claims in the advertisement and might be misled into making misinformed decisions. In addition, it was found that some discounts and offers stated in the advertisements may be unclear, invalid, or often subject to specific conditions. Consumers might also dwell on the attractive offers without being sufficiently attuned to the total project price. Consumers were exposed to risks and uncertainties when assessing and choosing home renovation companies.

Various problematic sales tactics were also found at the pre-commencement stage in the course of the mystery visits. Some even appeared to have constituted unfair trade practices under the TDO, posing serious risks to consumers. For instance, the majority of responding home renovation companies continued to demonstrate a laxity towards compliance with renovation-related laws and regulations despite the widely-reported incident of alteration of an alleged structural wall of a flat in a private residential development in Tseung Kwan O in May 2023. Some even advised consumers to ignore the fire safety requirements, which could pose risks to the safety of consumers. Traders' sense of legal compliance should be improved.

Meanwhile, the low transparency and the lack of adequate information provided by home renovation companies amounted to barriers for informed decision making on the part of consumers. Only one-third of the home renovation companies engaged in the mystery visits provided a ballpark cost in the form of estimated total prior to providing detailed quotations or further engagement.

On the other hand, the Council found good trade practices from home renovation companies and online matching platforms that should be promoted and adopted by traders, such as explaining procedures and related laws clearly and providing detailed information and advice. Nonetheless, to safeguard their own interests, consumers should always remain vigilant of suspicious practices of traders.

In the draft quotations provided by home renovation companies, potential issues detrimental to consumers were spotted. For instance, in line with the worries expressed by consumers in Chapter 3, disparity in the specification breakdown between different companies was huge, and some quotations presented the work items unclearly, making it difficult for consumers to comprehend and make comparison. Improvement in all these areas is needed to safeguard consumer interests.

5 Challenges and Improvement Measures Shared by Traders and Stakeholders

5.1 Introduction

The preceding Chapters highlight the consumer pain points along the home renovation journey. At the outset, in a highly fragmented market that is filled with players of diverse background and scale, consumers may encounter difficulties in making choices, especially when facing quotations of varying format and level of detail on one hand and superlative, misleading or inaccurate claims made by some companies on the other. Whilst online matching platforms provide services purporting to identify one or more suitable companies for the consumer, consumers are either unaware of the availability of such services or do not hold a high level of trust in them. These platforms also limit the consumers' choice to one to three home renovation companies.

Although consumers generally agree that it is necessary to ascertain the licensing qualifications of home renovation companies and their workers and to closely monitor and communicate with the company on work progress, such due diligence measures may not have been carried out in practice. Further, whilst consumers generally agree on the need for written contracts prior to commencing work, some do not consider further quotations or contracts to be necessary on work variations.

As shown in Chapter 4, not all of the quotations reviewed adequately cover the material aspects of a home renovation project and/or the parties' rights and obligations. Indeed, the complaints reviewed in Chapter 2 also showed that many did not contain such material terms as completion date, price breakdown, payment schedule and warranty information. In this regard, consumers with no home renovation experience may not appreciate the importance of adequate written contract terms in preventing or addressing disputes. The complaints handled by the Council and court judgments indicate that such disputes do arise from time to time, mainly involving alleged defective work or materials and delay in completion (and in some cases, abandonment of project). Not all disputes could be amicably resolved and, when they do not, litigation to resolve such disputes may take years to complete, entailing cost and litigation risk to the detriment of both the consumer and the home renovation company.

In light of these findings, the Council invited home renovation companies, online matching platforms, various professional associations and public sector bodies for in-depth interviews to gauge their perspective on the challenges and issues faced by the industry. Their views on current initiatives and possible improvement measures were also collected.

5.2 Interview with Traders

To collect industry practitioners' views about the industry, the Council invited 66 home renovation companies and online matching platforms for individual interviews in Q1 2023. The selection of traders was based on two methods: (i) random sampling from a compiled list¹⁰ that contained home renovation companies which were members of industry associations and/or contractors of government-related organisations, and (ii) referrals by stakeholders. In the end, 16 in-depth interviews were successfully arranged, among which, 12 were conducted with home renovation companies (75%) and four were with online matching platforms (25%). The rest of the invitees rejected the interviews, citing that their business was gradually picking up after the stabilisation of COVID-19 so they were too busy to attend the interviews.

Regarding the roles of the trader representatives who attended the interviews, 15 of them were founders/CEOs of their companies, and one was a senior manager. In terms of other qualifications, three interviewees were members of the Hong Kong Professional Interior Design Association, and one was a consultant to an online matching platform. These interviewees handled projects ranging from residential projects, commercial projects, to projects commissioned by the Government. Interviewees in general had around 10-30 years of experience in the home renovation industry.

Questions asked during the interviews could be divided into two aspects, namely at company level and at market environment level. While the former was about the business operations, contract and payment arrangements, progress monitoring, compliance of works, etc., the latter covered the outlook of the home renovation industry, challenges the interviewees were facing, and their expectations of the Government. Results are presented below in detail.

Business Operations

Home renovation companies

Based on their business models, home renovation companies can be classified into three types, (i) design and build, (ii) design only, and (iii) project management only, in which "design and build" was the most common according to interviewed traders. Likewise, among the 12 home renovation companies interviewed, eight provided design and build services, and the remaining four provided project management services only.

In general, traders maintained a list of free-lance outsourced workers for specialised tasks, such as carpentry and plastering, and called for their services when new business was solicited. Interviewees explained that such a practice was cost-saving, as salaries would not have to be paid when there were no projects.

With respect to the source of customers, all interviewees reflected that they mainly relied on referral by previous clients; and they seldom promoted online or participated in marketing events such as exhibitions.

¹⁰ A list of 13,705 traders in the renovation industry was compiled from the publicly available member lists or contractor lists of different Government bureaux/departments, statutory bodies and industry associations, including the BD, CIC, HA, Hong Kong Trade Development Council, Hong Kong Decoration & Engineering Association, Hong Kong Furniture and Decoration Trade Association, Hong Kong Interior Design Association, and Hong Kong Professional Interior Design Association. The compilation process involved cross-checking and deleting duplicate and irrelevant traders collected from various lists.

Online matching platforms

Compared to individual home renovation companies, business models of online matching platforms are less diverse. As reflected by interviewees, some could only provide matching services, and some could provide one-stop services from matching to project management.

Regardless of the business models, online matching platforms commonly set a variety of criteria to determine whether a home renovation company may be included in their database, such as their licences, experience, feedback from consumers, etc. Three out of the four interviewees emphasised that home renovation companies must pass a knowledge test or submit draft quotations for evaluation before they can register on their database.

As regards the matching mechanism at the initial stage, both technology-aided and manual approaches were commonly adopted. For example, three interviewees, which were larger in scale, revealed that matchmaking software or even artificial intelligence were incorporated in their matching services with human staff reviewing the results. One interviewee even emphasised that its staff would review each of the results to ensure suitability. The remaining interviewee conducted matching services manually throughout.

For each matching request, online matching platforms normally suggested one to five home renovation companies for consumers to choose. One interviewee emphasised that it would assign no more than three concurrent projects to one home renovation company at any time, to ensure the company has sufficient manpower and resources for the project, and to minimise risk of project delay. Besides, two of the interviewees claimed that they would provide a standard quotation template to guide their member companies, and the companies need to follow the T&Cs specified.

Some online matching platforms provided value-added services to consumers such as evaluating or commenting on quotations provided by home renovation companies, etc. One interviewee would perform three inspections free of charge upon completion of (i) plumbing and electricity, (ii) plastering and (iii) the whole project respectively. It also provides stakeholding services to consumers whereby the deposit and instalment payments made are stakeheld as the project progresses which would only be released after the platform's inspection and satisfaction that the relevant stage of work has been completed.

Regarding the sources of income, all four interviewed online matching platforms revealed that service charges or commissions on successfully-matched cases paid by home renovation companies were the primary source, and the commission rate usually ranged from 5% to 10% of the project amount. There could be other chargeable items depending on the business models of platforms. For example, one interviewee stated that it provided add-on services to consumers, such as consulting and quality control services, while another also charged member companies an annual membership fee.

Box 1: Challenges faced by home renovation companies in the use of online matching platforms

As reflected from the consumer perception survey, online matching platforms had yet to be popular among consumers in Hong Kong despite their growing number and scale in recent years. This finding was corroborated by the interviews with the 12 individual home renovation companies. Although five of them had joined at least one platform before, they reflected that the platforms were not of much help for getting businesses. Thus, they had reservations about using their services. Challenges faced by these home renovation companies included:

- (i) **Low success rate:** Home renovation companies spent time and effort in preparing quotations, but clients referred by online matching platforms usually ended up not choosing them.
- (ii) **Consumers' sole focus on price:** Consumers on online matching platforms usually regarded project cost as the only criterion for choosing home renovation companies. Companies that are of better service quality but provide higher quotations easily ended up losing in this "race-to-the-bottom".
- (iii) **Low transparency in matching mechanism:** The matching process was unclear. Some online matching platforms might have a priority list of home renovation companies for projects, but companies hardly knew how the list was created.
- (iv) **High membership fees or commissions:** Home renovation companies deemed online matching platforms as not cost-effective as they might only receive limited referrals.

Common Issues in Home Renovation Industry

During the interviews, interviewees reflected some key issues they had observed in the home renovation industry, which include:

Large variation in service quality of home renovation companies without licensing system

Owing to low entry barriers in the industry, even individuals lacking professionalism or business licences could provide home renovation services. Consumers, without sufficient knowledge of home renovation, could hardly judge their professionalism and simply place trust on them.

Interviewees reflected that if the home renovation company committed malpractices or received complaints, it could simply register a new company and continue to provide substandard services, as no licensing was required for basic home renovation services except for electrical works and water works.

「入行門檻太低，公司就算爛尾亦沒有法律途徑追究。」

(The threshold for market entry is too low. There are no avenues for legal remedy even if the company's work is incomplete.)

「師傅未學滿師就自己接生意或者做判頭。」

(Workers operate their own businesses as contractors even if they do not have enough working experience.)

Lack of monitoring authorities and guidelines

Interviewees further reflected that, due to the lack of monitoring in the home renovation industry, some improper and low-quality traders have been able to get away with their unscrupulous practices. For instance, some home renovation companies would ignore certain formal procedures to save time and costs for alterations and additions works, such as removing partition walls, turning an enclosed kitchen to an open kitchen, adding a loft in the flat, etc. There was also a lack of clear and official guidelines for the home renovation industry. Without professional knowledge, consumers cannot assess whether the work is up-to-standard, and there are no authorities they could rely on and no guidelines they can make reference to. For some home renovation works, there was no standard criteria to assess the quality of the output, as this was more a matter of aesthetics. Disputes might arise easily when the company and the consumer had not reached a consensus in this regard in advance.

Low information transparency

Low information transparency in the industry was another key issue. For example, it was hard for consumers to know the price range for conducting different kinds of works; and it was not a common practice for traders to provide a comprehensive work schedule to consumers or proactively inform them about compliance requirements. Interviewees said that some traders might not give consumers a comprehensive work schedule, and very often, consumers might think that the home renovation company was delaying when they did not see workers working on-site. Failing to fully inform consumers at the outset all the work items and expenses required could also give rise to problems, as consumers might become frustrated in learning during work execution that add-on work items with extra costs are needed. These kinds of problems could eventually lead to misunderstandings or even disputes between consumers and traders.

Consumers' lack of related knowledge

Interviewees pointed out that consumers without basic understanding of home renovation might easily be tempted by unrealistically cheap service offers. There were also unscrupulous practices, such as enticing consumers with budget home renovation packages but intentionally omitting crucial items in quotations, and requesting extra money after contracts are signed.

「有些行家故意在報價單上寫少些項目和細節，令報價金額相對便宜。而欠缺相關知識的客戶卻會以為報價單已經夠詳盡，但到後來施工時才被要求就額外項目加錢。」

(Some traders deliberately list fewer items and details on the quotation to make the quotation apparently cheaper. Customers who lack relevant knowledge will think that the quotation is detailed enough, but they will be asked for costs of additional items during the renovation.)

In addition, some consumers perceive themselves knowledgeable enough to question the ideas proposed by professionals while knowing little about the industry in practice. Some consumers may purchase unsuitable materials based on non-professional comments, request non-compliant modifications, or hire non-professionals for home renovation works.

「消費者可以從五花八門的渠道接收裝修知識，例如網上配對平台及電視等，但這些資訊未必準確。」

(Consumers can receive knowledge on home renovation from a variety of sources, such as online matching platforms and television programmes, but the information may not be accurate.)

Manpower shortage

Interviewees noted that home renovation workers tended to be above 50 in age. Labour supply in the industry is falling, both at working and supervisory levels, due to ageing, emigration and unwillingness of the younger generation to enter the industry. The situation would keep worsening in the next decade if the above problems were not solved or alleviated.

「人手不足以應付需求。師傅年紀漸長，但又缺乏年輕人入行，最年輕的師傅也五十多歲了。很多中層管理人員及監工都已離開香港。」

(There is not enough manpower to cope with the demand. The on-site workers are getting older, but there is a lack of young people entering the industry. The youngest workers are already in their 50s. Many middle managers and supervisors have already left Hong Kong.)

Increase in costs

Costs of both labour and raw materials had been rapidly increasing. Given the shortage in labour supply, traders had to follow the wage increases announced by the Hong Kong Construction Industry Employees General Union to compete for on-site workers.

Suggestions for Improvement

Interviewees put forward or provided views on the below suggestions to improve the overall quality and professionalism of the home renovation industry, although difficulties in implementation are anticipated.

Blacklist scheme

Concurring with consumers' views, some interviewees also opined that a blacklist scheme might be useful at least for informing consumers of certain unscrupulous traders. However, interviewees also questioned the scheme's usefulness as blacklisted traders could carry on with impunity by setting up a new company with a different trade name.

Mandatory standard form quotation

Some interviewees agreed that having a standard form quotation could provide better protection for consumers. However, some cautioned that a standard form template might only be helpful in some regards, such as quantifying items and standardising T&Cs. Conversely, a standard form quotation may fail to cater for different approaches of works provided by different home renovation companies given the complexity of renovation works and variety of consumer requirements. Moreover, with a standard contract, consumers may eventually shift their focus to pricing as it is directly comparable, and neglect other factors and details.

Mandatory licensing/registration scheme

Some interviewees suggested establishing a licensing/registration scheme for specific home renovation works in order to prevent home renovation companies from absconding. However, some interviewees expressed concern that the scheme could significantly increase the operational costs of small-scale companies and aged workers who offer cheaper services. To strike a balance, they suggested that the scheme coverage should be limited to home renovation companies rather than individual workers. Also, a structured monitoring mechanism would be crucial to ensuring effectiveness of the scheme and to undertake enforcement actions.

One interviewee proposed that the licensing/registration scheme could be developed based on the current Minor Works Control System (“**MWCS**”) by the BD.

Views against imposing control

「很多師傅不喜歡規管，因為他們害怕政府可以查出他們的工作紀錄，以及有沒有依法報稅、是否不符申請失業救濟金的資格、是否超過申請公屋的入息等。」

(Many on-site workers don't like to be regulated because they fear that the Government can access their employment records, and check their compliance with tax returns and their eligibility for applying for unemployment allowance, whether their income exceed the criteria for PRH, etc.)

「裝修工程涉及太多不同專業項目，很難管。」

(Renovation works involve too many specialised items, so regulation would be hard.)

「發牌制度有機會令一班小型企業及知識水平較低的老師傅更難做。有些低下階層的消費者只能負擔很少的裝修費用，所以政府不應抹殺一些平價公司，令消費者負擔更重，小型企業都有存在價值。」

(Licensing system may make it harder for small scale businesses and aged workers with lower knowledge level. Some vulnerable consumers can only afford a fairly low renovation expense, so the Government shouldn't obliterate those companies which could provide cheaper options as this will increase the burden on consumers. Small-scale businesses also have their role to play.)

Specialised regulatory authorities

Three interviewees suggested establishing specific authorities to oversee the industry, handle disputes between consumers and home renovation companies, and provide professional consulting services.

Views supportive of strengthening control

「政府應加強對公司的監管和懲罰。」

(The Government should strengthen the supervision of companies and impose harsher penalties.)

「設立一個登記制度，類似建造業議會的『平安卡（綠卡）』，或可防止商家爛尾或失聯。」

(Establishing a registration system, similar to the CIC's "Green Card", may prevent unfinished projects and absconding traders.)

「政府需要有政策及機制監管師傅收費，例如他們按時收費的標準。」

(The Government should implement policies and mechanisms to monitor workers' charges, such as their charging standards on time basis.)

「政府可以規定裝修公司提交報價單予有關議會作紀錄，甚至可設立賠償制度，保障金額高於某水平的工程。」

(The Government can require home renovation companies to submit quotations to the relevant council for record, or even establish a compensation system to provide assurance for projects that exceed a certain amount of expense.)

Better public education for consumers

Some market players voluntarily published guidelines as reference for consumers, yet some interviewees deemed them more akin to marketing materials and some contents were not fair or practical enough. It was suggested that the Government and industry associations should enhance consumer education by setting up an official channel to publicise accurate and practical home renovation information. Interviewees also emphasised that it was essential to educate consumers not to just focus on prices when choosing home renovation companies.

Views on information provision and consumer education

「嚴格監管不利行業發展，有需要改變消費者心態，不要只關注價錢高低。」

(Strict regulation is unbeneficial to the industry's development, it is necessary to change the mindset of consumers, such that the price tag is not their sole focus.)

「消費者雖然很容易可以從 YouTube 獲得資訊，但他們仍然缺乏知識去評估報價，不能分辨『古惑』單。」

(Although consumers can easily obtain information from YouTube, they lack the knowledge to evaluate the quotations and distinguish the tricky ones.)

「行業應有一個顧問角色去監管及協調工程，並幫助評估報價。」

(The industry should play a consultancy role to monitor and coordinate projects, and help evaluate quotations as well.)

「現時有不同的私人團體或公司都在網絡上提供不同的資訊，而那些資訊不一定準確。應該由一個有代表性的機構發放統一的裝修資訊，消費者知道更多正確的資訊有助雙方在工程上的溝通。」

(Nowadays there are many different private organisations or companies which provide different information on the internet, but such information may not be accurate. There should be a representative authority to disseminate renovation knowledge, as communication of the parties can be facilitated when consumers have more accurate information.)

Escrow services

Two interviewees suggested establishing an authorised organisation to provide escrow service for home renovation payments to safeguard the service quality of home renovation companies. Stake-holding of payments might be also useful in preventing project failure. One interviewee recommended that payment for a whole-unit renovation be split into five instalments and that the final payment be released to the home renovation company only upon receipt of furniture, considering most of the disputes or failure arose when payments had substantially been made before bespoke furniture was delivered.

「需要一個官方機構或平台幫助保管裝修費用，直至裝修完成。如果裝修公司需要資金，機構也可以低息借款給公司。完工時間越長，利息越高，可減少工程進度緩慢、延期、爛尾的機會。」

(An official institution or platform is needed to help keep the home renovation fee until the completion of the project. If the home renovation company requires capital, the institution can provide a low-interest loan to the company. Higher interest rates would be charged for lengthier periods of time required to complete work, which may minimise the chances of slow work progress, delay, or unfinished projects.)

Standardised works for public rental housing estates

Targeting issues that mainly concern PRH estates, one interviewee proposed standardising PRH design. Specifically, the HA could provide a fixed number of options for each item (e.g. paint colour, flooring materials, lighting, etc.) for consumers to choose and the corresponding works would be carried out by designated home renovation companies, to minimise renovation costs and lower the chance of disputes.

5.3 Interview with Professional Associations and Public Sector Bodies

Current Initiatives

Various market-driven initiatives promulgated by professional associations in the private sector have purported to advance consumer protection and empowerment through the home renovation journey. The public sector bodies interviewed also maintain sectoral measures aimed at ensuring quality of home renovation companies and works within the scope of their purview. Initiatives of other bodies such as the Hong Kong Q-Mark Council (“**QMC**”) and IFEC are also set out below for reference.

Box 2: A snapshot of the stakeholders interviewed

Professional associations

Asia Designers Community

The ADC was set up by Home Journal, an interiors and design magazine in Asia which has a readership comprising mainly middle to high-end property owners. According to the ADC, there are currently around 6,000-7,000 interior designers in the market, most of whom belong to boutique interior design firms. Quite often, consumers rely on referrals to look for quality designers.

Hong Kong Arbitration Society

The HKAS is a non-governmental arbitral institution in Hong Kong. The HKAS supports the “Mediation First, Arbitration Next” dispute resolution mechanism.

Hong Kong Building Inspection Association

The HKBIA was founded by a group of building inspection personnel specialised in the inspection of flats. According to the HKBIA, there are around 50-100 businesses offering building inspection services in the market. Building inspectors focus either on inspection of first-hand properties and drafting of a defect list for rectification by developers, or other more complicated projects such as preparing inspection reports on water seepage incidents.

Hong Kong Institute of Surveyors

Established in 1984, the HKIS is a surveying professional body in Hong Kong incorporated by legislation. It has 11,013 members, of which 7,756 were corporate members, 55 were associate members and 3,202 were probationers and students. Its scope of work includes setting standards for professional services and performance, establishing codes of ethics, determining requirements for admission as professional surveyors, and encouraging members to upgrade skills through continuing professional development. It also has a consultative role in government policy making and on issues affecting the profession. It has advised the Government on issues such as building safety and unauthorised building works, construction quality, as well as problems of property management.

Hong Kong Mediation Accreditation Association Limited

The HKMAAL is a leading accreditation body for mediators in Hong Kong. It sets accreditation standards of mediators and accredits trainees as mediators upon their satisfaction of such standards. All HKMAAL accredited mediators are required to observe the Hong Kong Mediation Code.

The HKMAAL maintains panels of accredited mediators under two categories: "General" and "Family". Under the General category, i.e. the HKMAAL General Panel of Mediators, mediators may further be sub-categorised according to their areas of practice, e.g., accounting, banking, building, construction, employment, IT and professional negligence, etc.

Public sector bodies

Buildings Department

The BD is the government department which enforces the BO. Pursuant to the BO, any person intending to carry out building works in private buildings or on private land is required to appoint an authorized person and, where necessary, a registered structural engineer to prepare and submit plans for approval by the BD, unless the works are exempted under section 41(3) or (3B) of the BO or fall within the scope of minor works that can be carried out under the simplified requirements of the MWCS provided in the Building (Minor Works) Regulation (Cap. 123N) ("**BMWR**"). The MWCS provides an alternative for building owners to carry out small-scale building works in a lawful, simple, safe and convenient manner. There are currently 187 minor work items which are classified into three classes under the MWCS according to their nature, scale and complexity, as well as the risk of safety they pose. Examples of minor works relevant to home renovation include erection of non-load bearing block walls in a flat and construction, repair or alteration of windows.

Construction Industry Council

The CIC is a statutory body established in 2007 under the Construction Industry Council Ordinance (Cap. 587) ("**CICO**"). The main functions of the CIC include, amongst other things, to improve the performance of persons connected with the construction industry through establishing or administering registration schemes or rating schemes; and to promote good practices in the construction industry in relation to dispute resolution, environmental protection, multi-layer subcontracting, occupational safety and health, procurement methods, project management and supervision, sustainable construction and other areas conducive to improving construction quality. Registration schemes include the registration of workers under the Construction Workers Registration Ordinance (Cap. 583) ("**CWRO**"), the Registered Specialist Trade Contractors Scheme ("**RSTCS**") and the Technically Competent Persons Registration Scheme.

Hong Kong Housing Authority

The HA is a statutory body established in 1973 under the Housing Ordinance (Cap. 283). The HA develops and manages different types of public housing, including PRH. It is responsible for providing new SSF developments as part of the Government's housing policy. The HD serves as the HA's executive arm.

Independent Checking Unit of Housing Bureau

The ICU of the HB exercises statutory building control of properties developed by the HA that have been sold or divested, under the delegation of the Building Authority, in accordance with the BO and the policies and guidelines of the BD.

Consumer education through information dissemination

Hong Kong Renovation Guideline by HKBIA, HKAS and an online matching platform

With the stated objective of promoting good practices in the home renovation industry, the HKBIA has in conjunction with the HKAS and an online matching platform promulgated a set of guidelines entitled “Hong Kong Renovation Guideline” (“**Renovation Guideline**”) which is publicly accessible on its website¹¹. Importantly, the Renovation Guideline provides education and guidelines to consumers on various types of works including demolition, waterproofing, plastering and painting, a self checklist for inspection upon handover, a sample standard quotation with contract terms and a list of items to be retained during renovation at the option of the consumer such as air-conditioners, curtains and door frames. These institutions encourage companies and consumers to adopt the Renovation Guideline in their contracts.

BD's Building Information Centre, HA's Housing Electronic Building Records Online System and other information sources

In the public sector, informational sources include:

- (i) The Government website which provides general information on water seepages, windows maintenance, unauthorised building works and licensed and qualified contractors¹².
- (ii) The BD's Building Information Centre (“**BIC**”) and its online Building Records Access and Viewing On-line (“**BRAVO**”) system¹³, which makes available public plans and minor works records for inspection to facilitate consumers' assessment of whether certain works such as alterations may legitimately be carried out or otherwise require regulatory approval. The BD also provides educational alerts to consumers on the need to follow relevant procedures (including seeking regulatory approval) when carrying out alterations and additions works on its website¹⁴.
- (iii) The HA's Housing Electronic Building Records Online System maintains a record of the approved plans and related documents of HA buildings¹⁵.
- (iv) The IFEC which provides a model spreadsheet to assist consumers in budgeting for home renovation, together with six consumer tips to avoid pitfalls¹⁶.

Accreditation and other schemes to empower consumer choice of quality companies

HKBIA's accreditation scheme of quality contractors

In 2023, the HKBIA also launched an accreditation scheme of quality contractors (優質承辦商). Accreditation is based on five broad assessment criteria: (i) company operations; (ii) terms of contract, (iii) quality of customer service, (iv) project management and (v) quality of renovation.

¹¹ Hong Kong Building Inspection Association (2022). Hong Kong Renovation Guidelines. Retrieved from <https://hk-bia.org/en/%E9%A6%99%E6%B8%AF%E8%A3%9D%E4%BF%AE%E6%8C%87%E5%BC%95/>

¹² GovHK (2023). Home Maintenance and Repair. Retrieved from <https://www.gov.hk/en/residents/housing/maintenance/tips/homemaintenance.htm>

¹³ Buildings Department (2023). BRAVO - Online building records. Retrieved from <https://www.bd.gov.hk/en/resources/online-tools/BRAVO-online-building-records/index.html>

¹⁴ Buildings Department (2023). Alteration and Addition Works in Domestic Premises. Retrieved from https://www.bd.gov.hk/en/resources/faq/index_alteration_and_addition_works_in_domestic_premises.html

¹⁵ Hong Kong Housing Authority (2014). What is HeBROS. Retrieved from <https://eservices.housingauthority.gov.hk/hebros/home?locale=en>

¹⁶ The Investor and Financial Education Council (2018). Budgeting for home renovation – 6 tips to avoid pitfalls. Retrieved from <https://www.ifec.org.hk/web/en/blog/2018/07/how-to-avoid-renovation-pitfalls.page>

Each criterion includes various sub-criteria. For instance, under “company operations”, the company is required to provide information on qualifications of itself and its staff, organisational structure, modus operandi, performance pledge, complaint handling mechanism, customer service, self-assessment upon project completion and staff training. The company is required to provide supporting documentation in support of each sub-criterion. In addition, the company is required to provide samples of recent written engagement contracts for the HKBIA’s inspection. The company’s engagements shall be subject to three onsite inspections by and two reports from the HKBIA according to its Renovation Guideline.

There are currently around 50 companies accredited under the scheme. The annual certification fee is HKD8,000 and HKD10,000 for member and non-member of the HKBIA respectively. An accredited company is required to apply for re-certification each year.

ADC’s SGS x Home Journal Interior Design Service Excellence Certificate

In 2021, with the stated objective of uplifting the standards of the interior design industry and empowering consumers with better means of access to quality services, the ADC in collaboration with SGS (a globally recognised certification services provider) established the “SGS x Home Journal Interior Design Service Excellence Certificate” certification scheme (“**ADC Scheme**”). Obtaining the certificate demonstrates the service provider’s commitment to meet client expectations along with its competence to deliver quality design services. The ADC’s Home Journal magazine also provides media coverage for certified design companies to promote their services.

In order to be certified under the ADC Scheme, an applicant must first become an ADC member upon payment of a yearly membership fee ranging from HKD30,000 to HKD78,000. An assessment is then conducted by the ADC and SGS based on documents review, on-site assessment, the member’s legal and financial status, qualifications and licences, and presence of minimum contract terms in its project quotations. Other criteria include the level of compliance with laws and regulations, licences and insurances obtained, availability of information privacy and data security measures and mandatory basic safety training courses attended by employees and subcontractors (such as green card training course of the Hong Kong Institute of Construction). Consideration will also be given to the member’s commitment to green procurement and waste reduction. The fee for a three-year certificate is HKD50,000.

During the three-year period of certification, SGS will carry out annual audits of the trader’s work to ensure continued compliance with the certification requirements. SGS will also conduct customer satisfaction surveys of completed projects. Since 2021, out of 40 to 50 ADC members, some 10 interior design companies have applied for and obtained the certificate. Most of these companies operate on a larger scale (e.g. with more than 10 staff).

Hong Kong Q-Mark Service Schemes

The Federation of Hong Kong Industries’ QMC administers various Q-Mark Schemes with a view to enhancing the product, service and environmental standards of companies. All products and services with displayed Q-Mark labels are audited by the QMC on a regular basis to ensure that the stringent quality requirements of the schemes are met. Home renovation service providers may apply for certification under two Hong Kong Q-Mark service schemes, which aim to recognise companies offering excellent services and assist them with upgrading their service standards continuously. Assessment criteria include mystery shopper visits and assessment of the company including reviewing documents and management control system such as the operational manuals. The mystery visits aim to assess the company on aspects

such as appearance, greeting and objection handling. Upon the grant of licence, there would be regular follow-up surveillance visits including mystery visits and company visits before the licence could be renewed. Currently, there are seven companies providing interior design/renovation/furniture which have received the Q-Mark certification under the above schemes.

HA's Reference List of Decoration Contractors

The HA maintains a Reference List of Decoration Contractors ("**RLDC**"), which aims to facilitate tenants of newly completed PRH estates and owners of new SSF developments to access and engage decoration contractors ("**DCs**") for decoration works. For PRH estates, tenants are required to submit application and obtain prior approval from the HA before the execution of decoration work. For SSF development, owners should submit application and obtain prior approval from the respective property management agent. If the alteration contravenes relevant clauses of the DMC or involves structural element, approval from relevant authorities is required. The stated purposes of the RLDC are to ensure that decoration works would be carried out properly, so as not to adversely affect the building structure and to reduce, as far as possible, the disturbance caused to tenants by other decoration personnel. It also seeks to prevent infiltration of triads and provide more choices of DCs to tenants, so that indoor decoration works in new estates and courts can be carried out in an orderly manner during the intake period. As of 3 January 2024, there were 201 DCs on the RLDC which is publicly accessible on the HA's website¹⁷.

Open invitation for admission onto the RLDC is made every two years and assessed according to established criteria: (i) have an amount of cash at bank and/or usable unutilised balance of bank overdraft facility at a total sum of not less than HKD2.4 million, (ii) have at least five years' experience in decoration works, (iii) total value of works carried out in the past three years should not be less than HKD3.2 million per year, (iv) have undertaken at least one contract of value not less than HKD640,000 in the past three years, and (v) possess a proper workshop/shop/office of reasonable size. Police records would be checked against owners, directors and staff for absence of triad activities.

At least two DCs would be allocated to station at new PRH blocks/estates or SSF developments by a ballot process, with a ratio of one contractor to 250 households. Upon allocation and prior to stationing, the DCs will be required to sign a licence/agreement, normally valid for 12 months, requiring DCs to (amongst other things): (i) display its Business Registration Certificate on site, (ii) not use duress, intimidation, threat or other illegal means in negotiation and concluding engagements with residents, (iii) issue a work order in relation to each renovation item containing prescribed T&Cs as set out by the HA, (iv) hold all necessary licences and permits, (v) comply with the BMWR, and (vi) not sublet or subcontract any part of the works without the HA's prior written approval.

A DC may be suspended or removed from the RLDC and/or have its licence/agreement terminated if it (i) commits serious misdeeds such as offence or misconduct (including corruption, fraud, breach of faith and acts which would cause serious damage to property or serious nuisance or disturbance), (ii) fails to heed the HA's warnings or make good its fault, or (iii) becomes bankrupt, goes into liquidation or have a petition for bankruptcy or winding-up presented against it. In this regard, through a bi-monthly assessment, the HA shall monitor

¹⁷ Hong Kong Housing Authority (2023). Reference List of Decoration Contractors. Retrieved from https://comis.housingauthority.gov.hk/ha/eng/ctp_list_adc.jsp?LIST_CD=ADC

each DC's performance and investigate into any unfavourable comments from tenants/SSF owners, with written warnings issued if under-performance is found.

DCs on the RLDC are, however, not service contractors, employees, agents or representatives of the HA/HD. PRH tenants and SSF owners are free to engage any DC on the RLDC, employ any other contractor in the open market, or do the decoration works by themselves, but all of them must follow certain mandatory T&Cs for decoration works printed at the back of each works order as required by the HA. The HA/HD also assumes no legal liability whatsoever for loss or damages arising from the decoration works.

Minimum or standard contract terms providing clarity on parties' rights and obligations

The standard contract provisions in the ADC's scheme, HA's RLDC, the Renovation Guideline and the HKIS' standard form of contract seek to walk through the entire journey from commencement of work to project completion, as well as provide for how disputes shall be resolved. A high-level comparison of the scope and nature of such provisions is set out in Table 12.

Table 12: Comparison of scope and nature of standard contract provisions between organisations

	ADC	HA	HKBIA/HKAS/online matching platform	HKIS
Basic information				
Source	SGS x Home Journal Interior Design Service Excellence Certificate	Guidelines for Reference List of Decoration Contractors	Hong Kong Renovation Guideline	Standard Form of Contract for Decoration, Repair and Maintenance Works
Year	2021	2022	2022	2008
Applicability	Interior design contracts	New PRH estates and SSF developments	Home renovation contracts	Decoration, repair and maintenance works of a simple nature
Nature	Voluntary	Voluntary	Voluntary	Voluntary
Work and price				
Company information	✓	✓	✓	✓
Price	✓	×	✓ (Itemised price)	✓
Scope of work and specification of work items and materials	✓	×	✓	✓
Standards of workmanship	✓ (Company needs to provide quality assurance and guarantee)	✓ (Reasonable skills)	✓ (According to standards in the Renovation Guideline, including handover self-check list)	✓ (Good and workmanlike manner; reasonable skill and care)
Project period (including start/ completion dates and extensions)	✓	✓	✓	✓
Periodic payment schedule (if any)/payment terms	✓	×	✓	✓
Deposits	×	×	✓ (Deposit to be paid as per payment schedule)	✓ (Deposit to be paid as per payment schedule)
Payment protection	×	×	×	×
Operational aspects				
Sufficient working area	×	×	✓ (The consumer to give vacant possession of premises to the company by commencement date)	✓ (The consumer to keep working areas sufficiently clear of obstructions)
Work variations	×	×	✓ (Price shall be referable to price of same or similar items in the contract; otherwise, to be agreed by parties)	✓
Subcontracting	×	✓ (No subcontracting without the HA's prior written approval)	×	✓ (No subcontracting without the consumer's prior consent)
Health and safety precautions	✓	✓	×	✓
Protection of finished works	×	×	×	✓
Compliance with laws	✓	✓ (as well as holding necessary licences and permits)	×	✓ (as well as DMC and to apply for approvals)

	ADC	HA	HKBIA/HKAS/online matching platform	HKIS
Completion standards	x	x	✓ (Able to reasonably occupy and use the premises)	✓ (Free from obvious defects)
Cleaning upon completion	x	✓	✓	✓
Warranties, rights and remedies				
Liquidated damages for delay	✓	x	✓ (Optional)	x
Warranty and guarantees	✓ (Six months of defect liability period)	✓ (Six months of defect liability period upon completion)	✓ (Defect liability period to be agreed; part of final payment (to be agreed) may be withheld, to be paid within seven days of making good any defects)	✓ (Three-month defect liability period or as agreed; 10% of final or each progress payment (or as agreed) may be withheld, to be paid within seven days of making good any defects)
Termination	x	✓ (The consumer may terminate the contract if the company fails to execute the decoration works in accordance with the contract by giving seven days' written notice)	✓ (Quotation to expire within 30 days of issue unless it is signed by both parties. Works to commence within one month of the commencement date as stated, failing which the quotation shall be deemed to be terminated unless there are reasonable grounds for delay)	✓ (Either party may terminate the contract if the other does not comply with certain obligations stated such as the company's failure to carry out the works regularly and diligently, non-payment of amount due from the consumer and prevention of carrying out the works by the consumer; and failure to remedy the default within seven days upon written warning)
Remedies for breach	x	✓ (Right to set-off the contract price due or which may become due against any sum recoverable from the company)	✓ (A party who terminates a contract before commencement date shall pay 10% of the contract sum as liquidated damages)	✓ (Upon breach of the company, the consumer is not bound to make any further payment to the company until after completion of works by another company, and may recover the additional costs of completing works and damage caused; upon breach of the consumer, the consumer shall pay the value of the work properly executed and unfixed materials/goods ordered)
Insurance	✓	✓	✓	✓
Cooling off rights	x	x	x	x

ADC's SGS x Home Journal Interior Design Service Excellence Certificate

Companies accredited under the ADC Scheme are required to include minimum contract terms in their project quotations. Such terms include a list of project charges, project period (including time extension criteria), liquidated damages for delay, description of materials, payment by instalments, six-month defect liability period and complaint-handling mechanism.

Hong Kong Renovation Guideline by HKBIA, HKAS and an online matching platform

The Renovation Guideline contains standard contract provisions on various aspects of a home renovation project, including payment arrangements by instalments, construction and warranty periods. The dispute resolution mechanism is mediation followed by arbitration at the HKAS. Companies accredited under the HKBIA accreditation scheme are required to adopt the Renovation Guideline, including the standard contract provisions in their engagements. The HKBIA encourages companies and consumers at large to adopt the Renovation Guideline, including the standard contract provisions.

HKIS' Standard Form of Contract for Decoration, Repair and Maintenance Works

In 2008, the HKIS published a standard form of contract for decoration, repair and maintenance works. Whilst stated to be applied to works of a simple nature with a contract value up to HKD400,000 (at 2008 prices), the HKIS considers the standard form of contract to be suitable for home renovation projects in general. The standard form of contract is publicly accessible free-of-charge on the HKIS' website¹⁸.

HA's Reference List of Decoration Contractors

As mentioned, the HA also requires DCs to include, in verbatim and legible Chinese characters at the back of each works order, prescribed standard T&Cs for each item of renovation.

Alternative dispute resolution services to court litigation

HKAS – mediation and arbitration

Whilst court litigation may be protracted and (if brought in the District Court or High Court) expensive, the HKAS seeks to offer a potentially speedy, cost-efficient alternative of arbitration under its arbitration rules. Under the Renovation Guideline which HKBIA-accredited companies are required to adopt, the dispute resolution mechanism is mediation followed by arbitration at the HKAS.

According to the HKAS, a typical arbitration would normally be able to be completed within three months of commencement. A compact timetable is provided for in the HKAS' arbitration rules for submission of evidence, with hearings taking place in the course of one day and without legal representation. The arbitrations would be conducted by barristers (with some holding also surveyor or civil engineer qualifications) and the awards would be reasoned.

Under the HKAS arbitration fee scale, the arbitration fee is based on the aggregate claim and counter-claim amount. For example, a fixed arbitration fee of HKD25,000 is charged for claims and counterclaims between HKD80,001-250,000 in aggregate. The highest arbitration fee is HKD480,000 involving an aggregate dispute amount exceeding HKD20 million. In the HKAS's

¹⁸ Hong Kong Institute of Surveyors (2014). Standard Form of Contract for Decoration, Repair and Maintenance Works. Retrieved from <https://www.hkis.org.hk/ufiles/DRMW-201406e.pdf>

experience, most home renovation disputes involved claim amounts under HKD250,000 and the final instalment payment.

The HKAS also offers mediation services at a price of HKD7,000 for the first two hours and thereafter HKD1,500 per hour of mediation.

HKIS – expert determination

In 2022, the HKIS established the Building Affairs Expert Determination Centre (Pilot Scheme) (“BAEDC”), a platform for promoting the use of expert determination in respect of building related technical issues or disputes, including water seepage, decoration or fitting out works, repair and maintenance works for existing buildings (but excluding disputes on the handover status of new flats or commercial units) and liability of unauthorised building works.

Upon receiving an application for the nomination of experts, the BAEDC will nominate one expert under its list of experts with appropriate qualifications in surveying, who shall enter into a separate engagement agreement with the parties and determine the dispute. Such expert determination shall, in the absence of manifest error, be final and conclusive and binding on the parties. The expert would give reasons for his decision unless otherwise agreed by the parties. If a party fails to honour the expert’s decision, the other party may enforce the decision in court by suing for breach of contract.

According to the HKIS, with reference to water seepage cases, the engaged expert would normally be able to render a decision within 180 days or a shorter period subject to individual merits and agreement of parties. The time required for home renovation disputes may be shorter as tests may not need to be conducted. The expert would normally charge on a time spent basis.

The HKIS opined that expert determination is more cost-effective than traditional litigation and arbitration. The expert is a qualified surveyor with legal training and may act as both the adjudicator and expert in the relevant field. In contrast, it is often necessary for parties embroiled in litigation or arbitration to engage different experts on issues of delay, defective workmanship and quantification of damages which significantly add to litigation cost (and in the case of arbitration, the arbitrator’s fees). Unlike litigation or arbitration which is adversarial in nature, the expert would also be able to adopt an inquisitorial role in understanding and resolving the dispute.

Since its implementation in 2022, there has been one application for expert determination in a water seepage case. The HKIS took the view that it would take time for consumers and companies to know about expert determination as an ADR, as consent of the parties is a pre-requisite for submitting the case for expert determination. Currently, there are six surveyors on its list of experts which the HKIS is seeking to expand.

Suggestions for Improvement

Mandatory standard form quotation

All professional associations and public sector bodies are supportive of the inclusion of mandatory terms into a standard contract for renovation with a view to avoiding disputes. Such terms may cover such matters as specification of works, schedule of rates, payment terms, drawings, completion schedule, liquidated damages for delay, insurance as well as ADR mechanisms. Qualifications of workers such as obtaining Hong Kong Construction Industry Trade Testing Centre trade test certificates can also be considered.

The public sector bodies are further supportive of including a cooling-off provision for home renovation projects. On the other hand, the HKIS suggested that its effectiveness in achieving consumer protection should be reviewed. It observed that it is common for home renovation companies to demolish the fixtures and fittings shortly after engagement. Owners would also expect the company to commence work as soon as possible. It considered that other measures, such as clear payment terms, are more important in protecting consumers.

Accreditation schemes

Whilst some trader interviewees supported the mandatory licensing or registration of home renovation companies, the HKBIA and ADC promoted their accreditation schemes as a means of facilitating consumer choice in quality companies.

Some public sector bodies opined that the trade should be consulted on the establishment of an accreditation scheme, whereas one public body opined that an in-depth consultation with construction industry stakeholders is required. They suggested that reference could be made to various current schemes, such as the CIC's RSTCS (Box 3) catered for the construction industry and HA's RLDC catered for the PRH tenants and SSF owners.

Considering the nature of the accreditation scheme being to protect the average consumer, the contract value of renovation works targeted by the accreditation scheme should cater for different scale of home renovation projects.

Box 3: Construction Industry Council's Registered Specialist Trade Contractors Scheme ("RSTCS")

The RSTCS was launched in 2019, succeeding the then Subcontractor Registration Scheme established in 2003. The RSTCS aims at building up a pool of capable and responsible specialist trade contractors and subcontractors with specialised skills and strong professional competence in the construction industry.

The RSTCS imposes comprehensive registration requirements on safety, management, job experience, execution, finance and integrity. Contractors are categorised into groups, where higher-tier group is not subject to tender limits. More stringent registration requirements are imposed for higher-tier groups in relation to the six core registration elements. Registered subcontractors who no longer meet the registration requirements or stipulated standards of conduct may receive regulatory sanctions, including written warnings, suspension, demotion to lower tier, or revocation of registration.

At the time of this Report, the RSTCS covers 14 designated trades in the construction industry. The categories "building maintenance" and "interior fitting out" were included on 1 October 2023.

In respect of the "interior fitting-out" category, Group 1 contractors and Group 1 (Advanced) contractors are eligible to tender for subcontracts of value up to HKD2 million and HKD10 million respectively, whilst Group 2 contractors do not have tender limits. Taking the "Group 1" category which would cover the renovation spending up to HKD2 million as reference, the company is required to have: (i) at least one safety staff with safety supervisor qualifications, (ii) average annual contract value of works completed over the past three years in sum of not less than HKD800,000, (iii) at least two semi-skilled/skilled workers or registered construction workers who completed any Hong Kong Institute of Construction courses in building repair, maintenance and renovation or other recognised training courses, and (iv) a minimum employed and working capital of HKD200,000 respectively. Minimum one senior management, technical staff and safety staff must also have completed training course for registration as Registered Minor Works Contractor ("RMWC") recognised by the BD or equivalent (or already a RMWC). Management is required to undertake continuous professional development.

Self-regulation

Whilst some trader interviewees supported mandatory licensing or registration of home renovation companies, the ADC considered that self-regulation of the industry is preferable to regulatory oversight. Guidelines could be rolled out for the reference of the industry and consumers, taking into account the assessment criteria and requirements of the ADC Scheme.

Inspection by neutral third-party inspectors

The HKBIA considered that inspection by a neutral third-party inspector during substantive stages of the project and at completion could avoid or facilitate resolution of disputes, by delivering impartial, fair and professional comments and advice on, for example, defective work or substandard materials. In its experience and view, some complaints originated from consumers' unfamiliarity with different aspects of the renovation process or holding unrealistically high expectations of workmanship, bearing in mind that construction is not a piece of artwork.

Mediation to resolve home renovation disputes

Both the HKIS and HKMAAL were supportive of attempting mediation to resolve home renovation disputes. The HKMAAL expressed that it may consider adding home renovation as a new area of practice in the general category of mediators.

Better public education for consumers

All public sector bodies agreed that consumer education is of paramount importance in raising awareness of the risks and liabilities involved in home renovation projects. In particular, some stakeholders pointed out that, whilst most interior home renovation works such as internal plastering and painting do not require prior approval and consent of the BD, some works such as layout alterations, windows replacement and external wall improvements may affect the structural, environmental or fire safety of the property or the building which is regulated by legislation. The risk of such contraventions may in some cases not be immediately apparent to home renovation companies, let alone the average consumer. There may also be alteration restrictions in the DMC. Some home renovation companies seeking to promote their renovation services may refer consumers to similar (unauthorised) alterations made at adjacent flats, thus conjuring an impression that such alterations are legitimate.

As such, some public sector bodies considered that prior to commencing renovation work, consumers should consult relevant building professionals on legality of the works or otherwise the regulatory approvals required. Two currently available information sources were suggested: (i) property management companies for preliminary advice and (ii) the BIC of the BD for inspection and copying of building/minor works records for all private buildings.

Some public sector bodies pointed out the need for a centralised information dissemination platform in the long term, such that important information pertinent to home renovation could be given to consumers, including their obligations under the relevant legislations and the DMC. The HKIS suggested that consumer tips could be given based on lessons learnt from prevailing incidents.

Escrow arrangements

Whilst some public sector bodies do not oppose the use of escrow arrangements to stake-hold consumer's deposit payments, some stakeholders expressed concern that the fees charged by the escrow agent may be passed onto consumers, thus increasing the cost of the renovation.

Compensation fund

The HKAS suggested the establishment of a government trust fund to protect consumers against insolvent traders. The fund should have a right of recourse against the company for reimbursement of sums paid to consumers to protect public money from abuse by unscrupulous traders.

5.4 Summary

After revisiting traders' actual practices when they engage with consumers, the Council interviewed 16 home renovation companies and online matching platforms to understand the issues and challenges from their perspective. The interviews revealed that many of the issues discovered in the preceding Chapters were attributable to the industry's nature and structure. For example, interviewees revealed that some improper and substandard traders have been able to get away with their unscrupulous practices owing to the lack of monitoring in the home renovation industry. Low information transparency in the industry was another key issue. It was difficult for consumers to know the price range for conducting different kinds of works; and it was uncommon for traders to provide a comprehensive work schedule to consumers or proactively inform them about compliance requirements. These kinds of problems could give rise to misunderstandings or even disputes between the two parties.

In addition to the above issues observed, traders commonly came across challenges such as labour shortage, cost increases, and insufficient support for the home renovation industry. There was also a lack of clear and official guidelines in the industry for traders to follow.

In view of the above issues, interviewed traders were of the view that regulating the industry could be challenging but certain measures could still be considered, such as establishing a licensing/registration scheme for specific home renovation works; and establishing specific authorities to monitor the industry, handle disputes between consumers and home renovation companies, and provide professional consulting services. Meanwhile, for measures such as creating a blacklist scheme and providing a standard form quotation, some interviewees anticipated limitations. For example, traders could easily set up a new company to replace the blacklisted one; and it might be hard to set an objective standard for some home renovation works that might be included in a standard form quotation.

On the other hand, various market-driven initiatives by trade or professional associations in the private sector seek to advance consumer empowerment and education, through promulgation of the Renovation Guideline covering major aspects of a home renovation project, accreditation of contractors under quality schemes, establishment of standard contract terms and offering of ADR services including arbitration, expert determination and mediation. In the public sector, the HA maintains a list of contractors for the benefit of residents of PRH estates and SSF developments, and the BD provides services to the public for inspection of relevant building plans and minor works records. These stakeholders unanimously agreed that consumer education is most critical, with public sector bodies advocating for a centralised information dissemination platform, as well as third-party professional advice and third-party inspections for consumers who often lack expertise to assess whether the works involved are

compliant with laws or contract. They were also generally supportive of establishing mandatory contract terms to better protect consumers and, upon industry consultation, the establishment of accreditation schemes with reference to the HA's RLDC and CIC's RSTCS. In this regard, the private sector bodies preferred self-regulation of the industry rather than regulatory oversight. Other supported measures include escrow arrangements for stake-holding consumer's deposit payments and cooling-off periods, albeit some stakeholders expressed concern that escrow arrangements could increase the consumer's cost of the renovation and that cooling-off periods may run contrary to both the consumer's and the home renovation company's desire for work to commence as soon as possible upon engagement. One stakeholder also suggested the establishment of a government trust fund to protect consumers against insolvent traders.

6 Consumer Protection under the Current Regulatory Regime

6.1 Introduction

Whilst Chapter 5 examines the current initiatives and services launched by stakeholders seeking to enhance consumer education and empowerment in the home renovation journey, this Chapter reviews the extent to which current laws, regulations and judicial system are able to effectively protect consumers and, in case of dispute, provide redress to a party.

6.2 Laws and Regulations Relevant to Home Renovation Projects

Technical Safety Aspects of Renovation Works

A myriad of laws and regulations seek to regulate the safety of renovation works (Table 13):

Table 13: Laws and regulations regulating the safety of renovation works in Hong Kong

	Description	Examples	Consequence of breach	Exemptions available
Buildings Ordinance (Cap. 123)	To ensure that the property remains structurally safe, the BD's approval of building plans and consent is required for alteration and addition works.	Removal of structural wall, beam or column.	Fine of up to HKD400,000 and two years' imprisonment, or up to HKD1 million and three years' imprisonment if risk of personal injury or damage to property is involved. The BD may also issue removal or alteration orders, non-compliance with which may attract a fine of up to HKD200,000 and one year's imprisonment, plus HKD20,000 per day of non-compliance.	Minor works, exempted works and designated exempted works
Building (Minor Works) Regulation (Cap. 123N)	To simplify the statutory procedures, not all building works require the BD's approval. However, to maintain safety of such works, certain "minor works" need to be carried out by prescribed building professionals and/or prescribed registered contractors under the MWCS. There are currently 187 minor work items which are classified into three classes under the MWCS according to their nature, scale and complexity, and the risk to safety they pose. The	Erection of non-load bearing block walls in a flat Construction, alteration, repair, removal or replacement of windows Erection/Alteration of an internal staircase which is not a fire escape staircase or means of rescue	Fine of up to HKD100,000 and six months' imprisonment. In addition, a person who knowingly engaged unqualified workers to carry out minor works is liable to a fine of up to HKD100,000.	Certain items are exempted works under the BO and 30 items are designated exempted works under MWCS of which the complexity and risk to safety are assessed to be lower than that of minor works. Examples include erection, alteration or removal of supporting frames for specified air-conditioning unit/light fittings and drying racks of specified dimensions or specifications, painting, internal plastering or wallpaper works, repair or replacement of

	Description	Examples	Consequence of breach	Exemptions available
	carrying out of such works needs to be notified to the BD prior to commencement and/or after completion.			internal branch pipe (other than embedded pipe) or sanitary fitment works, and removal of non-load bearing partition walls which do not require fire resistance rating.
Electricity Ordinance (Cap. 406)	Electrical works on fixed electrical installations such as wiring installations and lighting fittings which are fixed in premises shall be carried out by qualified electrical workers registered with the Electrical and Mechanical Services Department.	Lighting fittings fixed in premises	Fine of up to HKD50,000 on a first conviction and HKD100,000 on a subsequent conviction and in either case liable to imprisonment for six months.	A person who is not a registered electrical worker could work under the oral or written instruction of a registered electrical worker for specified work who is aware of and responsible for that person's work; or participate in approved training courses or tests.
Waterworks Ordinance (Cap. 102)	Specified plumbing works related to fire service or inside service require approval of the Water Supplies Department and/or shall be carried out by licensed plumbers or registered plumbing workers.	Construction, alteration, installation or removal of a fire service or inside service.	Fine of HKD25,000	Alterations or repairs which are of a minor nature and subject to certain conditions, such as replacement of pipes or fittings within a flat and repairs to leaking pipes or fittings such as tightening joints of leaking pipe and fixing components of leaking fitting.

On the other hand, the owner of a property is responsible for ensuring compliance with these laws, as well as any restriction in the DMC. The owner may face a risk of being visited with the penalties and consequences of any contravention or at least an investigation by the regulator. Any such contravention may also affect the owners' fire and home insurance policies.

In addition, under the Occupiers Liability Ordinance (Cap. 314), the owner as occupier of premises owes a duty of care to ensure that his visitors (that is, workers) are reasonably safe in their contemplated use of the premises. In this regard, the Occupational Safety and Health Council has suggested that consumers should take steps to ensure that the home renovation company has purchased ECI and TPLI covering the renovation works and premises, naming the owner as principal and co-insured.

As the preceding Chapters identify, however, consumers generally do not make (or make sufficient) inquiries into whether home renovation companies will engage suitably qualified workers. They may also have relied on misrepresentations or wrong advice of companies in proceeding with unauthorised works. Public sector bodies had also expressed concern that consumers (and indeed companies) may lack adequate expertise to ascertain whether any work require regulatory approval or otherwise is restricted. The assessment may not be straightforward as, for instance, a piece of work exempted from regulatory approval under the BO may still be regulated by other laws, such as those relating to environmental or fire safety. The problem may further be exacerbated by inaccurate or deliberate misleading statements of unscrupulous traders seeking to persuade consumers into believing that unauthorised or dangerous works may legitimately or safely be carried out.

In light of the foregoing, whilst various laws and regulations provide safeguards against unsafe works, the consumer is in practice reliant on the home renovation company's advice, good corporate governance and ethics to ensure that such works are carried out safely and in compliance with law. The consumer is exposed to the risk of consequences and penalties arising from any contravention by the company. To mitigate such risk, the consumer needs to obtain sufficient information and knowledge in order to engage a reliable and professional company that would provide proper advice and execute work in a legally compliant manner, as well as to conduct his own due diligence on the legal requirements underlying the intended home renovation works.

Pre-contractual Dealings with Consumers

In the absence of a specific regulatory regime overseeing home renovation companies, their conduct and dealings with consumers are governed by general consumer-related legislation and common law. Whilst such laws provide certain legal redress for consumers in specified circumstances, they do not comprehensively address all the issues that may arise in a home renovation project.

Remedies for home renovation companies' misrepresentations

Chapter 4 highlights that at the pre-contractual stage, home renovation companies may make superlative, bold or suspicious advertising claims.

Where a false representation of fact was made by the home renovation company, its staff or agent which was intended to and did induce the consumer into a contract, the consumer may claim rescission of the contract and/or damages under the Misrepresentation Ordinance (Cap. 284) or at common law. Rescission means the annulment of the contract and restoration of the parties to their pre-contractual position.

However:

- (i) Not all advertising claims constitute representations at law. Statements of opinion or “mere puffs”, such as “absolutely trustworthy”, “the best output” and “done perfectly without unfinished work” in the advertising claims reviewed in Chapter 4, are not statements of fact and thus are not representations. Further, generally speaking, non-disclosure of facts is also not misrepresentation.
- (ii) Given the consumer’s inexperience or lack of knowledge, a misrepresentation may only have been discovered well after works have already commenced or even completed. For instance, the consumer may only discover the home renovation company’s misrepresentation that certain unauthorised alterations could be carried out without regulatory approval upon the BD’s commencement of an investigation after completion of such works. Irrespective of whether the contract could be rescinded, the consumer’s practical remedy would likely be to seek damages for reinstatement work, there being no certainty however that the company would financially be able to pay such damages.
- (iii) More broadly, unless the misrepresentation was made fraudulently (that is, knowingly or recklessly), the court retains discretion not to rescind the contract, limiting the consumer’s remedy to damages only – for instance, where by reason of the works already carried out, the parties could no longer be substantially restored to their pre-contractual position.

Remedies for the home renovation companies’ unfair or unconscionable practices

The TDO prohibits specific unfair trade practices deployed against consumers (Table 14). Contravention of the TDO is a criminal offence. As Chapter 2 highlights, the C&ED had initiated 28 prosecutions and secured 17 convictions for contraventions of the TDO from 2018 to November 2023. The maximum penalty upon conviction of offences in relation to unfair trade practices is a fine of HKD500,000 and imprisonment for five years.

Table 14: Offences in relation to unfair trade practices under the TDO

	Description	Examples of potentially unfair trade practices
False trade description	The trade description is false or (though not false) is misleading to a material degree.	A home renovation company representing that it was a registered minor works contractor, when in fact it was not.
Misleading omissions	<p>The omission or concealment of material information, or provision of material information in an unclear, unintelligible, ambiguous or untimely manner and as a result causes the average consumer to make a transactional decision he would not have otherwise made.</p> <p>Material information refers to information that the average consumer needs, according to the context (including the nature of the service), to make an informed transactional decision and may include the identity (such as trading name) of the trader. Information that merely assists the consumer or is relevant to the consumer's decision making would not suffice.</p>	According to some trader interviewees, some home renovation companies may omit crucial items in their quotations with a view to demanding additional charges for such items after engagement.
Bait advertising/ Bait and switch	<p><u>Bait advertising:</u> Advertising by a company of goods or services which, having regard to the nature of the market and the nature of the advertisement, there are no reasonable grounds for believing that it will be able to offer for supply at the advertised price in reasonable quantities and for a reasonable period; or the company fails to offer those products for supply at that price for a reasonable period and in reasonable quantities.</p> <p><u>Bait and switch:</u> The making by the company of an invitation to purchase a product or service at a specified price if, having made the invitation, it then refuses to show or demonstrate the product or service with the intention of promoting a different product/service; or refuses to take orders for the product/service or deliver it within a reasonable time; or shows or demonstrates a defective sample of the product.</p>	<p>As Chapter 4 highlights:</p> <p>(i) Discounts or free gifts offered by a home renovation company on its website were in fact not available.</p> <p>(ii) A home renovation company stated via WhatsApp that a quotation would be free of charge but later verbally requested a deposit for the quotation and design.</p>
Aggressive commercial practices	A commercial practice which significantly impairs or is likely significantly to impair the average consumer's freedom of choice or conduct in relation to the product or service concerned through the use of harassment, coercion or undue influence; and it thereby causes or is likely to cause the consumer to make a transactional decision that he would not have made otherwise.	A home renovation company commenced works when the parties had not yet agreed on the exact items of work to be performed, thereby exercising undue influence upon the consumer and coercing him into accepting the same.
Wrongly accepting payments	At the time of accepting payment, the company does not intend to provide the services (or intends to provide services that are materially different), or there are no reasonable grounds for believing that it will be able to provide the services within the period he promised or within a reasonable period.	According to complaints received by the Council (Chapter 2), some home renovation companies abandoned the projects or became out of reach after receiving deposit payments or demolition works.

Under section 20 of the TDO, directors who consented to or connived in the offence may also be prosecuted. Pursuant to section 18A, the court may order the convicted person to pay compensation to any person who has suffered financial loss resulting from the offence. Section 36 further provides for a civil right to compensation by consumers who suffered loss or damage caused by the home renovation company or other person involved, if such action constituted an offence under the TDO and was directed to the consumer.

Besides the TDO, the Unconscionable Contracts Ordinance (Cap. 458) ("**UCO**") empowers the Court to refuse to enforce a contract or a contractual term if it finds the contract or the term to be unconscionable in the circumstances relating to the contract at the time it was made. It may also revise or limit the application of any unconscionable part of the contract, so as to avoid any unconscionable results. In determining whether a contract or any contractual term was unconscionable, the Court may have regard to the factors (among other things) including: (i) the relative strengths of the bargaining positions of the consumer and the home renovation company; (ii) whether, as a result of conduct engaged in by the company, the consumer was required to comply with conditions that were not reasonably necessary for the protection of the legitimate interests of the company, (iii) whether the consumer was able to understand any documents relating to the supply of the goods or services, (iv) whether any undue influence or pressure was exerted on, or any unfair tactics were used against the consumer, and (v) the amount for which, and the circumstances under which, the consumer could have acquired identical or equivalent goods or services from a person other than the company concerned.

However:

- (i) As in the case of misrepresentations, consumers may not be aware of a home renovation company's unfair practice until after its engagement. For instance, as the consumer perception survey indicates, consumers may have little means of ascertaining the financial standing and credibility of a company which absconded after receiving the consumer's deposit payment. By the time of discovery, the consumer would have already suffered loss, with no certainty of actual recovery of sums paid. Such sums may be substantial, as the review shows that the initial deposit may be as high as 40% of the total price quoted.
- (ii) As some trader interviewees postulated, home renovation companies may also seek to mislead inexperienced consumers with attractive low-price packages that omit crucial renovation items. A review of some quotations from mystery visits also indicated that not all material aspects of a renovation project are covered. Milestone payment schedules may be ambiguous, for instance, by specifying milestones according to specified percentages of work completed rather than actual work items completed. By the time that work has commenced, the consumer may feel that he has no other option but to pay additional sums as demanded and/or for additional works in order to complete the project on time.
- (iii) More broadly, it is possible that deficient contract terms are merely the outcome of poor drafting as opposed to unfair or unconscionable practice. In these cases, the TDO and UCO do not lend assistance to the consumer. Indeed, desktop research and review of published court judgments (Annex 1) indicates that civil claims in home renovation disputes were normally pursued on grounds of alleged breach of disputed contractual terms rather than unfair trade practice or unconscionability. Research indicates that there has hitherto been no reported judgment on home renovation disputes for damages pursuant to section 36 of the TDO or for relief under the UCO.

Contractual Dealings with Consumers

Unclear or absence of contractual terms

A major pain point identified is the lack of adequate contractual terms that cover all material aspects of a home renovation project, as well as work variations arising in course of a project.

The courts have time and again recognised that parties may often fail to express themselves well or clearly in the contractual terms. In home renovation disputes, the courts have on more than one occasion observed the lack of formal written contract in typical home renovation cases. In construing the meaning of an unclear contractual term, the court will adopt the context (referred to as the “factual matrix” or “background matrix”) and purpose of the contract as the starting point to determine how a reasonable person would have understood the term¹⁹. On the other hand, save in cases where a party seeks the court’s relief to rectify a mistake in the contract, the courts would not consider the parties’ pre-contractual negotiations and their subjective intention²⁰.

In the absence of express contract terms on a subject matter, the courts are generally guided by the following legal principles in determining the parties’ rights and obligations (Table 15):

Table 15: Legal principles in determining the parties’ rights and obligations

Subject matter	Company’s obligation	Consumer’s obligation
Standards of the services	The company shall carry out the work with reasonable care and skills, which is a term implied by the Supply of Services (Implied Terms) Ordinance (Cap. 457) (“ SS(IT)O ”).	N/A
Quality of materials used	The company shall use materials that are of merchantable quality, fit for the purpose and correspond with sample (if any), which are terms implied by the Sale of Goods Ordinance (Cap. 26) (“ SOGO ”).	N/A
Time for performance	The company shall perform the work within a reasonable time, which is a term implied by the SS(IT)O. Further, time is not of the essence of the contract unless expressly agreed, meaning that failure to complete the work by the contractual date would not in itself entitle the consumer to terminate the contract.	N/A
Work variations	N/A	The consumer shall pay for additional works or materials that he has agreed to be provided. If a price was not agreed, it shall be a reasonable fee for such works or materials, as implied under the SS(IT)O. However, the consumer normally need not pay for additional works carried out without his consent.
Consumer’s payment obligation	N/A	Unless the contract clearly provides that entire completion is a condition precedent to the company’s right to payment, the consumer shall be obliged to pay the price upon practical completion of the work, subject to abatement for minor defects. “Practical completion” means that the works have been completed free from patent defects other than minor or trifling defects.
Minor defects	The company shall rectify minor defects upon practical completion.	The consumer shall afford the company a reasonable opportunity to rectify minor defects upon practical completion.

¹⁹ *Fully Profit (Asia) Ltd v The Secretary for Justice* (FACV 17/2012) (13 May 2013).

²⁰ *Investors Compensation Scheme Ltd v West Bromwich Building Society* [1998] 1 WLR 896 at 912-3, a case often cited by the Hong Kong courts.

Whilst the law operates to plug the gaps in unclear or in the absence of express contractual terms:

- (i) In most instances, the law implies a term of “reasonableness” in the party’s obligations, such as to perform within a reasonable time or to pay a reasonable price. Whilst a court would possess the requisite expertise and experience to make a fair determination of what “reasonableness” entails in the circumstances of each case, from the parties’ perspective in a non-litigious context, this begs the question of what is reasonable.
- (ii) More importantly, the parties as laymen may not be familiar with their rights and obligations arising from operation of law. This is borne out in the published court judgments reviewed. In one case, the consumer refused the home renovation company’s access to premises to remedy defects, contrary to his obligation to afford reasonable opportunity for it to do so. In another, the consumer refused to pay the contractual price on account of minor defects, contrary to his obligation to do so upon “practical completion” of the work. In the absence of clear contractual terms stipulating the parties’ rights and obligations, the consumer is placed at risk of misunderstanding his legal position and inadvertently acting in breach of the contract himself.

Remedies for breach of contract

Where a party has breached a contract, the general rule is that the aggrieved party shall be entitled to damages in an amount to put him in the same position as if the contract had been performed. The following losses would normally be recoverable: (i) all loss which flows naturally from the breach and (ii) all loss which was in the contemplation of the parties as a probable result of the breach at the time the contract was made.

In a home renovation dispute, the damages suffered by a consumer would normally comprise the diminished value of the work carried out and costs incurred in engaging another home renovation company to carry out the uncompleted or repair works. Other damages may also be suffered and claimed. In particular, as a result of the delay in completing the renovation, consumers would have lost the use and enjoyment of their property or otherwise suffered from inconvenience and discomfort. They might have to rent storage for their belongings, rent alternative accommodation or (if they intended to rent out their property) lose rental income. Often such costs are substantial and may even exceed the contractual price of renovation.

However, the consumer’s real (and probably sole) interest lies in having the renovation completed to enjoy his use of the property as early as possible. Whilst the law could offer an aggrieved consumer monetary compensation, his real interest would still not have been met. In this regard, the court would not normally make an order compelling the home renovation company to complete the works as it cannot supervise the company’s performance in doing so and because damages would normally be considered an adequate remedy for the consumer.

Further:

- (i) As the published court judgments show, litigation may be protracted in view of intense factual disputes. A case could take at least one year and up to six years before judgment, with trial lasting for days, all of which translate into substantial legal costs.
- (ii) The court is also likely to require expert evidence on the value of work carried out, the existence and extent of defects and the cost of remedial works, without which the consumer risks dismissal of his claims. Even where a home renovation company is found liable, the court may also conclude that the actual costs incurred by the consumer was not reasonable or necessary and award a lesser sum.
- (iii) Even if a favourable judgment is obtained, there is no guarantee that the home renovation company (usually a limited company) could satisfy the judgment debt. As a judge has commented²¹, the use of corporate vehicles to shield natural persons from personal liability often leaves victims with empty judgments.
- (iv) The current state of law also offers little protection for the deposits paid by a consumer and his entitlement to recover the same. Unless an express term provides for the specific use of the deposit or an instalment, the home renovation company is normally free to use the sums paid by the consumer for any purpose. The consumer does not retain any property right to the sums paid, could not dictate how such shall be used or otherwise assert that such sums are held on trust for his benefit. The practical consequence is that if the company does not utilise the sums paid for the renovation or closes down, the consumer will only be able to claim and recover damages as an unsecured creditor. He would not be able to pursue recovery on the ground that the sums paid remained his property, or to trace into assets wrongfully purchased with such sums.

6.3 Summary

There is no specific regulatory regime overseeing home renovation companies, which is subject to general consumer protection laws. Whilst certain works may require regulatory approval and/or need to be carried out by licensed contractors, the consumer is reliant on the company's professional advice and good corporate governance to take the necessary steps. The consequences and penalties arising from the company's failure to do so may be visited upon the consumer.

The TDO and UCO prohibit home renovation companies from engaging in unfair or unconscionable practices. Legal remedies are also available to consumers arising from companies' misrepresentations. However, given the average consumer's inexperience and lack of knowledge, these matters may not be discoverable until after engagement and commencement of work. By then, the consumers may be left with no practical option but to find ways of damage control. Although consumers may pursue claims to recover damages, such claims are subject to uncertainty of outcome, including whether the company is financially able to pay such damages.

²¹ *Chan Cham Pong Cedric v Too Ka Man and Manson Water and Electric Company Limited* (DCCJ 1463/2017).

The same concerns underlie claims for alleged breach of contract, where litigation may be protracted and in addition require potentially expensive expert evidence to establish liability and quantify damages. The absence of contract terms (or clear contract terms) cast further uncertainty. Consumers who are unfamiliar with their rights and obligations arising by operation of law in those circumstances face the risk of misunderstanding his legal position and inadvertently acting in breach of contract.

In light of these concerns, further measures are necessary to mitigate the consumer risks identified. Fundamentally, whilst the law provides redress to aggrieved consumers after a fallout with the home renovation company, preventive measures are required to minimise the occurrence of fallout in the first place. After all, the consumer's real interest lies in having his home renovation completed such that he could enjoy his "dream home" as early as possible.

7 Regulatory Regimes and Consumer Protection Initiatives in Other Markets

7.1 Introduction

In light of the limitations in the current state of Hong Kong laws and regulations in addressing consumer pain points identified in preceding Chapters, the Council conducted research on the state of laws and regulations as well as the consumer protection initiatives undertaken in other markets relevant to the home renovation industry, to serve as references for developing its recommendations for the Hong Kong market.

The markets reviewed are Canada (BC and Ontario), Mainland China, Singapore, the UK and the US (New York). These markets were chosen primarily because their urban cities resemble that of Hong Kong, with a mixture of apartments, houses and dense population, and also due to similarities in their socioeconomic or legal systems with, or their economic ties to, Hong Kong (Table 16).

Table 16: Population density in the researched markets (with reference to the latest official/census data available, circa 2020-2023)

City	Population density (persons/sq. km)	Year of reference
Hong Kong, China	6,740	2022
New York City, US	11,232	2020
Beijing, China	1,331	2022
<i>Chaoyang District</i>	7,564	
<i>Xicheng District</i>	21,769	
<i>Dongcheng District</i>	16,818	2021
Shanghai, China	3,926	
<i>Huangpu District</i>	28,451	
<i>Jingan District</i>	26,193	
<i>Hongkou District</i>	30,443	
Singapore	8,058	2023
Toronto, Ontario, Canada	4,428	2021
Vancouver, BC, Canada	5,750	2021
London, UK	5,596	2021

7.2 Consumer Issues Experienced

The consumer issues experienced in these other markets are more or less similar to those in Hong Kong. In New York, 1,264 complaints were received by the Office of the Attorney General against home renovation/improvement companies in 2022²², comprising of (amongst other issues) repair issues and deceitful contractors, ranking 8th in its list of top 10 complaints. In Singapore, it was reported that 807 complaints were lodged with the Consumers Association

²² New York State Attorney General (2023). Attorney General James Releases Top 10 Consumer Complaints of 2022. Retrieved from <https://ag.ny.gov/press-release/2023/attorney-general-james-releases-top-10-consumer-complaints-2022>

of Singapore (“CASE”) against home renovation contractors in the first half of 2022, arising from completion delays, unsatisfactory workmanship and sudden closure of companies²³. In the same year, according to statistics provided by the CASE, 310 complaints were made against home renovation companies registered to conduct works in public housing flats, involving alleged defective goods, unsatisfactory services, delays, failure to honour, misleading claims and pricing (including overcharging and refunds).

7.3 Regulatory Regimes and Consumer Protection Initiatives

Similar to Hong Kong, regulatory regimes in other markets prohibit misleading advertising claims and unfair trade practices. Such laws and regulations also seek to ensure the technical safety of works, by requiring them to be undertaken by licensed workers and/or with regulatory approval. Statutory implied terms provide that goods shall be of satisfactory quality and work shall be carried out with reasonable skill.

In connection with the consumer issues identified in the preceding Chapters, further regulatory regimes and consumer protection initiatives undertaken in other markets as summarised in Figure 65 and further elaborated below provide valuable guidance on how they may be addressed.

Mandatory or Standard Contract Terms

As the preceding chapters highlight, not all of the quotations reviewed adequately cover the material aspects of a home renovation project and/or the parties’ rights and obligations. Further, quotations vary in format and level of detail, rendering it difficult for consumers to make useful comparisons and informed choices.

In all the markets reviewed save for Singapore, laws and regulations require specified consumer contracts (including home renovation contracts) to be in writing and contain specified mandatory terms. In Mainland China and New York, laws regulate the home renovation industry specifically and provide for minimum contract terms to be included in written contracts. These mandatory terms are complemented by further statutory consumer protection rights and other government measures. In Singapore, whilst no statutory mandatory contract terms are imposed, in May 2022, the Competition and Consumer Commission of Singapore (“CCCS”) promulgated the “Guide on Fair Trading Practices for the Renovation Industry” recommending five key matters for inclusion in companies’ standard home renovation contracts.

Whilst the scope and content of the requirements may vary between markets and nature of contracts, a high-level summary of these requirements insofar as relevant to home renovation contracts is presented in Table 17, adopting the format of Table 12 in Chapter 5 for ease of comparison.

²³ Channel NewsAsia (2022). Unsatisfactory Workmanship, Broken Deadlines Behind Spike in Complaints about Renovation Contractors. Retrieved from <https://www.channelnewsasia.com/singapore/home-renovation-contractors-complaints-rise-2022-case-2841091>

Figure 65: Regulatory regimes and consumer protection initiatives in selected markets

Canada (British Columbia)

- **Mandatory written contract terms** apply to future performance consumer contracts and direct agreements with price of CAD50 or above
- **Voluntary accreditation** with Better Business Bureau and RenoMark
- **Consumer education** by Consumer Protection BC in providing public access to enforcement and licensing decisions, and licensing status
- **Payment protection** to consumers who may withhold 10% of price for 55 days from the date of completion that can be used to settle unpaid claims from subcontractors and suppliers

Canada (Ontario)

- **Mandatory written contract terms** apply to future performance consumer contracts and direct agreements exceeding CAD50
- **Voluntary accreditation scheme** offered by Better Business Bureau and RenoMark
- **Consumer education** by Consumer Protection Ontario in providing information and tips on engagement of home renovation companies, quotations and contract terms, consumers' rights and responsibilities and common scams. The Consumer Beware List also provides information on companies which do not respond to complaints or have contravened consumer legislation
- **Payment protection** to consumers who may withhold 10% of price for 45 days from the date of completion that can be used to settle unpaid claims from subcontractors and suppliers
- **Alternative dispute resolution** available for consumers to file complaints with Consumer Protection Ontario

United States (New York)

- **Mandatory written contract terms** apply to home renovation contracts specifically
- **Mandatory licensing** of home renovation companies
- **Consumer education** by the Office of the New York State Attorney General in providing general consumer protection guidelines on home renovations and the Department of Consumer and Worker Protection ("DCWP") conducts public education on home improvements at least semi-annually
- **Payment protection** to consumers under regulatory measures, including deposit of consumer payments in an escrow account (or post a bond, contract of indemnity or irrevocable letter of credit in lieu) to guarantee the application of payments to purposes of the renovation contract. Companies are also required to provide a bond to DCWP or participate in the Home Improvement Business Trust Fund established to provide for payment of outstanding awards to consumers

United Kingdom

- **Mandatory written contract terms** apply to certain types of consumer contracts like distance selling
- **Voluntary accreditation schemes** offered by various bodies, including the local authorities' "Trading Standards Approved" and "Buy with Confidence", Government-endorsed TrustMark, and "Which? Trusted Traders"
- **Consumer education** by the Government-established Citizens Advice in providing general consumer protection guidelines on home renovations
- **Payment protection** to consumers under various voluntary accreditation or member schemes, including TrustMark's escrow services, the Furniture & Home Improvement Ombudsman's, Consumer Protection Association's and Home Improvement Guarantee's payment protection schemes, insurance backed guarantees and/or deposit protection. In addition, if payments were made by credit card, the credit card provider may be jointly and severally liable for any contract breach or misrepresentation by the company
- **Alternative dispute resolution** services offered free of charge to consumers under various voluntary accreditation or membership schemes

Mainland China

- **Mandatory written contract terms** apply to home renovation contracts specifically
- **Mandatory licensing** of home renovation companies
- **Consumer education** by the China Consumers Association in provision of consumer warnings, tips, public lectures, and campaigns
- **Payment protection** to consumers offered by the Consumer Professional Committee of Guangdong Decoration Industry Association's (廣東省裝飾行業協會消費者專業委員會) escrow services through ZhuangXiuPay
- **Alternative dispute resolution** (mediation) services offered free of charge by various mediation commissions established pursuant to the People's Mediation Law and Provisions of the Supreme People's Court on Mediation Invited by People's Courts

Singapore

- **Voluntary contract terms** promulgated by the Competition and Consumer Commission of Singapore
- **Mandatory Licensing** and registration of home renovation companies carrying out renovation works in public housing flats of the Housing and Development Board (HDB) on its Directory of Renovation Contractors (DRC)
- **Voluntary accreditation scheme** offered by Consumers Association of Singapore (CASE), namely the "CaseTrust Accreditation Scheme for Renovation Businesses" and the "CaseTrust-RCMA Joint Accreditation Scheme" jointly developed with the Singapore Renovation Contractors and Material Suppliers Association for the latter's members
- **Consumer education** by CASE in publishing case alerts with relevant consumer advice
- **Payment protection** to consumers including posting of surety bond by DRC contractors and deposit performance bond by CaseTrust accredited companies to safeguard consumers' deposits against closure, winding up or liquidation
- **Alternative dispute resolution** services offered by CASE (including through its mediation centre), the Singapore Mediation Centre or the local Small Claims Tribunal

Table 17: Terms and conditions of home renovation contracts in selected markets

	Canada (BC)	Canada (Ontario)	UK
Basic information			
Source	Business Practices and Consumer Protection Act	Consumer Protection Act 2002	Consumer Rights Act 2015 Consumer Contracts (Information, Cancellation and Additional Charges) Regulation 2013
Year	2004	2002	2015
Applicability	Future performance contracts and direct agreements (i.e. entered into outside company premises) exceeding CAD50 in value		Direct agreements exceeding GBP42
Nature	Mandatory – <i>in law, consumer may cancel contract within one year if he does not receive the contract containing the prescribed terms</i>		Mandatory
Work and price			
Company information	✓	✓	✓
Price	✓ (itemised and total price; other costs payable)	✓ (itemised and total price; other costs payable. <i>In law, the company cannot charge more than 10% of any contractual price estimate</i>)	✓ (total price and other costs payable, or charging mechanism)
Scope of work and specification of work items and materials	✓	✓	x
Standards of workmanship	x	x	x
Project period (including start/completion dates and extensions)	✓	✓ (<i>In law, consumer may cancel the contract if work is not commenced within 30 days after commencement date</i>)	✓
Periodic payment schedule (if any)/payment terms	✓	✓	✓
Deposits	x	x	✓ (Information on deposits for direct agreements)
Payment protection	x	x	x
Operational aspects			
Sufficient working area	x	x	x
Work variations	x	x	x
Subcontracting	x	✓ (with names and contact information)	x
Health and safety precautions	x	x	x
Protection of finished works	x	x	x
Compliance with laws	x	x	x
Completion standards	x	x	x
Cleaning upon completion	x	x	x
Warranties, rights and remedies			
Liquidated damages for delay	x	x	x
Warranty and guarantees	x	✓ (To clearly describe any warranties)	✓ (To state conditions of any after-sales services and guarantees)
Termination	x	x	✓ (To state conditions for termination where contract duration is indeterminate)
Remedies for breach	x	x	x
Insurance	x	x	x
Cooling off rights	✓ (Statutory 10-day cooling-off period for direct agreements)	✓ (Statutory 10-day cooling off period with no cancellation fee for direct agreements)	✓ (Statutory 14-day cooling off period for direct agreements)
Dispute resolution (including any ADR)	x	x	✓ (To state complaint handling policy)

Mainland China	US (New York)	Singapore
Basic information		
Administrative Measures for Residential Interior Decoration and Renovation 《住宅室內裝飾裝修管理辦法》	Article 36-A, Chapter 20 (General Business) of the Consolidated Laws of New York	Guide on Fair Trading Practices for Renovation Industry
2002	2019 (first enacted 2014)	2022
Home interior decoration and renovation contracts	Home renovation contracts exceeding USD500 in value	Home renovation contracts
Mandatory (model contracts are published by various provincial and municipal Governments, such as Beijing, Guangdong and Zhejiang as references)	Mandatory (a model contract is published by New York City's Department of Consumer and Worker Protection as references)	Voluntary
Work and price		
✓	✓	x
✓ (to state charging mechanism)	✓	✓ (itemised price, additional fees and reasonable fee estimates)
✓ (to state number of rooms, gross floor area, project method, specifications)	✓ (including make and model number of materials)	✓
✓ (to state quality requirements)	x	x
✓	✓ (including whether time is of the essence)	✓ (Consumer's consent required prior to commencement of work)
✓	✓	✓
x	✓	x
x	✓ (Notice of legally required escrow arrangement, bond, indemnity or letter of credit)	x
Operational aspects		
x	x	x
✓ (To state conditions for modifications)	x (In law, no material deviation from plans, specifications, or contractual terms without consumer's consent)	✓ (Consumer's consent required)
x (but in law, warranties bind subcontractors)	x	x
x	x	x
x	x	x
x	x	x
✓ (To state acceptance method. In law, the property manager is obliged to conduct site inspection, provide advice to consumer and demand company to rectify defects.)	x	x
x	x	x
Warranties, rights and remedies		
x	x	x
✓ (Scope and period of warranty. In law, consumers are entitled to a minimum warranty period of two years from date of acceptance, or five years for kitchen leakages and waterproofing of bathrooms and exterior walls)	x	✓ (To clearly state any exchange, repair and refund policy and warranty coverage)
✓ (To state conditions for termination)	x	x
✓ (To state liabilities for breach)	✓ (To provide notice of contractor's lien against property for unpaid works)	x
x	✓ (Notice of any relevant property and/or casualty insurance policy, and contact details of insurer)	x
x	✓ (Statutory three-business day cooling off period. In law, companies need to provide a reasonable fee estimate upon request for quotation, but may charge a reasonable fee disclosed in advance, and itemised as part of total estimated price.)	x
✓ (To state mechanism)	x	x

It is notable that in Mainland China, besides statutory mandatory contract terms, other industry stakeholders have also sought to promulgate standard term contracts and codes:

- (i) The Shanghai Consumer Council (上海市消費者權益保護委員會), together with its industry associations (上海市室內裝飾行業協會), industry leading enterprises and professional institutions, formulated the Code for Quality Acceptance of Residential Decoration (住宅裝飾裝修品質驗收規範). The Code formulates specifications for the acceptance requirements and acceptance methods in four material aspects: (a) water and electricity, (b) plastering works and carpentry and joinery works, (c) painting and (d) completion in the process of home renovation. The Code also encourages and guides consumers in close participation in the home renovation and works acceptance process in order to timely identify quality defects and properly communicate with companies for early resolution.
- (ii) The Consumer Professional Committee of Guangdong Decoration Industry Association (廣東省裝飾行業協會消費者專業委員會) (“**CP Committee**”)²⁴, a trade association seeking to assist with complaints handling and upholding quality of home renovations, has published contract templates covering material aspects, including the scope of work and the parties’ obligations therefor, work and time variations, work safety, materials used, acceptance mechanism, defect warranties and legal liabilities. Tri-partite contract templates further provide for the use of the CP Committee or its agent 廣州市裝付寶裝飾工程質量鑑定有限公司 (“**ZhuangXiuPay**”) to provide third-party acceptance inspection, quality inspection and/or escrow arrangement services.

²⁴ ZhuangXiuPay (裝付寶) (2022). Contract Template (合同範本). Retrieved from <https://www.zhuangxiupay.com/news/hetong/>

Mandatory Licensing Regimes, Voluntary Accreditation Schemes and Consumer Education

One major issue identified in the Study is consumers' limited ability to identify suitable, reliable and credible companies for their needs, whether due to inexperience, lack of knowledge and due diligence effort, unawareness of currently available informational resources and services, or a mixture of these factors.

Whilst Hong Kong law prohibits companies from engaging in misleading claims, unfair or unconscionable practices and requires regulatory approval or suitably licensed workers for carrying out of certain works, inexperienced consumers may not be able to verify a company's claims or otherwise detect irregularities until after the event.

By empowering consumers with the means to identify and engage reliable companies, the risk of falling victim to problematic practices is reduced. In the markets reviewed, such empowerment measures include: (i) mandatory licensing regimes or voluntary accreditation schemes, and (ii) consumer education efforts and information resources provided by the government on home renovations.

Mandatory licensing regimes and voluntary accreditation schemes

Through imposing minimum quality-related registration or scheme requirements, mandatory licensing regimes and voluntary accreditation schemes seek to ensure the good quality and accountability of home renovation companies.

In Mainland China and New York, home renovation companies are required to be licensed. In Canada, Singapore and the UK, as well as Mainland China, voluntary schemes offer accreditation to home renovation companies which meet minimum quality-related scheme requirements to assure their credibility in the market. Tables 18 and 19 summarise the respective details.

Table 18: Details of mandatory licensing regimes in selected markets

Market	Regime(s) and Details
Mainland China	<p><u>Administrative Measures for Residential Interior Decoration and Renovation</u> <u>《住宅室內裝飾裝修管理辦法》(2002)</u></p> <p><u>Trial Measures for the Administration of Domestic Renovation</u> <u>《家庭居室裝飾裝修管理試行辦法》(1997)</u></p> <p><u>Measures for the Administration of Home Decoration in the National Interior Decoration Industry</u> <u>《全國室內裝飾行業家庭裝飾管理辦法》(1997)</u></p> <p>Companies and their subcontractors undertaking interior decoration and renovation projects of residential buildings must be examined by the competent administrative department of construction and obtain a corresponding Construction Enterprise Qualification Certificate (《建築業企業資質證書》). Design companies engaged in home decoration activities must also hold the requisite design unit and construction enterprise qualification certificates issued by the competent department of the interior decoration industry.</p> <p>Home renovation companies are graded into two categories, Group 1 and Group 2. Group 1 companies are graded based on their net asset position, number of professional qualified staff, and track record, whereas Group 2 companies are exempted from the track record requirement.</p> <p>Group 1 companies may undertake home renovation projects of any value, whilst Group 2 companies are limited to projects not exceeding RMB20 million in value²⁵. Such companies must only undertake work within the scope authorised by the certificate.</p>
Singapore	<p><u>Housing and Development (Renovation Control) Rules (“HDRCR”)</u></p> <p>In Singapore, 80% of residents live in public housing provided by the Housing and Development Board (“HDB”). To carry out renovation works in HDB flats, companies must first be registered and listed on the HDB’s Directory of Renovation Contractors (“DRC”). There is no requirement for registration in order to carry out renovation works for non-HDB flats.</p> <p>The DRC registration criteria includes, amongst other things: (i) successful completion of training course on renovation for public housing, (ii) at least three years of experience in renovation works and active involvement in the renovation trade, (iii) minimum one-year registration with the Accounting and Corporate Regulatory Authority, (iv) the owners have owned the company for at least one year, and (v) the owners and directors do not have criminal records and are not undischarged bankrupts.</p> <p>Audited reports are required to demonstrate the company’s financial standing and five completed quotations and invoices (totalling at least SGD100,000) involving wet and/or hacking works are required to demonstrate track record. The registration is valid for two years (three years for CaseTrust accredited companies). A demerit points system is implemented for infringements of renovation and administrative rules. 24 demerit points within 24 months shall result in delisting.</p> <p>Separately, windows-related works in HDB flats may only be carried out by companies approved by the Building and Construction Authority. The registration criteria are similar to those under the DRC system.</p>
US (New York)	<p><u>New York City Administrative Code</u></p> <p>New York City Administrative Code safeguards and protects homeowners against abuses and fraudulent practices by licensed contractors engaged in the home improvement, remodelling and repair business. Contractors must be licensed for carrying on a home improvement business.</p> <p>To apply for a licence, the contractor or its proprietors are required to pass a home renovation examination; provide business information, workers compensation insurance information and the US Environmental Protection Agency certification; sign a compliance agreement; enrol in the DCWP Trust Fund or post a USD20,000 surety bond; and provide residential address proof, fingerprints as well as photographs. A licence is valid for two years.</p>

²⁵ Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部) (2014). Construction Enterprise Qualification Standard (《建築業企業資質標準》) (Section 23).

Table 19: Details of voluntary accreditation schemes in selected markets

Market	Scheme(s) and Details
Mainland China	<p><u>Building Decoration Industry Home Improvement Enterprise Credit Evaluation System</u> (<u>建築裝飾行業家裝企業信用評價體系</u>)</p> <p>The credit evaluation system was established by the China Building Decoration Association (中國建築裝飾協會), which is a decoration industry association in Mainland China. In 2023, Beijing Xingou Credit Management Company Limited (北京信構信用管理有限公司) and Beijing Union Crediting Company Limited (北京聯合徵信有限公司) were engaged as the assessment units in evaluating submissions from home renovation companies in Mainland China.</p> <p>The China Building Decoration Association awards credit ratings to member companies applying for evaluation. All applications are evaluated upon qualitative and quantitative analysis of quality, management level, financial strength and public credibility. The credit rating is valid for three years.</p>
US and Canada	<p><u>Better Business Bureau (“BBB”)</u></p> <p>The BBB, a private, non-profit organisation, seeks to empower consumers to find trustworthy companies in the US and Canada, by providing free business profiles and accreditation services for companies. In addition, the BBB provides consumer tips, issues scam alerts and handles complaints free of charge to consumers. Accreditation criteria for home renovation companies include (i) establishing and maintaining a positive track record in the marketplace; (ii) advertising honestly; (iii) representing the products and services honestly; (iv) identifying the business’s nature, location and ownership, and disclosing all material facts on a customer’s consumption decision; (v) fulfilling all contracts, commitments and representations; (vi) promptly addressing complaints forwarded by the BBB; (vii) safeguarding privacy; and (viii) approaching all business dealings, marketplace transactions, and commitments with integrity. Accreditation status remains active for so long as the BBB standards are upheld.</p> <p><u>RenoMark</u></p> <p>RenoMark is a voluntary accreditation programme for Canadian home renovation contractors. It was developed to provide homeowners with a reliable way to identify professional and trustworthy home renovation contractors, who must adhere to a specific code of conduct.</p>
Singapore	<p><u>CaseTrust Accreditation Scheme for Renovation Businesses</u></p> <p>An accreditation arm of the CASE, the CaseTrust offers accreditation for home renovation companies, amongst other specified industries such as spa and wellness and e-commerce. A similar scheme known as the CaseTrust-RCMA Joint Accreditation Scheme jointly developed with the Singapore Renovation Contractors and Material Suppliers Association (“RCMA”), a non-profit organisation seeking to promote the home renovation industry by engaging with the government on setting standards and guidelines and offering educational courses to its members, is available for RCMA members.</p> <p>Accreditation is based on stringent assessment of companies’ policies, business practices, proven financial and track record, ethical advertising and dispute resolution procedures, staff capabilities as well as staff training. Notably, the accreditation fees are based on annual sales turnover of the company.</p> <p>Accredited companies are required to adhere to a Code of Conduct. A breach of the Code may result in warning, suspension or expulsion. The accreditation status is valid for four years. Interim assessments are carried out after two years of accreditation.</p>

Market	Scheme(s) and Details
UK	<p><u>Trading Standards Approved (e.g. operated by Surrey County Council)</u> <u>Buy With Confidence</u></p> <p>In the UK, local councils' and boroughs' Trading Standards seek to enforce a broad range of laws, including fair trading and product safety.</p> <p>Trading Standards Approved is a scheme operated either directly by Trading Standards or in partnership with other bodies to provide consumers with a list of traders who have committed to trading fairly. Whilst not specifically tailored for the home renovation industry, home renovation companies may apply to become a member of the scheme.</p> <p>The Buy with Confidence Scheme is a nationwide scheme run through cooperation of a number of Trading Standards Services and provides consumers with a list of local businesses which have attained Trading Standards Approved status. In order to become a member, a business must pass a set of background checks, including an audit of complaints history and customer references, and agreement to abide by a code of conduct. Business conduct will continue to be monitored through customer feedback and via Citizens Advice, a body established by the government that advocates for consumers and offers advice to them.</p>
	<p><u>TrustMark</u></p> <p>A government-endorsed quality scheme, TrustMark seeks to enhance consumer protection across a range of industry sectors in the home renovation industry, such as insulation, plumbing, windows and dooring, roofing, electrical works, paint, solar panels and double-glazing. Instead of accrediting businesses directly, TrustMark sublicenses certification and trade bodies as TrustMark scheme providers to deliver a membership scheme that meets the TrustMark standards, including its Framework Operating Requirements and a Code of Conduct. Companies seeking to become a TrustMark registered business shall register with a TrustMark scheme provider in accordance with the requirements of the membership scheme. Through this modus operandi, there are currently 37 TrustMark scheme operators (as of 4 January 2024) with around 15,000 registered businesses.</p> <p>Pursuant to the Framework Operating Requirements, in order to become a scheme provider, the body has to demonstrate amongst other things sufficient financial probity, adequate resources, staff competence, integrity and quality to develop and grow the TrustMark membership scheme. The attainment of relevant ISO standards may satisfy such criteria. Businesses seeking to register under a scheme need to demonstrate suitability in the areas of (amongst other things) financial and credit record, capability to supply the relevant services, compliance with laws and advertising standards, proper communication processes with consumers, provision of honest and clear advice to consumers, proper provision of quotations, contracts and related documents and responsive and user-friendly complaints and dispute handling policies and processes (including access to ADR processes).</p> <p>TrustMark audits scheme providers annually to ensure sustained compliance, whilst providing a suite of resources and tools to support the scheme providers. In turn, scheme providers are required to ensure (including through desktop audit) registered businesses' compliance with the Framework Operating Requirements and Code of Conduct.</p> <p>Separately, TrustMark also offers Trading Standards Approved accreditation in partnership with local authorities' Trading Standards.</p>
	<p><u>Which? Trusted Traders</u></p> <p>Which?, the largest independent, non-profit consumer protection advocate in the UK, provides endorsement to home renovation companies which meet its standards.</p> <p>Endorsement is based on comprehensive financial, behavioural, competence and reference checks. Such include review of credit reports, sample quotations and invoices, business T&Cs, customer satisfaction feedback, financial and credit checks, trading history, criminal record and other background checks, thorough examination of business and administrative procedures and a face-to-face visit and interview for full understanding of all aspects of the business. The assessor may also provide a list of actions to complete before endorsement is given, with guidance given on completing them as may be required. The endorsement fees vary based on the number of employees of the company.</p> <p>Endorsed companies are required to adhere to a Code of Conduct, which covers all aspects of the consumer relationship and the home renovation project including (amongst other things) professional competence, compliance with laws, reasonable contract duration, minimum terms of quotations and contracts.</p> <p>The endorsement status remains active so long the standards are met, which is subject to regular reassessment.</p>

Consumer education efforts and information resources provided by the government

In Canada, Mainland China, New York and the UK, the government or government-established bodies have further sought to provide consumers with information and tips on avoiding home renovation disputes (Table 20).

Table 20: Consumer education efforts in selected markets

Market	Details
Mainland China	The China Consumers Association and its provincial counterparts issue consumer warnings and tips on a regular basis and hold public lectures on home decoration consumption. For instance, during June – October 2023, the China Consumers Association and the China Building Decoration Association launched a special supervision campaign in providing information and consulting services to help consumers assess and understand issues relating to excessive construction and safety hazards.
Canada	At the federal level, general consumer protection guidelines on home renovations are set out on the website of the Office of Consumer Affairs by the Consumer Measures Committee. At state level, Consumer Protection BC in BC maintains a blog section on home renovations. It also provides public access to enforcement and licensing decisions against companies and individuals, as well as their licensing status. In Ontario, Consumer Protection Ontario provides information and tips on company engagement, quotations, minimum contract terms, consumers' rights and responsibilities and common home renovation scams. Links to additional information resources are provided, such as the Consumer Beware List.
US (New York)	Licensing information of companies is publicly accessible. General consumer protection guidelines on home renovations are set out on the website of the Office of the New York State Attorney General. The New York City's Administrative Code further requires the DCWP to conduct public education on home improvements at least semi-annually.
Singapore	Besides operating the CaseTrust Accreditation Schemes, the CASE publishes case alerts based on complaints received from consumers, including complaints on home renovation companies, with relevant consumer advice. In 2022, for instance, the CASE published an alert after receiving a total of 21 complaints against three companies for failing to complete home renovation projects according to committed timelines despite payment of substantial deposits upfront. The HDB's DRC is publicly accessible online, including HDB-registered renovation companies, BCA-approved window installers, and those which are CaseTrust accredited. The resources also show the company's infringement history, if any, in the past 24 months.
UK	General consumer protection guidelines on home renovations are set out on the website of Citizens Advice, a government-established body that advocates for consumer and offers advice. In addition, in autumn 2022, TrustMark in collaboration with the Health and Safety Executive (Britain's national regulator for workplace health and safety) has launched a free mobile "Home Improvements App" that seeks to guide consumers on how to engage a company, what to look for in terms of quality and protection and tips to procuring a good quality home renovation.

A number of private or privately-funded entities may also offer consumer education and tips. For instance, in the US and Canada, the BBB maintains an information webpage with consumer tips on the steps to take when selecting and engaging a home renovation company, including common mistakes to avoid and terms of a contract. Links to additional information resources are provided, including on necessary permits and post-completion inspections. In addition, consumers may search for reviews and complaints lodged with the BBB.

Payment protection

As the preceding Chapters noted, consumers are often required to pay substantial deposits, in certain cases as high as 40% of the price, prior to commencement of work and thereafter, progress payments until completion. Under Hong Kong law, the consumer does not retain any

property or interest in such sums paid, exposing them to risk if the home renovation company appropriates such sums for purposes other than the renovation or goes into insolvency.

In all the markets reviewed, various statutory and market-driven measures have sought to provide some level of protection for consumers in respect of their deposit payments.

Canada

In BC and Ontario, the Builders Lien Act and Construction Lien Act respectively provide that the consumer is entitled to withhold 10% of the total cost for a specified period (55 and 45 days respectively) from the date of completion, which may be used to settle unpaid subcontractors or suppliers engaged by the company. Limited protection is thus afforded to consumers against the risk of such subcontractors and suppliers raising claims against consumers for unpaid fees.

Mainland China

As mentioned above, the CP Committee offers escrow arrangement services through ZhuangXiuPay. Consumer deposits are paid into a segregated, closed escrow bank account designated by ZhuangXiuPay. The consumer and ZhuangXiuPay shall jointly supervise and appropriate such sums for use by the home renovation company in the home renovation project, such as for the purchase of materials. Whilst the consumer may unilaterally transfer funds from the escrow account to the company at any time, ZhuangXiuPay is contractually authorised to make such transfer if the relevant work has passed acceptance inspection and the consumer unreasonably delays payment.

Singapore

Under the HDRCR, as a condition of registration on the DRC, the company shall deposit and maintain a security deposit with the HDB for the due performance of its obligations in the form of a performance bond or banker's guarantee in sum of SGD10,000 (or such lesser amount as the HDB may specify).

Under the CaseTrust accreditation schemes, companies are required to purchase a deposit performance bond to protect consumers' deposits against contractual non-performance, closure, winding up and/or liquidation. Prepayments are insured through the CaseTrust's prepayment protection requirements.

United Kingdom

A variety of payment protection schemes are offered to consumers in the home renovation market:

- (i) TrustMark offers escrow services in collaboration with an escrow service provider regulated by the Financial Conduct Authority to consumers of its accredited businesses. According to the fee scale of the escrow service provider, the escrow fee ranges from GBP5.98 (for sums less than GBP10,000) to GBP592.32 (for sums exceeding GBP100,000) with a charge of GBP2.95 per pay-out. Different but broadly similar charges are levied for transactions in other currencies.
- (ii) The Furniture & Home Improvement Ombudsman ("**FHIO**"), established by the Office of Fair Trading as a government-approved, non-profit organisation set up to help resolve disputes and raise standards, operates a payment protection scheme to consumers who have made 100% advance payment of a home improvement installation to FHIO members

participating in the scheme. These FHIO members are required to deposit an amount, being 20% of the cumulative gross contract price of all legitimate complaints handled by the FHIO against participating members, in a designated account that can be drawn upon to pay an award of compensation to consumers following a complaint being upheld in their favour.

- (iii) In addition, different trade associations offer other payment protection products to consumers of its members. For instance, the Consumer Protection Association (a TrustMark scheme operator) and the Home Improvement Guarantee offer insurance-backed guarantees and deposit protection. According to the latter, it is granted Trading Standards Buy with Confidence Approval and the majority of its members have attained the same status.
- (iv) Lastly, if payments were made by credit card, section 75 of the Consumer Credit Act 1974 provides that, depending on the price of specified work items, the credit card provider may be jointly and severally liable to the consumer for any contract breach or misrepresentation by the home renovation company.

United States (New York)

The New York Lien Law provides that payments made prior to substantial completion of work shall be deposited within five business days in an escrow account in a bank or a depository institution in the State, and be clearly identified as belonging to the consumer in the company books and records. The company must then inform the owner the name of the depository within ten business days²⁶. Alternatively, the contractor is given the option to post a bond or contract of indemnity issued by a licensed surety company, or an irrevocable letter of credit issued by a bank or financial institution located in the State, guaranteeing the return of payments or proper application of the payments to the purposes of the contract. The bond, contract of indemnity or irrevocable letter of credit shall be delivered to the consumer within ten business days after receipt of payment.

Deposit payments remain the consumer's property until proper payment, breach, default and substantial performance of the contract. The deposits withdrawn shall not exceed the total amount shown in the schedule of payments and the amount must bear a reasonable relationship to the amount of works to be performed, materials purchased, or expenses for which the contractor would be obligated.

Separately, companies must also provide a bond in sum of USD20,000 in cash or via a surety company bond to the DCWP, or participate in the Home Improvement Business Trust Fund (at a fee of USD200 per licence) which is established to provide for the payment of outstanding awards to consumers and fines owed to the DCWP.

Alternative Dispute Resolution

Canada (Ontario)

In Ontario, consumer complaints may be filed with Consumer Protection Ontario. The company in question would be notified of the complaint and is expected to respond to the complaint, and address and resolve the issue to the consumer's satisfaction. If no action is taken by the company after two notifications, it will be included in the Consumer Beware List.

²⁶ Subsection 4(a) of Section 71-A of the NY Lien Law.

If Consumer Protection Ontario determines that the company may have contravened consumer protection legislation, it may provide mediation free of charge to the parties.

Mainland China

In 2011, the People's Mediation Law of the People's Republic of China (中華人民共和國人民調解法) came into effect. According to the law, people's mediation commissions may not charge fees for the mediation of community disputes.

In 2016, the Provisions of the Supreme People's Court on Mediation Invited by People's Courts (最高人民法院關於人民法院特邀調解的規定) came into effect. Under the Provisions and subsequent related provisions and notices, the people's courts are encouraged to invite litigating parties to attempt mediation where considered suitable before filing a case (and at any stage of proceedings) and shall invite, certify and maintain a public list of mediation bodies and mediators for carrying out such mediations. Mediators so invited shall also receive professional training organised by the people's courts. The online People's Court Mediation Platform (人民法院調解平台) was launched to connect and integrate various resources offering a comprehensive community dispute resolution service throughout the nation.

Pursuant to these initiatives, various mediation commissions have been set up by trade associations that offer mediation services in the home renovation sector, such as:

- (i) The China National Interior Decoration Association Mediation Commission
(中國室內裝飾協會人民調解委員會)
- (ii) The China Building Decoration Association Legal Services and Mediation Commission
(中國建築裝飾協會法律服務及調解委員會)
- (iii) The Wuhan Building Decoration Association Mediation Commission
(武漢建築裝飾協會行業糾紛人民調解委員會)

Singapore

Consumers may seek assistance through the CASE (including its mediation centre which maintains a pool of volunteer mediators), the Singapore Mediation Centre or the local Small Claims Tribunal. From statistics provided by the CASE, out of the 59 cases that were lodged against CaseTrust accredited companies, 12 consumers authorised the CASE to represent them in the negotiations, of which six were resolved through the CASE's direct intervention and two through its mediation centre.

United Kingdom

The various scheme operators offer ADR services for disputes between consumers and their members. For instance:

- (i) The FHIO determines disputes encountered with its full member companies where the consumer's claim amount does not exceed GBP10,000 (excluding any claim for refund of the purchase price). The scheme is supported by fees charged to companies registered with the FHIO and is free of charge to consumers. The determination process includes receiving and reviewing information, documents and materials from each party and, if necessary and the consumer consents, an inspection by an independent expert arranged by the Ombudsman. The process and the award are confidential to the parties. Opportunities for settlement will be explored during the process. An award will be

rendered taking into account also relevant consumer legislation and what appears to be fair and reasonable in the circumstances. The consumer may choose to accept the award, upon which it becomes contractually binding, or reject it. Hence, a consumer dissatisfied with an award may still pursue legal action.

- (ii) TrustMark requires its scheme providers to investigate a complaint against the company, liaise with the parties and arrange with the company concerned to carry out remedial work if necessary. Scheme providers may also have an ADR provider for resolving disputes under their schemes. If these measures are unable to resolve the dispute, the dispute shall then be submitted for determination under the FHIO's Dispute Resolution Ombudsman (TrustMark being a member of the FHIO).
- (iii) Under Which? Trusted Traders' Code of Conduct, the company is required to address a complaint and attempt a resolution within eight weeks. Failing which, the dispute shall be referred to a dispute resolution provider contracted by Which? free of charge to the consumer. Whilst the dispute resolution provider had been the FHIO's Dispute Resolution Ombudsman, since 31 October 2023, the Royal Institution of Chartered Surveyors has taken up the role. In all cases, the complaint will be audited by Which? and used as compliance checks against the company.

7.4 Summary

In the markets reviewed, various consumer protection initiatives are undertaken by the government, government-endorsed bodies and/or private entities in the home renovation sector. These include (i) the imposition of mandatory contract terms in most markets, (ii) mandatory licensing requirements in some markets and voluntary accreditation schemes in others, (iii) information resources including consumer tips, lists of licensed/accredited companies and enforcement/complaint history against companies, (iv) payment protection measures including escrow arrangements, insurance-backed guarantees and deposit protection schemes, and (v) ADR mechanisms in most markets.

It is insightful that in markets that lack specific licensing and regulatory oversight of home renovation companies, there is no lack of self-regulatory efforts by the industry and the government alike. In the UK in particular, an abundance of government-endorsed and private accreditation and membership schemes offer a host of consumer protection services ranging from adoption of scheme contracts, payment protection measures and ADR services.

Further, irrespective of whether a specific regulatory regime exists, most markets place emphasis on the use of mediation and ADR to resolve disputes, as part of accreditation scheme benefits (as in the UK) or as independent judicial promotion (as in Mainland China).

While no one-size-fits-all model can be directly applied in Hong Kong, it is important to consider the benefits and insights that can be gained from the review. A hybrid model that combines elements of the regulatory and self-regulatory approaches may offer a viable solution for Hong Kong's home renovation industry. By drawing on the strengths of each approach, it is possible to create a regulatory framework that promotes consumer protection, fosters fair competition and ensures the delivery of quality renovation services.

8 Recommendations

8.1 Rationales for Recommendations

The driving force underlying this Study is the betterment of consumer education and empowerment in the engagement of a suitable, professional and reliable home renovation company. The home renovation industry is diverse. Home renovation companies vary in scale, operations and services offered, ranging from one-person companies to “one-stop” shops that offer also professional design services. The needs of consumers also vary extensively, depending on the extent of renovation required, budget and type of housing. These factors underlie the necessity of extensive research and forethought by a consumer ahead of embarking on a home renovation project and engaging a home renovation company.

On the other hand, superlative advertising claims, inaccurate advice, lack of market transparency and industry standards coupled with the consumer’s own inexperience render it difficult for useful comparisons between different companies and proper assessment to be made. Unwary, inexperienced consumers may fall victim to unscrupulous trade practices or otherwise lack awareness of whether and how certain works may legitimately be carried out.

When disputes arise that could not be amicably resolved, legal action may ensue that could take years to complete. Complex factual and technical disputes underlie issues commonly arising, including allegations of progress and completion delays, defective work and materials, excessive charges and the damages suffered. Expert evidence is often required, adding to cost of litigation. For the consumer, the damages suffered may be substantial as work is likely to have already commenced, leaving the property in an uninhabitable state, forcing the consumer to seek alternative accommodation and incur additional cost to complete the renovation.

Whilst market-driven initiatives seek to empower consumers with services ranging from accreditation, matching, inspection and ADR, they are fragmented and have not yet gained recognisable market traction and consumer trust to date. Such services may also entail additional cost that consumers may not be willing or able to afford. Likewise, home renovation companies may generally prefer to rely on client referrals to promote their businesses than pay for accreditation or online matching services.

Lastly, whilst some works may only be carried out by qualified minor works contractors or with regulatory approval, there is no specific law and regulation that regulates home renovation companies. General consumer laws such as the TDO offer a layer of protection, but do not provide a comprehensive shield for consumers. Indeed, prosecutions and convictions procured by the C&ED are limited in number considering the challenges in gathering enough evidence.

The Council’s Recommendations

In the circumstances, the Council puts forward the following recommendations to strengthen consumer protection, awareness and education in their home renovation journey and, in so doing, drive the quality of the entire industry:

- (i) Establish a standard form quotation
- (ii) Establish a Government-endorsed accreditation scheme
- (iii) Adopt a cost-efficient and effective ADR mechanism

(iv) Intensify consumer education

In proposing these recommendations, the Council has considered whether mandatory licensing and regulatory control of home renovation companies similar to those adopted in Mainland China and the US are apposite. The Council considers that given the diversity of companies and professional associations operating in the home renovation industry in Hong Kong, the potential impact of a mandatory licensing regime on smaller-scale companies as well as current market-driven initiatives would need to be further analysed to avoid inadvertent stifling of competition and innovation. Instead, non-regulatory consumer protection measures adopted in Canada, Singapore and the UK offer invaluable insight on how the Hong Kong market may be self-regulated. It is probable that full implementation of the recommendations herein would to a certain degree empower consumers to make well-informed choice, reduce the risk of disputes and in the event that a dispute does arise, facilitate speedy and cost-effective resolution and redress. As such, whilst the possibility of regulatory control and oversight may be reviewed in the long run, the Council considers that short- and medium-term measures should be adopted to provide consumers with advanced protection.

8.2 Recommendation 1 – Establish a Standard Form Quotation

In the consumer perception survey (Chapter 3), respondents expressed consensus that contracts are necessary for home renovation projects. In the “consumers’ wish list”, the availability of a standard form quotation ranked second on the list.

In practice, consumers often encountered difficulties when making comparisons between quotations provided by different traders due to absence of standard form and content. Results of the mystery visits (Chapter 4) also revealed that for the same project, the items of work and specifications covered could differ drastically between quotations. As revealed in Chapter 2, of the 263 complaints which had written contracts or quotations, 55% did not contain completion date, price breakdown, payment schedules and information on warranties. In some cases, unreasonably high deposits and unclear payment terms were stated. From the complaints reviewed, the initial deposit would normally be as high as 40% of the total contract price.

The absence of clear contract terms on these matters may prove to be a fertile ground for dispute. According to the published court judgments reviewed, the absence of quality-related specifications often results in allegations of defective work. As some stakeholders suggested, renovation is not an artwork and some consumers may hold unrealistically high-quality expectations. It is thus important that, if the consumers hold quality requirements beyond the legal standard of “reasonable care and skill”, that they be expressed and particularised in the contract. Further, the contract should clearly specify the materials to be used, such as flooring and furniture specifications, and the party responsible for their purchase.

The absence of contractual mechanisms on work and work schedule variations is another common reason for disputes on whether such variations were agreed by the consumer and the consequences (including price variation), and whether the company ought to be liable for any delay. As the consumer perception survey indicated, however, nearly 30% of respondents considered that it is not necessary for work variations to be agreed in the form of a revised quotation. Lastly, the judgments indicate that consumers may not be aware of their legal obligations, such as to pay the price upon “practical completion” (that is, free from patent defects, but subject to abatement for minor defects) and to afford the home renovation

company a reasonable opportunity to rectify minor defects. As a judgment identified²⁷, a contractual right by the consumer to withhold payment (say 10% of the price) upon completion would serve both parties' interests by giving them the opportunity to find and make good any faulty workmanship. As the judgments indicate, consumers inadvertently acting contrary to their legal obligations may be in breach of contract and find themselves at the receiving end of a claim.

As Chapter 6 identifies, the owner of a property is responsible for ensuring compliance with various safety laws and regulations. He may also be liable as occupier for the reasonable safety of the workers. The owner should thus ensure that ECI and TPLI/CARI policies are taken out, either by the home renovation company or himself, naming the owner as principal and co-insured against such liabilities.

The adoption of consumer-focused standard terms boosts consumer protection whilst balancing between the consumer's and the home renovation company's interests. Stakeholders in the public sector and professional associations in the private sector support the inclusion of mandatory terms in the contract. Indeed, the HKBIA, the HKIS and a few online matching platforms have promulgated standard form quotations and guidelines. Nonetheless, lack of familiarity and trust by the general public and the industry with these resources have inhibited their widespread adoption. Some traders also expressed that there was room for improving these standard form quotations and guidelines for better alignment with the realities of how home renovation projects are carried out.

In light of the foregoing, the Council recommends the promulgation of an industry-wide, publicly accessible standard form quotation that could be adopted by companies for consideration and acceptance by consumers, the acceptance of which by the consumer shall constitute a binding contract on its terms. The standard form quotation should be developed in consultation with the public and the industry for alignment with prevailing industry best practices.

Standard Terms to be Industry-Driven and Overseen by the Government

Hong Kong lacks general consumer legislation imposing mandatory written contract terms in consumer contracts, including those relating to home renovation. A review of the various regimes in other markets and standard contract templates published in the Renovation Guideline and by the HKIS and HA suggest that industry-driven standard form quotations is preferable in addressing the specific problems identified:

- (i) In Canada and the UK, mandatory written contract terms are imposed for consumer distance contracts. They are generalised with the objective of spanning different industries. As such, they are not able to pinpoint the consumer pain points specific to the home renovation industry. For instance, there are no mandatory provisions required for standards of workmanship, work variations and completion standards that commonly give rise to disputes.
- (ii) In Mainland China and New York, legislation which specifically targets the home renovation industry afford better precision in addressing specific issues arising in the industry. For instance, in Mainland China, contracts are required to state the rooms and gross floor area to be renovated, together with standards of workmanship and the inspection and

²⁷ *Pamax Ltd v Cross Max Interiors Ltd* (HCA 2181/2002).

acceptance mechanism upon completion. Complementing such terms, the law also provides for minimum two-year warranties, which bind subcontractors. In the US, contracts are required to state the make and model number of materials to be used and whether time of completion is of the essence. Complementing such terms, the law also provides that deposits paid by consumers remain their property until proper appropriation to the purposes of the contract and requires that they be deposited into escrow accounts.

- (iii) Nonetheless, as these laws seek to balance between consumers' rights, home renovation companies' interests and freedom of contract, they are not able to condescend into detail in accordance with industry best practices or promptly adjust to industry developments, such as the prevalence of online matching platforms and associated use of information technology, and entailing consumer issues arising such as data protection requirements.
- (iv) In contrast, industry-driven standard terms could flexibly adapt to change in circumstances and specifically provide for the protection and clarity that consumers need in their home renovation journey. For instance, the Renovation Guideline provides that work variations shall be charged at a price referable to those of same or similar items in the original contract. It also provides that the home renovation company shall be responsible for seeking approvals under the DMC as well as the law, thus recognising the consumer's expectation to rely on the company's professional knowledge and expertise. The HKIS and HA templates require the consumer's prior consent for any subcontracting. Importantly, the Renovation Guideline and HKIS templates expressly reflect the legal standard of "practical completion" in their standard terms, whilst providing for the consumer's right to withhold part of the final payment and a defect liability period during which the company shall be obliged to remedy minor defects.

Standard Terms to Target Problems Identified

Taking into account the foregoing considerations, it is recommended that the following material aspects of a home renovation project be included in the standard terms:

Aspect	Details
<i>Work and price</i>	
Company information	<ul style="list-style-type: none"> • Company details (e.g. name, shop address, company and business registration number, contact information, licences obtained, etc.) • Staff and (if any) subcontractor credentials (e.g. professional qualifications and relevant experience) • Signature and company chop on the quotation
Price	<ul style="list-style-type: none"> • Total and itemised price (or binding, reasonable fee estimate) (labour and materials as separate items; including quantities and unit prices) • Agreed fixed fees for specific work items • Additional fees payable (e.g. third-party transport costs of materials) • Detailed charging mechanism for additional works outside agreed fixed fees (e.g. installation of additional power sockets) on itemised basis with reference to the same or similar items originally contracted for, and authority to incur additional fees up to a specified amount • Additional work items not to be charged without the consumer's prior written approval (see work variations below)
Scope of work and specification of work items and materials	<ul style="list-style-type: none"> • Overall scope of work • Annexed floorplan of the property and any agreed layout, design and drawings • Detailed breakdown of work items to be carried out

	<ul style="list-style-type: none"> Excluded work and items, in particular, materials and/or furniture to be purchased directly by the consumer (or the company on his behalf) Specifications and method(s) pursuant to which each work item shall be carried out The property or parts of the property (e.g. kitchen, living area, dining area, room(s), patio(s) and garden/outdoor area) in respect of which each item of work shall be carried out Details of materials to be used, including brand name and model Arrangement for materials to be purchased by the consumer (e.g. transport, installation, liability for damage, etc.)
Standards of workmanship	<ul style="list-style-type: none"> As a minimum, good and workmanlike manner, using reasonable skills and care Specifically agreed quality standards for specific work item(s), if any
Project period (including start/ completion dates and extensions)	<ul style="list-style-type: none"> Project period, with expected dates of commencement and completion Working period and hours (e.g. whether work is excluded on Saturdays, Sundays and public holidays) A work schedule of the material work items, showing the intended order in which the work items shall be concurrently or consecutively carried out (this is to avoid allegation of non-commencement or delay in carrying out certain work items) Mechanism for seeking extension of project period or any part thereof, including as a minimum: (i) written notice be given for agreed bases for extensions, including inclement weather, shipping delays for third party supplies, variations or additional works not attributable to the company's fault, and (ii) for other reasons, no variation of project period without the consumer's prior written approval
Periodic payment schedule (if any)/ Payment terms	<ul style="list-style-type: none"> Progress payment schedule (i.e. milestone payment events by reference to specific work item(s) completed (including materials purchased) rather than specified percentages of overall completion of the project) Consumer's payment obligation is subject to (i) satisfactory completion of relevant work item(s) according to agreed standards, (ii) consumer's right to inspect in accordance with agreed inspection mechanism, and (iii) the company's obligation to rectify defects In the event that the company is obliged to rectify defects as aforesaid, the consumer's withholding of making further payment pending defect rectification as per the agreed terms shall not entitle the company to suspend work Agreed payment method(s)
Deposits	<ul style="list-style-type: none"> Deposits to be paid per periodic payment schedule The consumer's rights to the deposits paid under escrow or trust arrangements, if any
<i>Operational aspects</i>	
Sufficient working area	<ul style="list-style-type: none"> The consumer shall procure that the premises (or part thereof as the case may be) is sufficiently clear of obstructions at the time of handover to enable the renovation work to be carried out
Work variations	<ul style="list-style-type: none"> Mechanism for variations or additional works, including as to price (with reference to the same or similar items originally contracted for, absence which to be agreed with the consumer) and project extension No variation or additional work to be undertaken without execution of additional written quotation or contract by the consumer, which shall state the agreed work item(s) and the price
Subcontracting	<ul style="list-style-type: none"> List of subcontractors intended to be engaged by the company, their professional qualifications, licences, and the work item(s) to be carried out by them Provision of information of other subcontractors proposed to be engaged by the company in the course of the project

	<ul style="list-style-type: none"> No further subcontracting allowed without the consumer's prior written approval
Health and safety precautions	<ul style="list-style-type: none"> The company shall prevent health and safety risks, minimise pollution, nuisance to neighbours, and take safety and security measures and bear all costs incurred in making good any damage caused
Protection of finished works	<ul style="list-style-type: none"> The company shall protect the premises and any finished work item from damage or harm until completion of the project and handover of the premises to the consumer
Compliance with laws	<ul style="list-style-type: none"> The company shall ensure that the works comply with (i) all statutory requirements, and (ii) the DMC and house rules of the property, in each case including but not limited to alterations and additions, working hours, control of noise, fire safety, environment, waterworks, wastewater disposal and waste The company shall be responsible for seeking regulatory approval, and approval from property management if required The company shall be responsible for wage payment of the workers. The company shall engage suitably qualified and competent workers, including licensed workers where applicable, and shall not engage illegal workers
Completion standards	<ul style="list-style-type: none"> Work items shall be considered as completed when they are free from patent defects other than minor or trifling ones An inspection mechanism pursuant to which the consumer shall be entitled to (whether directly or appointment of a third-party inspector to) inspect the work (i) in the course of the project, (ii) at each milestone payment event stage, and (iii) upon completion, with right to demand the company to rectify any patent or minor defect identified
Cleaning upon completion	<ul style="list-style-type: none"> Upon completion of the works, the company shall remove all plant, tools and materials and deliver up vacant possession of the premises to the consumer in a clean and tidy condition
<i>Warranties, rights and remedies</i>	
Liquidated damages for delay/ Other remedies	<ul style="list-style-type: none"> If so agreed, liquidated damages for delay at a rate to be agreed by the parties shall be payable by the company if the delay is attributable to the company's fault, with the right of set-off against any sums due or payable to the company Other remedies may be expressly provided for – e.g. defective materials (such as floorboards and furniture) or workmanship (such as installation thereof)
Warranty and guarantees	<ul style="list-style-type: none"> Agreed defect liability period During the defect liability period, the company shall upon the consumer's request rectify all defects which do not conform to the specifications Agreed terms for withholding final payment pending defect rectification and payment arrangement upon rectification of all such defects
Termination	<ul style="list-style-type: none"> The validity period of the company's quotation for the consumer's acceptance The consumer may terminate the contract by written notice if the company (i) does not regularly and diligently carry out the works, (ii) does not comply with statutory requirements, the relevant DMC and house rules, (iii) is incompetent so that the works are of an unacceptable standard or otherwise not in accordance with the work details, and the company does not remedy the default within a mutually agreed period upon receiving the consumer's written warning The company is entitled to terminate the contract by written notice if the consumer (i) does not pay an amount properly due to the company, or (ii) prevents or obstructs the company from carrying out the works for an agreed period of time, and does not remedy the default within an agreed period of time after receiving a written warning from the company
Remedies upon termination	<ul style="list-style-type: none"> Upon termination by the consumer for the company's breach, the consumer shall not be required to make any further payment until after completion of works by another contractor, and may recover from the company the additional costs to him of completing the works and any direct or

	<p>consequential loss and/or damage caused to him by the termination of the contract</p> <ul style="list-style-type: none"> • Upon termination by the company for the consumer's breach, the consumer shall pay the company within 14 days the value of the work properly carried out and unfixed materials and goods ordered for the works
Insurance	<ul style="list-style-type: none"> • The company shall take out and maintain ECI and TPLI/CARL policies; if the company fails to do so, the consumer may take out such insurance and seek reimbursement from the company • The company shall provide copies of the said policies to the consumer

In addition, standard provisions may provide for:

(i) **Cooling-off period**

The Council's long-time advocacy for introduction of a mandatory cooling-off period in specific service industries extends to the home renovation industry:

- Suspicious claims and dubious sales practices may impair a consumer's judgment. Chapter 4 observes discrepancies between written and verbal terms, and haphazard (or even deliberate) wrong advice given on permissibility of illegal structural alterations. A consumer may only discover such discrepancies or wrong advice subsequent to entering into the contract.
- Secondly, consumers may be lured into immediate commitment for modestly priced partial renovation projects, at times in return for promised discounts, without affording time for consideration. The mystery visits showed that there were occasions where traders lure consumers to pay a deposit immediately to secure some discounts. In the consumer survey, consumers expressed concern of pressure sales tactics to force them into purchasing expensive packages.

The availability of a cooling-off period enables the consumer to cancel the purchase and obtain refund without the need to raise or litigate a dispute. In this regard, the Council considers that a seven-day period offers reasonable protection to consumers whilst preserving the home renovation company's interest in commencing work as soon as practicable. On the other hand, the right of cancellation should be extinguished upon commencement of work with the consumer's written approval. Further, recognising that preparation work may already have been carried out by the company prior to formal engagement, such as on-site measurements and preparation of a detailed quotation, a reasonable administration fee commensurate with the preparation work may be charged if so agreed in writing by the consumer prior to undertaking such preparation work.

(ii) **Alternative Dispute Resolution mechanism**

Despite the adoption of standard form quotation, the possibility of disputes is not completely obviated. In particular, disputes may arise as to whether the home renovation company has carried out work according to agreed standards such that the consumer's obligation to pay a progress payment arises. The standard form quotation may thus also incorporate a cost-effective and speedy ADR mechanism. The Council's proposed ADR mechanism is elaborated in Section 8.4.

(iii) **Payment protection – escrow or express trust arrangements for deposits paid**

As Chapter 6 highlights, under Hong Kong law, the consumer does not retain any property in deposits paid to the home renovation company. The company is free to use the deposit as it wishes, including for purposes other than the consumer's project. If the company enters into insolvency, the consumer may only claim recovery of sums paid as an unsecured creditor.

In contrast, in New York, consumer's deposits are required to be paid into an escrow account. Such deposits remain the consumer's property until proper payment according to the payment schedule or substantial completion of the renovation project. In the UK, some professional associations offer escrow arrangement services to those who engage their member companies.

The use of escrow arrangements significantly improves consumer payment protection. They ensure that funds paid by a consumer are properly utilised for his project, effectively incentivising home renovation companies to satisfactorily complete work on time and resolve disputes in an amicable manner, and mitigating against the risk of misappropriation of such funds for other, non-project related purposes. If the company winds up or becomes insolvent, the consumer would be entitled to return of the funds which remain his property.

The Council nonetheless recognises that escrow arrangements would entail professional fees of third-party escrow agents, which is likely to translate into additional cost of the home renovation project to be borne by the consumer. The additional administrative burden and delay involved in approving and arranging payments out of an escrow account may be another disincentive and indeed a potential cause of dispute. The credibility, independency and trustworthiness of such escrow agents would also need to be considered. Importantly, if a home renovation company is itself longstanding, reputable and financially stable, it begs the question whether placing funds with a third party necessarily enhances the security of those funds.

To address these concerns, the possibility of establishing a Government-approved escrow agent should be explored. Reference could be drawn to the escrow agent ZhuangXiuPay in Mainland China which is supervised by the Consumer Professional Committee of Guangdong Decoration Industry Association, which in turn is a self-regulatory organisation in the decoration industry established with government approval. In the UK, the escrow service offered by TrustMark is provided by an escrow service provider authorised and regulated by the Financial Conduct Authority to do so.

An alternative, no-cost option is to incorporate express trust provisions into the contract. By expressly providing that the home renovation company holds such deposits on trust for the consumer and the circumstances under which such funds may be utilised, a similar level of protection is offered to the consumer. Whilst it remains possible for the company to misappropriate the funds paid to him in breach of contract, the consumer would (subject to certain legal constraints) be legally entitled to trace the whereabouts and seek recovery of such funds or assets purchased with such funds. Related parties, such as the proprietor of the company, may also be personally liable for sums misappropriated by him.

In any event, wide-spread adoption of escrow or trust arrangements would involve a cultural change of mindset and behaviour of both home renovation companies and consumers alike. As noted in the consumer perception survey, respondents' support for escrow arrangements is relatively low. Companies naturally also desire the ability to use funds generally as working capital. Nonetheless, it is necessary to bear in mind that escrow arrangements have been implemented in other markets, whether mandatorily or on voluntary basis, which testifies to their practicability, effectiveness, operability and importance in consumer protection. Given the significant payment protection that could be gained, coupled with the fact that the sums could be substantial, the Council considers that wider promotion of escrow or trust arrangements ought to be studied in the long run.

Whilst industry-wide adoption of a standard form quotation would definitely assist consumers in comparing quotations from different home renovation companies and, if a contract is entered on those terms, confer important consumer protection rights, the promulgation of such template and the enhancement of consumers' ability in sourcing reputable and trustworthy companies require additional measures. This leads to Recommendation 2 below.

8.3 Recommendation 2 – Establish a Government-endorsed Accreditation Scheme

In 2000, a spate of non-compliant construction incidents (in particular, defective piling works in HA properties) prompted widespread public concern of the need to reform the construction industry. As a result, the Government set up the Construction Industry Review Committee ("CIRC") to review and identify improvement measures. In its report, the CIRC recommended over 100 improvement measures, covering the whole spectrum of activities in the construction industry, such as realistic project planning and programming, site supervision, construction procurement and nurturing a professional workforce, so as to lift their quality and cost effectiveness. A number of the CIRC's recommendations were implemented and passed into legislation. In 2007, the CIC was established pursuant to the CICO.

Relevant to this Recommendation, the CIRC identified that the quality and performance of renovation contractors and decorators, especially those engaged in home decoration business, was a major concern to the general public. The CIRC recognised the typical small scale of home renovation projects on one hand and the vast number of decorators and renovation contractors in the market on the other. Balancing the need to raise the quality of decoration and renovation works while avoiding a cumbersome regulatory mechanism, the CIRC recommended a "Voluntary Registration Scheme of Renovation Contractors" ("**Voluntary Registration Scheme**") for renovation contractors and decorators by a statutory industry co-ordinating body but administered by the industry itself. In so doing, the CIRC made reference to the then Quality Mark scheme (now the government-endorsed TrustMark Scheme) in the UK initiated for builders in the domestic repair, maintenance and improvement sectors with the aim of raising the standards of workmanship. It was intended that, under the Voluntary Registration Scheme, consumers would be able to identify reputable builders (including plumbers, electricians, decorators and other specialist trades) who have shown to independent assessors that they possess the skills and competence to complete work to a high quality and customer standards. In addition, work undertaken by companies registered under the scheme will be protected by a comprehensive third-party warranty covering them against defects and unfinished work. In turn, contractors with a poor performance record will be weeded out

through market forces. While the idea could bring direct benefits to the public, the Voluntary Registration Scheme has not been implemented to date.

Reasons for an Accreditation Scheme

In the absence of a mandatory licensing regime, the Council supports the CIRC's recommendation to establish an accreditation scheme for home renovation companies as being necessary to empower consumers to make well-informed choice:

- (i) As the consumer perception survey (Chapter 3) shows and echoing the CIRC's observations, consumers expressed concern that there are far too many home renovation companies in the market on one hand and the lack of public and transparent information on the other. The establishment of a home renovation company licensing scheme ranks fourth in the "consumers' wish list".
- (ii) Whilst certain works may need to be carried out by licensed workers to ensure their technical safety, as the consumer perception survey noted, consumers generally do not know whether a home renovation company would engage licensed workers. They could only rely on the company's representations to such effect, if any were sought or made.
- (iii) From the consumer perception survey and trader interviews, there is currently a lack of authoritative guidance for consumers. Some may go for the cheapest quotation, whilst others may balance price with quality, relying in this regard on referrals from relatives who underwent renovations themselves. Neither approach offers an objective and authoritative guidance to consumers.
- (iv) The value of an accreditation scheme for home renovation companies thus lies in boosting consumer assurance of the quality of companies so accredited. Through professional and objective assessment by the scheme operator, consumers are thereby alleviated of the burden of having to conduct in-depth due diligence themselves, in circumstances when they lack expertise to do so.
- (v) Accreditation schemes are prevalent in most of the markets reviewed. These schemes are most established in the UK, such as TrustMark and Which? Trusted Traders, followed by Singapore with its CaseTrust scheme. In this regard, it is insightful that TrustMark is government-endorsed. Further, its modus operandi of sublicensing and partnering with certification and trade bodies of different industry sectors acting as scheme operators has allowed an extensive outreach of the availability of accreditation to companies offering different types of services, spanning from general home renovation works to such specialist trades as plumbing, electricity, roofing, paint, fabrics and energy efficient works.
- (vi) Whilst Chapters 3 and 5 indicate that consumers and some trader interviewees support a blacklist of problematic home renovation companies (in fact, ranking first in the "consumers' wish list"), an accreditation scheme publicising a whitelist of quality companies may well be more effective given the vast number of home renovation companies in the market.

The Accreditation Scheme to be Government-Endorsed and Administered by the Industry

The Council further suggests that the accreditation scheme should be Government-endorsed, but administered by the home renovation industry. In Hong Kong, whilst registration or certification schemes of renovation contractors exist in both public and private sectors, they have their own limitations:

- (i) In the public sector, the RSTCS administered by the CIC and the HA's RLDC target only specific audiences rather than the wider consumer market. The RSTCS covers primarily subcontractors operating in the construction industry, and it is not known how many also offer services for home renovation projects. For the HA's RLDC, the primary audience is tenants of newly completed PRH estates and owners of SSF developments. Further, whilst consumer protection is in part enhanced through imposition of minimum registration requirements (including as to track record), mandatory contract terms and oversight by the HA, its stated purposes are to ensure that the decoration works do not adversely affect the building structure and other tenants, as well as combatting triad activity.
- (ii) The accreditation or certification schemes offered by the HKBIA, ADC and QMC target the wider consumer market. Nonetheless, the cost of application may be daunting for smaller-scale contractors serving the mid-range or lower end of the market. In particular, the ADC Scheme appears to cater for the upmarket segment but not the general mass. Contractors operating in the lower end market may be of good quality, but nonetheless do not have the resources, systems or measures in place to meet the scheme requirements. This disadvantages lower end consumers in their ability to identify quality contractors operating in their market segment.
- (iii) Online matching platforms require home renovation companies to be registered with the platforms before providing matching services for them. In so doing, such platforms require such companies to satisfy a variety of criteria, including their licences, experience and customer feedback. Assessment interviews may also be held. However, consumers do not have access to the register. Those who purchase matching services are assigned only several companies to choose from, thus limiting their choice.
- (iv) Further, as the preceding Chapters observe, the confidence and trust of these online matching platforms are yet to be popularised. This suggests that for an accreditation scheme to be truly effective, a coordinated effort is required to cement and fortify current fragmented efforts, whilst collectively exploring improvements to scheme requirements that satisfy both consumer and company needs and expectations to gain wider market acceptance.

A Government-endorsed accreditation scheme for home renovation companies is likely to be more receptive by the public as being credible and reliable, compared to current private registration schemes and services. The longstanding nature of registration schemes operated by the CIC and the HA are testimony to their respective target audience's confidence in such schemes and their utility in facilitating selection of quality contractors.

Instead of accrediting home renovation companies directly, the scheme should seek to approve trade or professional associations as accreditation bodies, which in turn shall be responsible for ensuring compliance with the scheme requirements by their accredited (or registered) member companies. This is what the UK's TrustMark scheme offers in achieving industry self-

administration. An example of a similar scheme in Hong Kong is the “No Fakes Pledge” scheme launched by the Intellectual Property Department²⁸ with 11 trade associations spanning different retail sectors as issuing bodies. The advantages are:

- (i) Given the efforts and experience of various trade associations, the accreditation scheme may benefit from the experience and expertise gained by these stakeholders. Through close collaboration with them and their close ties with the home renovation market, continuous refinement and improvement to the scheme could efficiently be achieved in response to the changing consumer needs in the market.
- (ii) The Government-endorsed accreditation scheme could seek to adjust and align such stakeholders’ services with a standard set of scheme requirements that meet consumer and trader needs, with such adjustments as appropriate to the service type(s) under each stakeholder’s purview. Such alignment would be to the private stakeholders’ benefit as, by aligning its requirements to those of the Government-endorsed accreditation scheme in order to obtain the status of a Government-endorsed accreditation body, its market visibility, credibility and reliability in the consumer market would be enhanced.
- (iii) In this regard, the approval of accreditation bodies offering similar services is likely to foster market-driven competition. As accreditation bodies seek to promote competitiveness for their own benefits and those of their accredited members, they may be incentivised to undertake or require members to undertake further value-added consumer protection initiatives on top of the standard requirements of the scheme.
- (iv) In addition, as the home renovation industry encompasses different service types (for instance, plumbing), other trade associations of such service types (for instance, the HK Licensed Plumbers Association Ltd.) may be encouraged to join in the accreditation scheme, thereby improving the quality and standards of their members. In the long run, online matching platforms, building inspection associations and escrow agents, if qualified, may also become accreditation bodies.
- (v) Last but not least, as the scheme develops and expands its reach to consumers at large, oversight of a comparatively limited number of accreditation bodies may be less administratively burdensome and more cost efficient than if it were to directly oversee accredited home renovation companies.

Requirements of the Accreditation Scheme

In order to facilitate consumers’ informed decision-making, an accreditation scheme needs to establish minimum quality benchmarks that home renovation companies are required to comply, as well as mechanisms for compliance check. It should also adequately cover different market segments and different aspects of a home renovation project. With reference to the current schemes available in Hong Kong and other markets, the Council recommends that the following matters should be considered and incorporated:

²⁸ Intellectual Property Department (2023). “No Fakes Pledge” Scheme. Retrieved from https://www.ipd.gov.hk/en/promotional-activities/promotion-education/index_id_8.html

(i) **Accreditation criteria**

The accreditation criteria should cover a blend of objective and subjective core competences. The following eight core criteria is suggested:

Objective criteria	Safety
	Financial health
	Management and manpower commitment
	Track record
	Dispute resolution process (ADR)
Subjective criteria	Customer satisfaction
	Business procedures and practices
	Ethics and integrity management

(ii) **Tiered accreditation**

Home renovation contracts vary in scale and budget, so do size and resources of home renovation companies. Companies undertaking small scale or modestly priced renovations may not reasonably be expected to have the same level of working capital, manpower, experience, skills and business practices of companies which serve on large or luxurious projects. A reasonable level of consumer protection may nonetheless still be afforded if such companies maintain a level of working capital sufficient to undertake such projects and have demonstrated a proven track record of serving on similar projects.

A dynamic framework is therefore required to address the extensive variances in the home renovation industry and cater for the needs and expectations of different classes of stakeholders (home renovation companies and consumers alike). By offering a tiered accreditation according to the companies' business model, operation size, risk profile and other factors, as well as level of compliance with the accreditation criteria, companies operating in different market segments would have equal chance of obtaining accreditation. In turn, consumers in different market segments would have access to a pool of accredited companies matching the particular scale, budget and needs of their home renovation project.

This is precisely what the RSTCS offers, whereby registered subcontractors enjoy rights to tender for specified value contracts according to their tier (or group), with more stringent registration requirements imposed for those wishing to tender for higher valued contracts. For example, whilst Group 1 contractors and Group 1 (Advanced) contractors on the "interior fitting out" category of the RSTCS are eligible to tender for subcontracts up to specified values, Group 2 contractors do not have tender limits but are required to be a registered minor works contractor (class 3), demonstrate business track record, employ more safety and technical staff and skilled workers, and maintain higher employed and working capital. The Council suggests that when establishing the accreditation criteria for different tiers of home renovation companies, reference may be made to that for "interior fitting out" category of the RSTCS with such adjustments as appropriate to reflect the (normally) lower contract value of home renovation projects.

(iii) **Commitment to comply with scheme requirements**

To ensure that accredited contractors commit to minimum quality standards and pre-defined level of skills and competences, the scheme requirements should include, as a minimum:

- The adoption of standard form quotation, as proposed in Recommendation 1 above.
- Commitment to offering free-of-charge quotations upon request, or to do so at reasonable fees commensurate with the work involved in preparing the quotation, such as on-site measurements.
- The deployment of suitably skilled workers, including licensed workers and trade test certified workers as applicable, for the project.
- Proper, ethical and integrity management of the project commensurate with the needs of the project and the consumer's reasonable expectations.
- Responsible handling and resolution of disputes, with the accreditation body assuming the responsibility as conciliator of such disputes where appropriate, and agreement to adopt ADR and be bound by its outcome.
- Attendance of training on various technical and non-technical aspects of the home renovation project organised by the accreditation body.
- The right of the accreditation body to monitor or audit compliance, and processes for dealing with contraventions and penalties. In turn, the accreditation body shall submit periodic reports to the Government body responsible for overseeing the scheme.

It is probable that the establishment of a Government-endorsed, publicly recognised accreditation scheme would disrupt the traditional mindset in the market. Home renovation companies would be incentivised to strive for accreditation, and in so doing adopt good practices and measures required by the scheme, with their compliance overseen by an industry accreditation body. They would be encouraged to compete based on expertise, quality, track record and value-added services. From the perspective of consumers, whilst (as the consumer perception survey in Chapter 3 shows) price has been the first and foremost consideration in selecting a company, they would have the means to objectively assess the companies' reputation and quality of works through the basket of considerations leading to accreditation under the scheme.

Given the presence of an accreditation scheme is transformational to the industry, it is imperative that the Government and industry stakeholders collaborate to discuss and agree on the scheme requirements, implementation details and the relevant Government constituency to oversee the scheme.

Whilst it is anticipated that the establishment of an accreditation scheme, together with adoption of standard form quotation, would enhance certainty of the parties' obligations and assurance in the quality of services and work, they are nonetheless not a bullet-proof vest against disputes arising. This leads to Recommendation 3 below.

8.4 Recommendation 3 – Adopt a Cost-effective and Efficient Alternative Dispute Resolution Mechanism

With the adoption of recommended standard form quotation and accreditation schemes, theoretically fewer disputes should arise in the market. However, in case a dispute does arise due to reasons such as delay in completion or substandard workmanship, litigating such disputes in court may not be in the best interests of the consumer. As Chapter 2 demonstrates, litigation (no matter in the SCT or the higher courts) may be protracted and take years to complete. For the average consumer, the mental strain of litigation and entailing litigation risk may well be taxing. Further, the costs of litigation may be prohibitive for the parties or disproportionate to the claim amounts. As the judgments show, the Court expects the parties to adduce expert evidence on the quality or progress of works carried out and the cost of alleged remedial work required. In particular, for claims brought in the SCT, the cost of obtaining such expert evidence may be disproportionate to the claim amounts. Even if the parties are willing to fund the cost, there is no certainty of recovery in successful claims.

The Council considers that an ADR process, be it mediation, arbitration or expert determination, is desirable from the consumer protection perspective and, as indicated in the Recommendations above, should by default be provided for in the standard form quotation and an accreditation scheme. All stakeholders engaged in the Study agreed that some form of ADR is desirable to resolving renovation disputes. With reference to the other markets reviewed in Chapter 7, various scheme operators in the UK require their member companies to contractually commit to ADR, including mediation and expert determination. In Mainland China and Singapore, mediation is widely encouraged. In Hong Kong, the HKBIA in collaboration with the HKAS promotes the latter's arbitration services, whilst the HKIS has recently promulgated its expert determination services, for home renovation disputes.

Mediation First

Mediation refers to the voluntary, confidential and private dispute resolution process in which a neutral person, the mediator, assists the parties in negotiating a mutually acceptable solution to their disputes. Whilst the mediator does not give legal advice to either party or seeks to impose any settlement, he is professionally trained to foster and manage effective communication between the parties in attempt to close the gaps between them. Mediation is interests-based rather than focusing on (or solely on) the parties' legal rights.

Since as early as in the 2009 Civil Justice Reform, mediation has been promoted by the Judiciary as a means of ADR. It was stated by the then Chief Justice of Hong Kong that mediation as an alternative and complementary method to litigation is in the public interest, entailing benefits of reduction in stress, saving of time and costs and achievement of a satisfactory solution, and must now be regarded as an indispensable feature of a credible legal system. In the same year, the "Mediation First" Pledge campaign was launched, with commitment from corporations and entities making such pledge to first explore the use of mediation to resolve disputes before resorting to formal dispute resolution means.

Further efforts had been made by the Government to promote mediation over the years. In 2011, the Financial Dispute Resolution Centre was set up with Government seed funding to administer the Financial Dispute Resolution Scheme, providing cost-efficient independent and impartial mediation and arbitration services through the "Mediation First, Arbitration Next" approach for consumers embroiled in disputes with their financial institutions. In 2018, the

District Court introduced a pilot scheme, which was further extended in 2021, aimed to assist parties in reaching out-of-court settlement of their civil disputes. Whilst not mediation in the strict sense, the use of “Case Settlement Conferences” under the scheme involves a Court Master assisting the parties to narrow down their issues in dispute with a view to helping them conclude a settlement.

Stakeholders engaged in this Study are generally supportive of the use of mediation to resolve home renovation disputes. The Renovation Guideline advocates for the “Mediation First, Arbitration Next” approach. The HKMAAL indicated the possibility of including home renovation as a new area of practice in its general category of mediators.

Likewise, in the other markets reviewed, in particular in Mainland China and Singapore, mediation is encouraged as a means of dispute resolution of home renovation disputes.

The Council encourages parties to attempt interests-based mediation in resolving home renovation disputes before considering legal action and, in particular, the consumer be entitled to require the use of mediation to resolve any dispute:

- (i) Based on statistics of SCT proceedings in Chapter 2, up to 91% of claims may have been settled during legal action. This suggests that in most home renovation disputes, there is scope for out-of-court settlement. The assistance of a professionally trained mediator may provide the appropriate communications platform conducive to achieving such settlement at the early stage of the dispute, obviating the need for litigation and associated time, stress, risk and cost of the parties.
- (ii) The intervention of a mediator may facilitate parties’ better understanding of the other’s position and management of their expectations in reaching a compromise. In this regard, as some stakeholders postulated, disputes may arise due to miscommunication and misunderstanding of the home renovation process and/or outcome. For instance, delay in completion may be due to legitimate reasons beyond the home renovation company’s control. Work variations may have been necessitated in the course of renovation or requested by the consumer, to which the company should be legally entitled to additional reasonable remuneration.
- (iii) The consumer’s real interest lies in completion of the renovation as early as possible, irrespective of his legal rights to claim damages arising from any breach by the home renovation company. As the published court judgments show, the engagement of another company to complete a home renovation is likely to result in further, potentially substantial delay in the consumer’s enjoyment of the property. Whilst an aggrieved consumer may legally be entitled to monetary damages, he still would have suffered inconvenience thus caused. An early resolution entailing continuation of services by the original company where practicable, thereby minimising further delay, would best attain the consumer’s real interest.
- (iv) In the scenario that the parties could not settle their differences after having attempted mediation, arbitration or expert determination could take place to resolve the disputes.

Arbitration and Expert Determination

Having reviewed the relevant ADR mechanisms available for home renovation disputes in Hong Kong and other markets, the Council considers that the use of ADR may be a more time and cost-efficient alternative to court litigation:

- (i) Under the principle of party autonomy, the ADR rules may be written in layman terms to ensure readability and designed to enable quick, simple and cost-effective resolution of the dispute, whilst affording reasonable due process to the parties. Unlike the court's adversarial process, the adjudicator may be empowered to adopt an inquisitorial role in raising his own inquiries and interrogations and guiding the parties on narrowing down the issues. Simplified and streamlined procedures on submission of evidence and hearings leading to a reasoned decision may be provided for. In appropriate cases, the parties may even agree to dispense with detailed reasons or formal hearings.
- (ii) In an ADR process, there is flexibility of choice of a suitably qualified adjudicator with experience in issues arising in home renovation disputes. Depending on the technical and legal issues involved, a surveyor or a barrister with surveyor or civil engineering qualifications may be appointed. The adjudicator would thus be qualified to understand the technical issues, as well as able to conduct his own investigation or inspection, thus obviating the need for the parties to incur the cost of engaging their own experts as evidenced by the HKAS arbitration and HKIS expert determination schemes.
- (iii) These measures translate into savings of time and cost in the dispute resolution process. By way of example, the HKAS has indicated that an arbitration under its rules could normally conclude within 3 months of commencement, and its fixed fee scale based on aggregate claim amounts (e.g. HKD25,000 is charged for claims between HKD80,001 and HKD250,000) facilitates management of the parties' costs expectations.

As between arbitration and expert determination, each carries its own advantages. In the context of home renovation disputes, the Council considers that arbitration offers better flexibility and convenience to consumers. If the consumer considers that court proceedings is more suitable after a dispute has arisen in light of the claim amounts, the issues in dispute, the status of the home renovation company and his own financial means, under the Control of Exemption Clauses Ordinance (Cap. 71), he still has the choice of pursuing court proceedings despite having contractually agreed to arbitration. Secondly, whilst an expert's decision is contractually binding on the parties, an arbitral award may readily be enforced against a company which refuses to honour it upon seeking leave of the court under the Arbitration Ordinance (Cap. 609).

On the other hand, an expert determination process may be appropriate to resolving purely technical or quality-related disputes. For instance, the dispute may simply require the engagement of a building inspector or surveyor to determine whether the project was satisfactorily completed and thus entitled the home renovation company to payment of the final instalment. Secondly, whilst an arbitral award is final and cannot be appealed or set aside in court, save in exceptional cases of procedural irregularities, an expert determination mechanism may provide that the expert's decision is not binding on the consumer at his choice, thus affording him the ability to seek legal adjudication if he disagrees with the decision.

Given the varying nature of home renovation disputes, a tiered or separate ADR mechanisms catering for different disputes may be warranted in consultation with the stakeholders and the public. The Council suggests that, as part of a tiered ADR mechanism, the consumer should be afforded the choice of attempting mediation as an informal means of ADR. Whilst arbitration and expert determination are offered as viable alternatives to litigation, they are nonetheless formal dispute resolution processes that potentially impose stress on consumers

and carry legal and costs consequence. Further, certain claims may be minor or modest such that a consumer may not be willing to pursue any formal dispute resolution process.

Given that ADR, be it mediation, arbitration or expert determination, is consensual in nature, widespread adoption thereof requires both home renovation companies' and consumers' recognition and appreciation of its benefits, and provided for in their contracts. To enhance recognition, fairness and long-term viability, ADR mechanisms would need to be underpinned by suitably qualified and experienced professionals serving on panels of mediators, arbitrators and experts (as the case may be) and procedures that appropriately balance between fine considerations of time, cost, procedural fairness and robustness. The Council suggests that all these matters should be reviewed and refined as part of the establishment of standard form quotation (Recommendation 1) and accreditation scheme (Recommendation 2), in close collaboration with industry stakeholders.

In addition, the benefits of ADR should be promoted to consumers as part of wider consumer education efforts. This leads to Recommendation 4 below.

8.5 Recommendation 4 – Intensify Consumer Education

Consumer education has always been a key to the enhancement of consumer protection. Meanwhile, it is also crucial to change consumers' consumption attitude when engaging in home renovation projects. Useful information could be shared with consumers so that they could efficiently equip themselves with basic industry knowledge prior to conducting their home renovation projects.

Action for Consumers – Follow Tips when Conducting Home Renovation Projects

Given that most consumers only need to conduct home renovation projects for limited times in their life, lacking industry-specific knowledge and the lax mindset have always been pain points among consumers to manage home renovation projects closely. In Chapter 3, the consumer perception survey revealed that certain consumers held a lax attitude about critical items. For example, nearly 30% of the respondents agreed that the home renovation company need not issue a new quotation as long as there are other records.

Moreover, consumers were in general rather passive when communicating with their home renovation companies. As discovered by the mystery visit exercise in Chapter 4, some traders might give advice to consumers which were non-compliant with relevant laws and regulations. To take the change of kitchen door to a sliding door as an instance, there were traders who advised the mystery shoppers that they could simply do it. It is difficult for ordinary consumers to verify the truthfulness of the advice given their lack of industry background and knowledge. In the end, consumers might passively believe in this kind of misinformation, which could eventually expose them to serious safety risks and violation of laws and regulations.

The Council puts forward the following tips to help consumers prepare for their own home renovation works at any time.

Tips for consumers

Awareness and information search

- Acquire basic home renovation knowledge
- Conduct background research on preferred home renovation companies, such as a check on their licences and qualifications

Pre-commencement

- Compare the quotations and other information provided by home renovation companies
- Pay attention to critical items on quotations
- Stay alert and cool-headed when communicating with home renovation companies
- Read the contents carefully and in detail before signing documents such as quotations/contracts
- Check approved plans for buildings, relevant regulations and guidelines, and seek professional advice before conducting alteration and addition works
- Apply to relevant authorities for approval/consent (if needed) or confirm the responsibility with the company to ensure compliance

Commencement

- Keep close contact with the project manager and conduct on-site visits regularly to monitor the work progress
- Request an update of the quotation/contract for work variations or additional orders before committing
- Fulfil payment obligation in accordance with the contract

Completion and follow-up

- Carefully inspect the works done, and seek professional assistance (if needed)
- Make good use of defect rectification and warranty services

Action for Stakeholders – Share Basic Home Renovation Information

Findings from the consumer perception survey (Chapter 3) and the in-depth interviews with traders (Chapter 5) suggested that consumers mainly acquired information from family, relatives and friends, and through online channels, such as home renovation companies' websites, video platforms and social media.

Nevertheless, there is no guarantee that information acquired through these channels are completely accurate. For example, some industry practitioners from the trader interviews (Chapter 5) pointed to the risk of misinformation – information found online could be erroneous or might merely be the promotion materials used by a particular home renovation company or online matching platform to attract consumers.

For better consumer safeguards, the Council recommends relevant Government departments or relevant organisations to intensify consumer education by sharing basic home renovation information. Campaigns such as release of online "info-kits", seminars, and information booths around different residential estates are worth considering. Through these events, consumers shall be able to learn about the topics listed below and thus empower themselves.

Suggested topics for information sharing

- Common workflow
- Typical work schedule
- Critical items in quotations/contracts
- Lists of registered contractors under different official schemes (such as the CIC's RSTCS, the HA's RLDC and the BD's MWCS)
- Websites with important and relevant information (such as the BD's BIC, official webpages of leading trade associations and consumer protection organisations in Hong Kong and other markets)
- Property owners' legal liabilities
- Existing industry guidelines
- Relevant regulations and requirements
- Penalties for non-compliant works
- Ways to prevent and resolve disputes, including use of ADR

Currently, the BD provides educational materials to the public on items to be aware of, and relevant procedures to follow when carrying out alterations and additions works, etc. on its website. Meanwhile, the BD established the BRAVO system which enables online viewing of the building or minor works records upon payment of fees. The HA also established its Housing Electronic Building Records Online System for HA buildings. Consumers are advised to obtain an approved plan of the flat from a credible source, and consult professionals on their home renovation projects. Consumers need to beware that floor plans available on the websites of real estate agents may not be approved plans, hence should only be treated as reference. The IFEC also provides a model spreadsheet to assist consumers in budgeting for home renovation, together with consumer tips to avoid pitfalls.

Meanwhile, it might be worth exploring whether important information about first-hand properties, such as what home renovation works are allowed and what are not, could be disclosed in a more transparent way for consumers to check before conducting any home renovation projects.

8.6 The Roadmap

Recognising the time and effort that would be required to develop and implement the recommendations, the Council considers that a progressive approach may be taken, prioritising measures that will have the biggest impact on consumer protection on one hand and could gain early market traction on the other:

(i) **Short-term:**

- A standard form quotation should be developed in consultation with stakeholders and the public as early as possible, containing contract terms that offer consumers and companies alike with clarity on their rights and obligations relevant to the home renovation project. Such terms should include at least those set out in Recommendation 1.
- To advance and maintain consumer awareness of common issues arising and the due diligence and other measures that consumers ought to undertake through each stage of the home renovation journey, public information campaigns involving the release of online "info-kits", information leaflets, seminars, and information booths should be initiated from time to time.

(ii) **Medium-term:**

In tandem with the development of the standard form quotation, in-depth stakeholder consultation and “buy-in” of the accreditation scheme, ADR mechanism and other contractual measures such as cooling-off period and escrow arrangements should be undertaken. Whilst such measures remain extremely important in the overall scheme of consumer empowerment, it is equally important to have obtained industry-wide consensus on their adoption prior to roll-out to ensure widespread adoption.

(iii) **Long-term:**

Sufficient consumer education is necessary in the long run to encourage positive change in consumption behaviour and mindset – that is, the need to consider a basket of factors rather than price alone in selecting a suitable home renovation company and to closely follow through a project. Interactive tools and training materials may be offered by stakeholders to both consumers and companies on their respective rights and obligations. Pitfalls and lessons learnt from prevailing home renovation incidents may be advertised. The availability of the accreditation scheme, ADR mechanisms, cooling-off periods and escrow arrangements which by then should have been developed may also be promoted.

8.7 Way Forward

Having a comfortable home has always been a lifelong dream of many Hong Kong consumers, making home renovation one of the most important topics in life. In Hong Kong, there is an on-going and huge consumer demand for customised home renovation that warrants better protection for consumers in such significant spending. However, currently Hong Kong does not have a specific regulation to govern the home renovation industry. Owing to the low barriers of entry, there are many choices of home renovation companies with varying levels of quality in the market. When consumers search for one, the possibility of occurrence of unscrupulous trade practices could thus be increased.

As revealed in this Report, different kinds of issues have existed in the home renovation industry for a long time. It is important for stakeholders to enable consumers realise the dream of creating a comfortable home.

Compared to Hong Kong, consumer protection measures specifically targeted at the home renovation industry in other markets are more comprehensive, and have good practices that Hong Kong can refer to.

The Council hopes that the Government, relevant statutory bodies and traders could consider adopting similar measures and, as importantly, intensifying consumer education. Understanding that different measures require different levels of resource and manpower input, the Council suggests classifying the measures into short-term, medium-term, and long-term ones, and executing them in a progressive manner. Meanwhile, the Council would continue to monitor the market to prevent unscrupulous trade practices and educate consumers about ways to safeguard themselves. The Council believes that consumer protection in the home renovation industry would be enhanced, and the dream of having a comfortable home would be achieved easier through collaborative efforts of all stakeholders.

Annex 1: Summary of Published Judgments

The summary below is prepared based on the Council's interpretation and understanding of the judgments. They do not constitute legal advice and should not be relied on as such or be treated as authoritative legal text. The cases are arranged according to the year when the proceedings were commenced. The legal costs payable by the losing party were not known from the judgments, which would be assessed by the court under the process of taxation following the judgment, unless the parties agreed to the costs payable by the losing party without the need for taxation.

A. Proceedings in which the Consumer was Successful

	Length of proceedings (Trial days)	Venue of trial	Summary
1.	1-2 years (6 days)	District Court	<p>Wu Yin Fai v Ng Kam Tong (DCCJ 6305/2002)</p> <p>Background: The consumer engaged the contractor to carry out refurbishment and renovation works in her three-storey suit property in Tseung Kwan O upon recommendation from a long-time friend. She wished to renovate the ground floor of the suit property such that it would be suitable for rental.</p> <p>Claims/Counterclaims: The consumer sued the contractor, alleging (i) breach of contract for failure to complete the work within the agreed time, and (ii) defective works rendering the property unfit for habitation. She claimed for return of the sum paid under the contract (HKD450,000), or alternatively, costs for repair of the defects (HKD285,100), loss of rental income (HKD4,500 per month), costs of purchasing accessories originally included in quotation (HKD10,843), costs of removal (HKD7,000), and costs of alternative accommodation (HKD21,000). The contractor counterclaimed for the balance of the contract price (HKD90,000) and payment for additional works done (HKD26,000). Both parties engaged experts to assess the condition of the suit property.</p> <p>Outcome: The Court ordered the contractor to pay HKD322,143 to the consumer, as well as the costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court held that the work performed by the contractor cannot be considered satisfactory. The remaining defects were of such large numbers and degree that the work cannot be accepted as practically complete. It would be otherwise if there were only one or two minor defects or unfinished items. (ii) As the consumer had little to no knowledge of construction work and relied fully on the contractor's expertise, the contractor cannot shirk responsibility and blame the consumer for accepting his advice on the design of a staircase which happened to contravene building regulations. The fact that the staircase is unsafe for use also suggests that the work was defective. (iii) The consumer was entitled to reject the contractor's offer to further rectify defects after previous efforts have proven the contractor's remedial work to be ineffective. (iv) The consumer cannot claim for loss of rental income as (1) she failed to prove that she would be able to rent out the unit, (2) no rental valuation was satisfactorily adduced, and (3) she failed to show that she had put the unit in the open market. (v) Despite breach of contract and poor quality of work, the contractor was entitled to be paid for the works that were completed.

Summary		
Length of proceedings (Trial days)	Venue of trial	
<p>2.</p> <p>4-5 years (1 day)</p> <p>The defendant filed a defence and counterclaim but did not adduce any evidence or appear at trial.</p>	<p>High Court</p>	<p>Tennyson Estate Ltd v Boxwood Design Ltd (HCA 283/2010)</p> <p>Background: The consumer engaged the contractor (a building contractor and interior design consultant) to carry out renovation works at his two houses in Deep Water Bay.</p> <p>Claims/Counterclaims: The consumer sued the contractor, claiming liquidated damages for delay in completion (HKD1,065,000) and cost of rectification for defective work (HKD2,449,556.13), as well as cost of insurance (HKD48,991.12). The contractor counterclaimed for various payments allegedly due and payable. The consumer produced an expert report to support his claims.</p> <p>Outcome: The Court ordered the contractor to pay the sum of HKD2,212,151.86 to the consumer and costs of the action:</p> <ul style="list-style-type: none"> (i) Based on the expert report, the Court held that the defects were caused by the defective quality of the materials supplied by the contractor and its poor workmanship. In this regard, the contract expressly provided for the use of "high-class quality" materials and workmanship of "superior quality". The contractor also owed duties to use "reasonable care and skill" and supply goods that are "reasonably fit for their purpose". (ii) The long and extensive defect list also indicated that there was no practical completion by the due date for completion. The contractor had also persistently failed to rectify the defects after that date. The delay in completion was repudiatory and entitled the claimant to terminate the contract. (iii) The liquidated damages clause was valid and enforceable. The agreed sum was more than reasonable having regard to the value of the houses and the contract prices. (iv) The cost of rectification work was reasonable and foreseeable at the time of contract. The measure of damages was the difference between the reasonable cost of repairing the defects together with any sums paid by or due from the consumer under the contract, and the sums which would have been payable by the consumer under the contract if it had been properly carried out. (v) The cost of insurance was also foreseeable.

Summary		
Length of proceedings (Trial days)	Venue of trial	
3. 3-4 years (5 days)	District Court	<p>Pang Yau Shing Glendy & Anor v Sano Engineering Ltd (DCCJ 61/2013)</p> <p>Background: The consumers engaged the contractor to provide renovation services on their flat in March 2012. The contract provided that the work will complete within two months. After repeated complaints by the consumers, the contractor signed a declaration agreeing to complete the work by 11 May 2012 and to pay compensation of HKD1,000 per day of delay. They also orally agreed to additional works which were completed before the completion date.</p> <p>Claims/Counterclaims: The consumers sued the contractor for breach of contract, alleging (i) delay in completion, (ii) the contractor did not provide service with reasonable skill and care, (iii) the work was defective, (iv) the materials were not of merchantable quality or fit for purpose, in breach of implied warranties under the Sale of Goods Ordinance (Cap. 26) (“SOGO”). The consumers claimed for the diminished value of the works (HKD52,661), costs of rectification (HKD328,455), damages for inconvenience and discomfort (HKD100,000), and damages/compensation for delay of 122 days (HKD185,000). In turn, the contractor counterclaimed for the balance of the contract price (HKD229,600). The parties filed a joint expert report with each instructing their own expert.</p> <p>Outcome: The Court ordered the contractor to pay the sum of HKD261,668 to the consumers, as well as costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court found that the contractor was not a reliable witness. It also preferred the consumers’ expert evidence. (ii) The declaration was enforceable as the consumers’ forbearance to complain provided the consideration. It was also not unconscionable. The sum of HKD1,000 per day of delay was a reasonable estimate of loss for the delay. (iii) The completion date was however impliedly varied by the parties for the additional works to be carried out. The delay was held to be 30 days, being a reasonable time for finishing the additional works having regard to the time required for the whole renovation project comparative to the amount of additional works remaining. (iv) On the facts, most of the defects were particularly serious and in breach of the SOGO and the Supply of Services (Implied Terms) Ordinance (Cap. 457) (“SS(ITO)”). The poor timber used gave rise to a serious flea problem, which constituted a fundamental breach going to the root of the contract. (v) The Court accepted the consumers’ valuation of the work carried out by the contractor, who was liable to pay the difference between the actual payment made by the consumer and the actual value of the work. As for the costs of rectification, the Court allowed only some of the consumers’ claims as being reasonable and necessary. (vi) The Court found that the consumers suffered substantial inconvenience and discomfort for two years and allowed the claim.

Summary		
Length of proceedings (Trial days)	Venue of trial	
4. 1-2 years (6 days)	District Court	<p>Chan Cham Pong Cedric v Too Ka Man and Manson Water and Electric Company Limited (DCCJ 1463/2017)</p> <p>Background: The consumer engaged the contractor to carry out substantial renovation of his flat at Kennedy Town. An express term provides that the contractor "is not entitled to any payment upon breaching the Scope of Work". The contract also contains a liquidated damages clause providing for a 2% daily rate chargeable for each day of delay, capped at 20% overall.</p> <p>Claims/Counterclaims: The consumer sued the contractor, alleging poor workmanship and claiming cost of rectification (HKD51,800), diminished value of the works (HKD105,600), accommodation costs (HKD47,382), liquidated damages (HKD57,910), medical expenses (HKD8,900), and damages for inconvenience and discomfort (HKD100,000). In turn, the contractor counterclaimed for the remaining balance (HKD86,730) and extra material costs (HKD43,010). The consumer also sued the shareholder and director of the contractor, but this was abandoned shortly before trial.</p> <p>Outcome: The Court ordered the contractor to pay HKD214,782 to the consumer, plus costs of the legal action against the contractor:</p> <ul style="list-style-type: none"> (i) The Court found on the facts that the contractor never used reasonable care and skill and the work was of such low quality that it never completed the renovation at all. (ii) The court accepted and awarded the damages claimed, except the medical expenses as there was no expert evidence showing that the contractor's breach caused the expenses, subject to adjustment to prevent double recovery of damages. In this regard, the consumer suffered substantial inconvenience as he had to move into a dirty and noisy flat before the work was completed in order to mitigate the cost of alternative accommodation. (iii) The Court also held that the liquidated damages clause was enforceable, there being nothing exorbitant or unconscionable about its terms. (iv) Given that the contractor breached the scope of work, it was not entitled to payment pursuant to the express contractual terms. <p>In its judgment, the Court commented that the use of corporate vehicles to shield natural persons from legal liability often leaves genuine victims of civil wrongs with empty judgments. The judge called for the Government to give more effective protection to consumers from irresponsible home renovation workers, such as the setting up of a central public fund similar to the Travel Industry Compensation Fund or Employees Compensation Assistance Fund.</p>

Summary		
Length of proceedings (Trial days)	Venue of trial	
5. 4-5 years (1 day) The defendant filed a defence and counterclaim but ceased taking part in the middle of the proceedings.	District Court	<p>Mo Connie v Lam Kit Ying trading as Onem Ide Company (DCCJ 5744/2017)</p> <p>Background: The consumer engaged the contractor (an interior design company) to renovate her flat at Kennedy Town. The contract provides for guarantee and maintenance periods.</p> <p>Claims: The consumer sued the contractor, alleging that the contractor had (i) failed to complete the renovation within the agreed time, and (ii) breached an implied term for ensuring a reasonable quality of material and workmanship. She claimed for costs of engaging another contractor to complete the work and remedy the defects (HKD157,100), surveyor's fees (HKD12,000), warehouse storage fees and subscription fees for broadband TV (HKD9,940), other minor costs (HKD520), damages for loss of rental income (HKD90,000), and costs for pest control and replacement of cabinet fittings and facilities (HKD40,600). The contractor argued that the delay was not due to its fault and that the defects were minor and could easily be rectified under the contractual guarantee and maintenance periods.</p> <p>Outcome: The Court ordered the contractor to pay HKD269,560 to the consumer, as well as the costs of the legal action. It held that the contractor could not rely on the guarantee and maintenance periods clauses in the contract as a defence without first completing the renovation.</p> <p>The court granted the damages as claimed, except the cost of pest control and replacement of cabinet fittings and facilities as the surveyor's report did not support the allegation that inferior quality of the contractor's materials caused the pest problem.</p>

Summary		
Length of proceedings (Trial days)	Venue of trial	
6. 3 years (1 day) The defendant did not appear in the proceedings.	High Court	<p>New Era Group (China) Ltd v Studio M Interiors HK Ltd (HCA 2963/2018)</p> <p>Background: The consumer engaged the contractor to carry out renovation works for her duplex unit at Wanchai for HKD3 million. The contractor subsequently abandoned the work.</p> <p>Claims: The consumer sued the contractor for refund of overpaid sums (HKD733,216.70) and loss of use and enjoyment of the property (HKD1,719,000).</p> <p>Outcome: The Court ordered the contractor to pay HKD1,650,016.70 to the consumer, as well as costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court clarified that the consumer's claim should be for damages, that is, the cost incurred to complete the work less the contract price, rather than a refund. (ii) The claim for loss of use and enjoyment was reduced, as the consumer could not explain the delay of three months in engaging a new contractor to complete the work. The reasonable time should have been within one month.
7. 1 year and 8 months (1 day) The defendant did not appear in the proceedings.	District Court	<p>Chandrashekhar Leena v Chung Wai Han Vikki trading as Garie (DCCJ 4874/2019)</p> <p>Background: The consumer engaged the contractor for renovation works in her flat at Pokfulam. The contractor substantially delayed in completion and abandoned the work.</p> <p>Claims: The consumer sued the contractor, claiming for (i) costs for engaging another contractor to complete the work, less the outstanding balance of the original contract price (HKD394,000), and (ii) costs of alternative accommodation (HKD313,300).</p> <p>Outcome: The Court ordered the contractor to pay HKD676,200 to the consumer, as well as costs of the legal action. A few claim items were not awarded, as they were not covered by the contractor's quotations and the consumer could not prove that they were corrections of the incomplete work.</p>

Summary		
Length of proceedings (Trial days)	Venue of trial	
8. 2 years (2 days)	High Court	<p>Chan Yee Tak Rachel & Anor v DSM Interior Design Ltd (HCA 1641/2020)</p> <p>Background: The consumers engaged the contractor to carry out construction and renovation works on their two properties, which were then merged into a single house. The contractor failed to complete or substantially complete the works before the date orally undertaken by its director. It refused to complete the works and instead threatened to stop the works unless and until the consumers made further payments. The consumers then terminated the contract and engaged another contractor to complete the unfinished works and remedy any defects. The contractor also left behind construction tools and materials near the property, and was believed to have caused pest infestation within the premises.</p> <p>Claims: The consumers claimed for (i) the diminished value of the works (HKD4,415,366), (ii) costs of rectification (HKD5,218,565), (iii) damages for inconvenience and discomfort (HKD50,000), (iv) loss of rental income (HKD280,000), (v) costs of pest removal (HKD5,400), (vi) costs of removal of leftover items (HKD2,000), and (vii) costs of engaging an expert.</p> <p>Outcome: The contractor failed to file and serve a defence. As a result, the court ordered the contractor to pay damages and costs. The contractor was then absent from the hearing for assessment of damages. The court proceeded with the hearing and ordered the contractor to pay HKD9,821,331 to the consumers, as well as the costs of assessment of damages:</p> <ul style="list-style-type: none"> (i) This was a case where it was clear that the contractor had breached the contract by (1) failing to complete the works by the promised completion date, and (2) failing to carry out the works with reasonable care and skill. The Court found that the premises were uninhabitable at the time of termination of the contract. (ii) The Court agreed that where a contractor breaches the contract, the consumer is entitled to be placed, as far as possible, in the same position as if the contract had been performed, provided that all reasonable steps have been taken to mitigate losses. (iii) The consumers were entitled to recover any losses which flowed from the contractor's breach. The court awarded all heads of damages claimed by the consumers. (iv) The Court accepted that general damages can be awarded for inconvenience and discomfort suffered as a result of a breach of contract.

B. Proceedings in which the Consumer was Unsuccessful

	Length of proceedings (Trial days)	Venue of trial	Summary
9.	5 years 9 months (28 days)	High Court	<p>Pamax Ltd v Cross Max Interiors Ltd (HCA 2181/2002)</p> <p>Background: The consumer engaged the contractor to perform a major redecoration of the interior and exterior of his residential house at the price of HKD3,998,631. The consumer alleged that the contractor breached its duty to consult him on the designs, leading to numerous faulty designs, poor workmanship and failure to comply with instructions, consult and obtain approval before carrying out the work.</p> <p>Claims/Counterclaims: The consumer claimed that the breaches were so extensive that they released him from his obligation to pay the balance of the contract price (HKD3,396,080.40). The consumer also claimed the costs of re-renovation by another contractor (HKD3,870,000), the costs of accommodation (HKD776,364.10) and storage (HKD136,283) during the re-renovation. The contractor denied any breach and counterclaimed for the balance of the price.</p> <p>Outcome: The consumer lost and was ordered to pay the balance of the contract price plus costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court confirmed the established principle that a wronged party is only entitled to recover his loss. He is not released from his obligation to pay the price. (ii) From the contemporaneous records, there was consultation and approval by the consumer throughout the project. (iii) Generally speaking, minor blemishes may only be discovered after a completed project was handed over to and used by the occupier. Thus, renovation contracts normally incorporate a date of "practical completion", meaning the state of affairs in which the works have been completed free from patent defects other than ones regarded as trifling. (iv) The contract also provided for payment of balance (10%) of the price within one month upon completion. This would give both parties the opportunity to find and make good any faulty workmanship. The contractor must be given every opportunity to earn the balance. (v) The consumer also failed to mitigate his loss by denying the contractor the opportunity to make good the alleged defects. (vi) There was also no expert report on the alleged defects or costs of rectification.

Summary		
Length of proceedings (Trial days)	Venue of trial	
10. 2 years 2 months (5 days)	District Court	<p>Liang Jian Xing v Jingo Interiors Design Ltd (DCCJ 5986/2008)</p> <p>Background: The consumer engaged the contractor under an agreement to design his house and a second agreement to carry out renovation works. There was delay in completion by 72 days, as well as some defective works.</p> <p>Claims/Counterclaims: The consumer sued the contractor for liquidated damages for the delay in completion (HKD360,000) and costs of rectifying certain defective works (HKD409,650). He also withheld the balance of price under the design agreement, claiming that the contractor was obliged to deliver as-built drawings. In turn, the contractor claimed the balance of price under the design agreement (HKD13,500), as well as under the renovation agreement plus additional costs of work variations requested by the consumer (HKD112,794). Both parties engaged experts to assess the value of the contractor's work, the defective works and rectification, as well as the disputed work variations.</p> <p>Outcome: The court ordered the consumer to pay the net sum of HKD52,851.82 to the contractor, after setting off the amounts found due to each other, as well as 75% of the costs of the legal action:</p> <ul style="list-style-type: none"> (i) On the facts, the parties mutually agreed to extend the completion date. Thus, the consumer could not claim liquidated damages. (ii) As to the defective works, the court found that by engaging debt collectors against the consumer, the contractor broke the parties' trust and confidence and the consumer was entitled to refuse allowing the contractor to rectify the defects. Based on the experts' evidence, however, the court assessed damages of only HKD42,550. (iii) The court found that the contractor did carry out the disputed work variations. (iv) Lastly, in the absence of express contractual terms and evidence, the contractor was under no obligation to provide as-built drawings. There was also no contractual term entitling the consumer to withhold payment of balance of the contract price.

Summary		
Length of proceedings (Trial days)	Venue of trial	
11. 2-3 years (9 days)	District Court	<p>Liu Keith Che Ming & Anor v Poon Chi Sing trading as Good View Ornament (DCCJ 2421/2010)</p> <p>Background: The consumers engaged the contractor to carry out renovation works at their two-storey flat with rooftop. There was a delay of 23 days in completion of the project.</p> <p>Claims/Counterclaims: The consumers subsequently sued the contractor alleging delay in completion, defective works and breach of an implied warranty of fitness for intended purpose. The consumers claimed the cost of rectification of the defective works (HKD455,073), wasted materials due to poor workmanship (HKD31,424), cost of alternative accommodation (HKD239,100) and removal (HKD33,000) during the rectification, loss of rental of the consumers' another flat during the delay in completion (HKD17,633) and damages for discomfort caused by the defective works (HKD50,000). In turn, the contractor claimed the balance of the contract price (HKD149,130) and argued that the delay was caused by extra work carried out due to pre-existing condition of the property. The parties engaged a joint expert to assess the value of the rectification works.</p> <p>Outcome: The Court ordered the consumers to pay the net sum of HKD86,978.99 to the contractor, after setting off the amounts found due to each other, as well as the costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court found that as the contract was for construction procurement only, the contractor had no obligation to provide design ideas to the consumers and dismissed the allegation of an implied warranty of fitness for intended purpose. (ii) The delay was reasonable given the additional works involving plumbing and electricity re-wiring and, further, the consumers agreed to extend the completion date (having attended the management office to amend the date of completion twice). (iii) Based on the expert's evidence, the Court assessed the value of rectifying the defective works to be HKD62,151 only. The consumers also failed to mitigate their loss by not allowing the contractor to conduct remedial touch up work and failing to draw up a defects list for the contractor to remedy the defects (which the Court found to be a usual practice in building and renovation projects). (iv) The claims for alternative accommodation, discomfort and loss of rental were dismissed. The property had two floors and the touch up work could be carried out in stages. Inconvenience was not proved and was minor. The delay in completion was also reasonable.

Summary		
12.	Length of proceedings (Trial days) 1-2 years (8 days)	Venue of trial District Court
<p>Modern Design Co v Lim Gee Ling Sharon Clara (DCCJ 4688/2011)</p> <p>Background: The consumer engaged the contractor to renovate her flat. Only quotations (including a preliminary quotation in December 2010) were sent to the consumer and no formal contract was ever signed between the parties.</p> <p>Claims/Counterclaims: The contractor sued the consumer for the balance of the contract price (HKD100,900). The consumer argued that the contractor had all along failed to send the official quotation to her and the December 2010 quotation did not indicate an agreement between them. The consumer offered to pay only HKD31,950, alleging that the contractor's work was defective and of poor quality. No expert evidence was adduced in the action.</p> <p>Outcome: The Court allowed most of the contractor's claims, as it was not given an opportunity to perform rectification work or the consumer could not otherwise prove that the defects were caused by the contractor's work. The Court ordered the consumer to pay HKD97,300 to the contractor (after setting off the defective work) and the costs of the legal action.</p> <p>In its judgment, the Court commented that this was a "typical renovation case" where there was no formal written contract, but a procurement contract where the consumer would supply the design and specification to the contractor to build. The 2010 quotation was only supporting evidence of the parties' agreement, but by no means a signed contract. The court further criticised that "This case should never have been brought to a full trial as there was little or no law involved whatsoever. The parties should have resolved their dispute by mediation. It is further unfortunate that no surveyor report was produced and it should take seven days of trial to resolve."</p>		

Summary		
13.	<p>Length of proceedings (Trial days) 3-4 years (7 days)</p> <p>Venue of trial High Court</p>	<p>Ho Kwai Chun trading as Multiple Design v Wong King Man (HCCT 44/2011)</p> <p>Background: The consumer engaged the contractor to renovate her luxurious three-storey family house in Shatin, after seeing the quality of the renovation at her neighbouring property. The contractor engaged a project manager who eventually certified the project was completed satisfactorily (subject to minor agreed defects). The total sum due under a number of quotations was around HKD7.91 million. The consumer paid only HKD6.2 million and claimed that the balance should only be around HKD1 million, not HKD1.7 million. She also claimed that the contractor failed to deliver a quality of a “five or six-star hotel” as orally agreed and that certain work was defective.</p> <p>Claims/Counterclaims: The contractor sued the consumer, claiming the balance of the price (HKD1.7 million). In turn, the consumer counterclaimed for a refund exceeding HKD3.1 million, based on the defective work and cost of rectification of HKD4.2 million. Both parties adduced their own expert evidence on the quotations and costs of rectification of the defects.</p> <p>Outcome: The Court ordered the consumer to pay the net sum of HKD483,914, after setting off sums found due to each other, and the 80% of the contractor’s costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court found that the expression “Five or six-star hotel” was not conveyed to the contractor. It could not in any event be a contractual term due to ambiguity. On the facts, the quality benchmark should be that of the consumer’s neighbouring property. (ii) The contract was a “lump sum contract”. However, that does not mean that entire performance was a condition precedent to payment. If the contractor fails to complete the work only by reason of minor defects, he is entitled to the lump sum subject to abatement for the minor defects. Further, the contract may provide for a specific sum to be paid on completion of specific work, and the contractor should not be deprived of any payment at all simply because there are some defects or omissions. (iii) The quoted sums fell due upon substantial completion of the project, subject to adjustments and reductions for defects. The defects (i.e. which fails to conform to the contractual requirements and/or implied terms as to quality, workmanship, performance or design) in total were not such that substantial completion had not been achieved. (iv) On the facts and expert evidence, the Court found that the balance of the price was around HKD1.34 million and the cost of rectification for defects (and refund of an excessive charge for a kitchen cabinet) was HKD900,800.

Summary		
14.	Length of proceedings (Trial days) 4-5 years (4 days)	<p>Venue of trial District Court</p> <p>曾氏工程公司 v 林慧嫻 (DCCJ 3596/2011)</p> <p>Background: The consumer engaged the contractor to perform renovation work at her flat in Tin Hau and paid HKD180,000, representing 40% of the quotation price (HKD473,000). The consumer considered that the progress was too slow and decided to change contractor. At her request, the contractor submitted a statement of completed works for HKD287,900. Taking into account the sum already paid, the balance was HKD23,626 which the consumer failed to settle. Further, when the contractor's staff attempted to retrieve their tools from the premises, the consumer refused unless they provided their HKID cards.</p> <p>Claims/Counterclaims: The contractor sued the consumer for the outstanding sum (HKD23,626), loss of profit (HKD80,812.20) and value of the tools (HKD18,040). The contractor claimed that request for HKID cards as a condition of entry into the premises was unreasonable and the consumer had thereby wrongfully retained the contractor's tools. In turn, the consumer counterclaimed for damages arising from delay in carrying out the works (claiming that time is of the essence) and demolition of the kitchen and bathrooms without her consent. She also claimed that she did not agree to the price in the quotation.</p> <p>Outcome: The court ordered the consumer to pay the sum of HKD122,478.20 to the contractor and the costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court considered that the consumer was an unreliable witness. The Court found that, contrary to her allegations, she agreed to the quotation price by allowing the contractor into her premises and commence work. She also gave instructions for the demolition work as set out in the quotation. (ii) Time was not of the essence of the contract, as this was not expressly stipulated in the contract. The circumstances and nature of the contract also did not suggest that the stipulated date of completion must be exactly complied with. In those circumstances, time could only be made of the essence if the contractor had defaulted and the consumer had issued a notice requiring completion within a reasonable time. (iii) The consumer's demand for copies of the staff's HKID cards was unreasonable and, therefore, she had wrongfully detained the contractor's tools.

Summary		
Length of proceedings (Trial days)	Venue of trial	
15. 6 years and 2 months (3 days)	District Court	<p>Cirrus Design Consultants Ltd v Kenneth Rothgordt Johansen and El-Tec Limited (DCCJ 1205/2013)</p> <p>Background: The sole director and shareholder engaged the contractor (an interior design and decoration company) to carry out decoration works at his company's property in Mid-Levels. The contractor provided a written quotation which the sole director/shareholder orally accepted.</p> <p>Claims: The contractor sued the company and the sole director to recover the outstanding balance of the contract price (HKD371,552.50). The sole director/shareholder argued that it was the company which engaged the contractor and, in turn, all payments were settled.</p> <p>Outcome: The Court ordered that the sole director/shareholder pays the sum of HKD371,552.50 to the contractor, as well as costs of the legal action:</p> <ul style="list-style-type: none"> (i) The Court found on the facts that there was an oral decoration contract evidenced by the quotation entered into the sole director/shareholder personally and the contractor. (ii) The Court also commented that "it is... not unheard of for decoration companies to enter into renovation projects without signed contract". (iii) The sole director/shareholder failed to adduce payment records or receipts to prove that the outstanding sum was paid for.

Summary		
Length of proceedings (Trial days)	Venue of trial	
16 5 years (7 days)	District Court	<p>Dai Tim Keung v Ho Wing Keung (DCCJ 5016/2018)</p> <p>Background: The consumer engaged the contractor to renovate his new property in Tai Po. The consumer later terminated the contract on agreement with the contractor.</p> <p>Claims/Counterclaims: The consumer sued the contractor for a refund for the incomplete works (HKD238,400), cost of rectification (HKD244,200), and a loss of rental income (HKD108,000). He argued that there was an agreed completion date for the renovation works, and since there was a delay in completion, he was unable to move into the Tai Po flat and rent out his older apartment. The contractor counterclaimed for the outstanding balance of the contract price (HKD210,060). He alleged that any delay was caused by the consumer, and that he was not given any opportunity to rectify any defects. Both parties engaged experts to assess the necessity and value of the completed works.</p> <p>Outcome: The Court ordered the consumer to pay HKD80,300 to the contractor, as well as the costs of the legal action. The consumer's claim against the contractor was dismissed:</p> <ul style="list-style-type: none"> (i) The Court found that the contractor's promise on completion date was conditional on the finalisation of the design drawings. (ii) The consumer cannot repudiate the contract on the basis of delay of process or the defendant's failure to provide quotations. It is because of the consumer's failure to finalise the design drawings that the contractor was unable to provide the consumer with a once-overall quotation. Additionally, it was unreasonable and impractical for the consumer to request quotations of individual items. The consumer was therefore at fault for the delay and was in repudiatory breach himself for terminating the contract on the basis that the contractor cannot meet an unreasonable demand. (iii) The renovation works done by the contractor were not at the stage of practical completion. However, the consumer still had to pay the contractor for the work that was actually done. The Court assessed the value of the completed works with the help of expert evidence, considering factors such as the lack of opportunity for the contractor to remedy defects and rectification costs. After considering setoffs and deductions, it found that the consumer still owed HKD80,300 to the contractor.

Annex 2: Parameters in Marking Scheme for Quotation Assessment

A. Mention of Parameters

Quotation Particulars	
1	Name of contractor
2	Address of contractor
3	Date of quotation
4	Validity of quotation
5	Contractor's signature or chop
Job Particulars	
6	Address of flat to be renovated
7	Name of client
8	Project start date and end date/time for completion
9	Defects liability/maintenance period
10	Declaration of compliance with statutory regulations
11	Declaration of compliance with the fitting out requirements of the property management office
12	Clarification of responsibility for paying the deposit required by the property management office
13	Liability for materials to be provided by the client
14	Payment terms
15	Liability for non-payment by the client
16	Provision for extension of time
17	Provision for liquidated and ascertained damages
18	Method to deal with work changes requested by the client
19	Lump sum
Scope of work	
20	Exclusion of works
21	Transportation of materials
22	Rubbish removal during and after work
23	Protection of existing property during work
24	Cleaning after work completion
25	List of materials to be provided by the client

B. Evaluation of Detailedness of Parameters

26	Breakdown of work
27	Insurance arrangement
28	Specification of work items
29	Brand names of materials
30	Quantities of work items
31	Unit prices of work items



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