

## Editor's comment

# FREE 'LOANS' TO BUILDERS SCANDAL!

**D**ESPITE the massive government bail-outs, banks remain reluctant to lend. Unlike most businesses, main contractors and builders haven't had to worry too much about borrowing from banks. They can demand 'loans' that are completely interest free and without penalty if they are not paid back on time. They are called retentions, the curse of every flooring contractor's life.

At the last count big builders were holding retentions worth a staggering £3 billion. They can use this money for whatever they choose – to buy materials, pay wages, invest or simply to maintain cashflow. And here is the real scandal – over 25% of retentions are reportedly never repaid!

That's according to recent surveys, which also reveal that three quarters of all retentions are repaid late. Many flooring contractors have to employ full-time staff to chase retentions. And the recession has made the problem worse. Retentions are being held for longer. Furthermore, the recent high profile bankruptcies of a number of big builders have seen millions of pounds in unpaid retentions disappear in puffs of smoke.

The latest NSCC state of trade survey claims that the average sub-contractor (including those in flooring) is owed an eye-watering £196,000 in retentions at any one time.

Retentions – an archaic practice dating back to the 19th century – is a deduction of around 5%, which is supposedly an incentive to sub-contractors to ensure that they deliver work that is defect-free. But modern alternative schemes have made retentions redundant. Project bank accounts, for example, is one option which is increasingly finding favour.

The long battle against retentions by a swathe of bodies,

including the Contract Flooring Association, has seen many false dawns. I remember the fanfare in 2002 accompanying the launch of the CFA's fight to 'get rid of retentions'.

Since then there have been several valiant attempts to kill off the scourge, notably a part of the Fair Payment Campaign introduced by the National Specialist Contractors Council (NSCC) in 2007. [www.fairpaymentcampaign.co.uk](http://www.fairpaymentcampaign.co.uk)

Even the government's well-intentioned Payment Charter, unveiled under two years ago with high hopes, has apparently been less effective than was originally hoped. It's incredible that despite the obvious flaws in retentions, the doomed Construction Confederation and certain construction bosses continue to make excuses for this clearly iniquitous practice!

Now the Olympic Delivery Authority says it will not deduct retentions on any of its contracts for the 2012 Games. That is another big step forward, but don't get your hopes up yet.

The death of retentions has been forecast all too often in the past with phrases like 'final nail in the coffin'. But like a zombie, this unfair practice still haunts flooring contractors. Now it's up to everyone in flooring to make their own personal protest. Your company's survival could depend on it!



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### For starters:

## Teenage tycoon

HERE – for a change – is a **good news** story:

Gareth Darbyshire left school in Bolton two years ago. Last month, aged 19, he agreed a £7m deal to buy Welsh firm TPT Construction.

He runs Preston-based Darbyshire property group with 75 staff and a £20m turnover. TPT

operates mainly in the public sector.

Gareth reportedly plans to increase his workforce by 40% over the next few years, ready for when the market recovers.

If only a few more people in the industry showed this sort of enterprise and optimism.



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