



# Home Renovation Industry — Better Governance for Creating Comfortable Homes

倡規範家居裝修 建舒適美滿之家



# 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

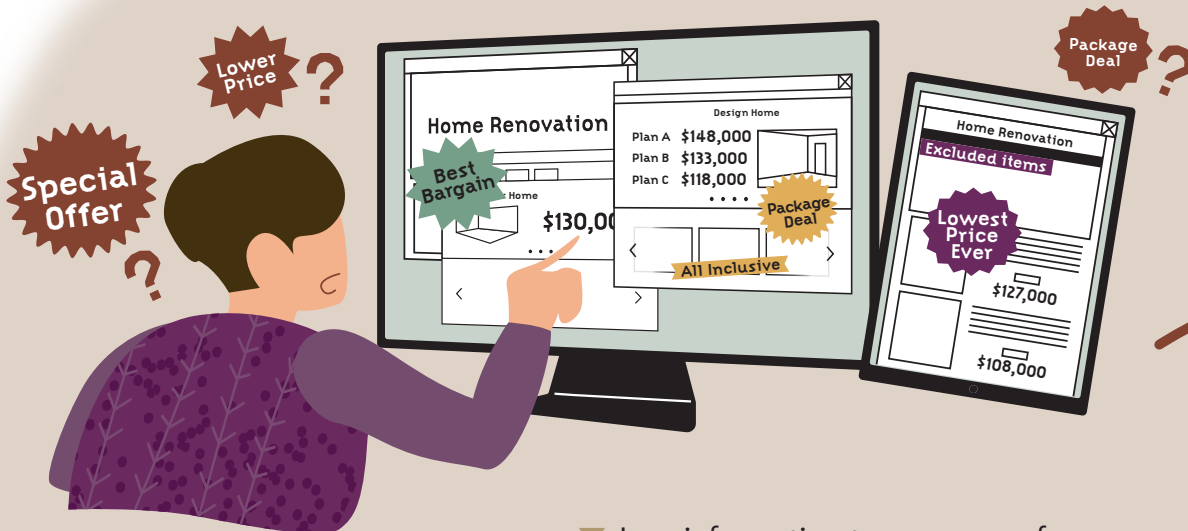
● Consumer survey

▼ Trader interview

■ Mystery visit

◆ Advertisement review

## Awareness and information search



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

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

● Too many choices of companies with varying levels of quality

◆ 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

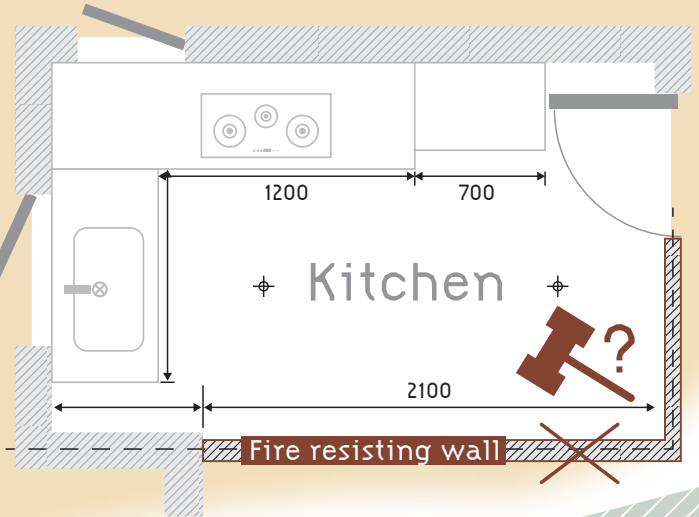
▼ Lack of monitoring authorities and industry guidelines



## 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



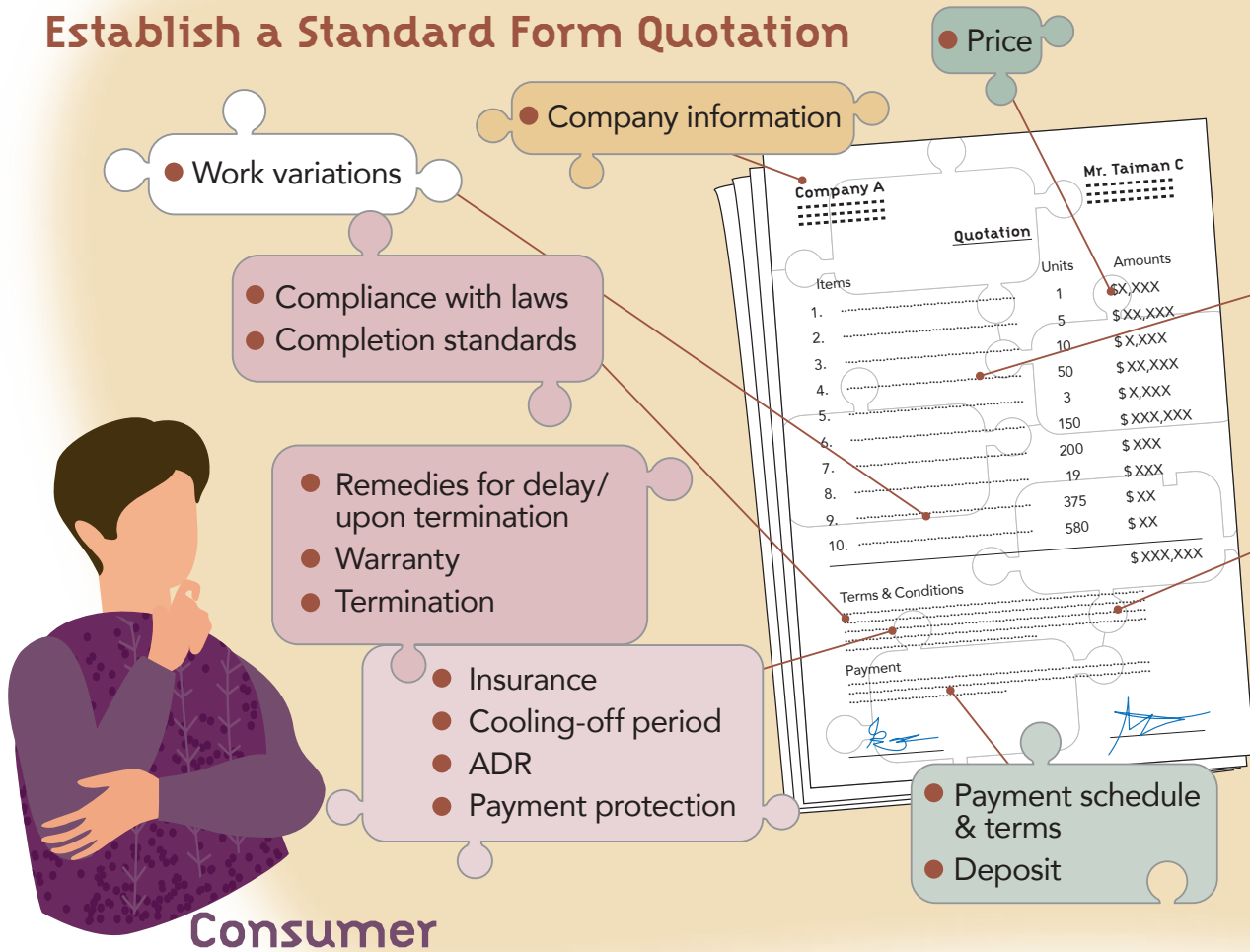
## Commencement

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

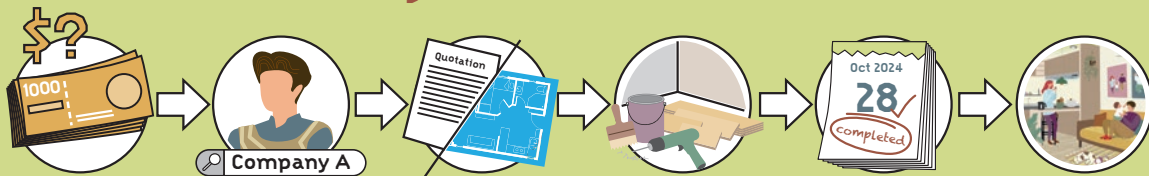


# 4 Measures to Strengthen Governance for the Home Renovation Industry

## 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





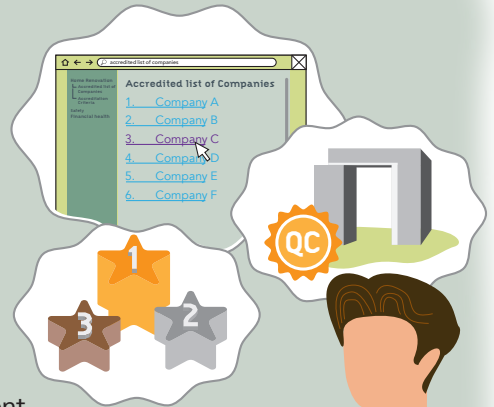
## Recommendation 2: Establish an Accreditation Scheme

● Scope and specification of work

● Standards of workmanship  
● Project period

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

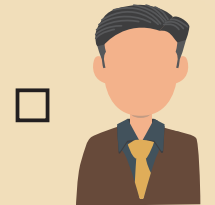
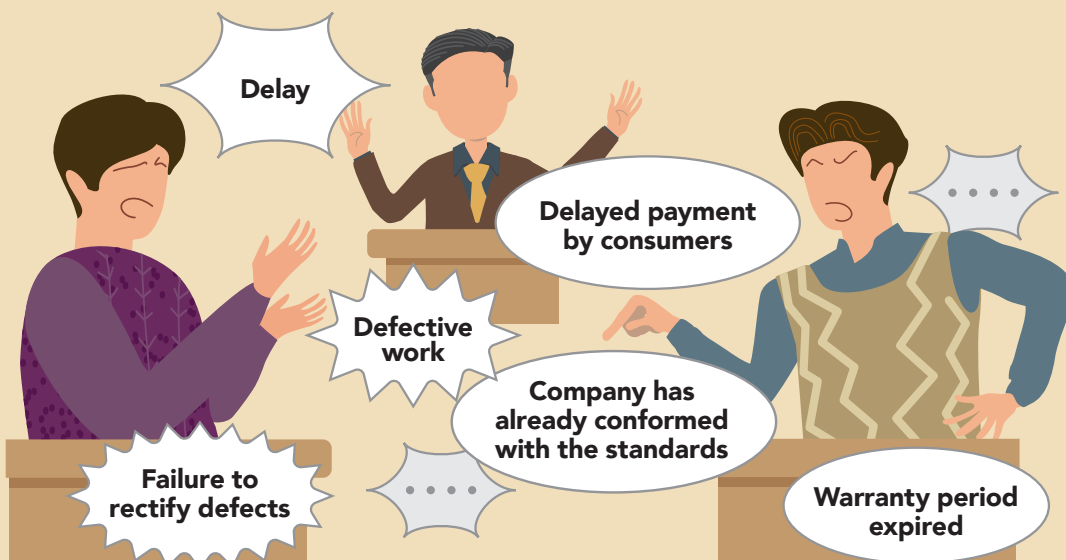
- Safety
- Financial health
- Management and manpower commitment
- Track record
- Dispute resolution process
- Customer satisfaction
- Business procedures and practices
- Ethics and integrity management



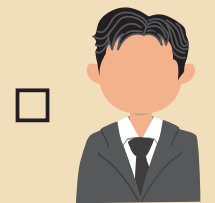
Trader



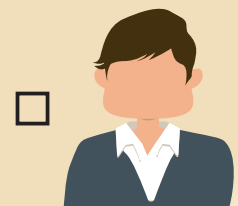
## Recommendation 3: Adopt an Alternative Dispute Resolution (ADR) Mechanism



Mediation



Arbitration



Expert Determination



### 消費者委員會

香港北角渣華道191號嘉華國際中心22樓

電話 2856 3113

傳真 2856 3611

電郵 [cc@consumer.org.hk](mailto:cc@consumer.org.hk)

網站 [www.consumer.org.hk](http://www.consumer.org.hk)

### Consumer Council

22/F, K. Wah Centre, 191 Java Road

North Point, Hong Kong

Tel 2856 3113

Fax 2856 3611

E-mail [cc@consumer.org.hk](mailto:cc@consumer.org.hk)

Web [www.consumer.org.hk](http://www.consumer.org.hk)

消費者委員會 2024年2月出版

Published by Consumer Council, February 2024

© 版權所有，不得翻印 © All rights reserved

