VICTORIA'S FIRST RESORT HOME WARRANTY SCHEME

A Builder's Checklist

UPDATED FOR COMMENCEMENT ON 1 JULY 2026

Victoria's Building Legislation Amendment (Buyer Protections) Act 2025 reforms took effect on 1 July 2026, replacing the old domestic building insurance regime with a first-resort model. Based on how the reforms are structured, here's where builders' attention and effort will pay off most:

Key dates at a glance

1 July 2026	First Resort Home Warranty Scheme, BPC rectification powers and 2% developer bonds all commence.
30 June 2027	Transitional deadline for the developer bond exemption where a building permit is already in train.
1 July 2028	Minimum Financial Requirements (MFRs) fully apply, after a two-year transitional period.

1 Get ahead of the new Minimum Financial Requirements test

Eligibility for domestic building insurance has been replaced by a stand-alone Minimum Financial Requirements (MFR) test, legislated from 1 July 2026. A two-year transitional period means MFRs are expected to fully apply from 1 July 2028 — but every registered domestic builder will eventually need to satisfy them to keep their registration. Review your working capital, net tangible assets and balance sheet now, while there's still runway, rather than scrambling as the deadline approaches.

2 Tighten documentation and defect control on every job

The Building and Plumbing Commission (the renamed VBA) now holds stronger powers to issue rectification orders, both before and after an occupancy permit is issued. Since 1 July 2026, owners can also claim on the First Resort Home Warranty Scheme as soon as a defect is identified — the builder no longer needs to be insolvent, deceased or missing. Clean site records, compliance certificates and a documented quality process are your main defence against a rectification order and the cost-recovery action that can follow it.

3 Budget for the premium and re-price for compliance costs

Home Warranty cover is capped at $400,000, with major defects covered for six years and other defects for two years. Because owners can now claim the moment they identify a defect, claims volumes — and likely premiums — are expected to keep rising. You must pay the Home Warranty premium to the BPC within 10 business days of the contract being signed or work starting, whichever is earlier — and cover begins automatically from the day the contract is signed, whether or not you've paid. Build the premium and the compliance overhead into quotes and fixed-price contracts up front.

4 Understand the developer bond if you work on multi-unit projects

For buildings above three storeys, developers must now lodge a bond of 2% of total build cost with the BPC before an occupancy permit is granted — unless a building permit was already issued, is issued by 30 June 2027, or the developer opts for decennial insurance instead, an alternative introduced in June 2026. Rectification orders on apartment projects can be issued against developers as well as builders. If you build for developers, or are one yourself, factor bond timing into project cash flow and payment scheduling.

5 Keep legal, insurance and finance advice on hand

The scheme is now live. Builders have review rights through VCAT against rectification orders, but that process and any cost-recovery dispute takes time and money to run. If you haven't already, get advisors engaged so you're not assembling a defence under pressure once an order lands, and keep an eye on the MFR transition as the 2028 deadline approaches.

Chocolate Money can refer you to trusted and professional construction lawyers, accountants, financial planners or real estate agents for trustworthy advice.

Worth noting: several of these (financial requirements, repricing, bond timing) directly effect cash flow and working capital — which is exactly the kind of pressure point flexible business finance is built to smooth over; contact Chocolate Money for more information on 1300 137 539