



## COVERSHEET

<b>Minister</b>	Hon Chris Penk	<b>Portfolio</b>	Building and Construction
<b>Title of Cabinet paper</b>	Strengthening consumer protections in the Building Act	<b>Date to be published</b>	15 December 2025

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
November 2025	Strengthening consumer protections in the Building Act	Office of Hon Chris Penk, Minister for Building and Construction
12 November 2025	Strengthening consumer protections in the Building Act ECO-25-MIN-0190 Minute	Cabinet Office
10 October 2025	Regulatory Impact Statement – Supporting mechanisms for proportionate liability in the building and construction sector	MBIE
5 November 2025	Regulatory Impact Statement – Increasing the maximum fine and suspension term for Licensed Building Practitioners	MBIE

### Information redacted

**YES / NO** (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for reasons of Commercial information, Protecting the privacy of natural persons, Confidential advice to Government and Free and frank advice.



# Regulatory Impact Statement: Increasing the maximum fine and suspension term for Licensed Building Practitioners

<b>Decision sought</b>	This analysis has been produced for the purpose of informing final Cabinet decisions on increasing the maximum fine and maximum term of suspension for licensed building practitioners.
<b>Agency responsible</b>	Ministry of Business, Innovation and Employment
<b>Proposing Ministers</b>	Building and Construction
<b>Date finalised</b>	5 November 2025

## Regulatory proposal

Amend section 318 of the Building Act 2004 (the Act) to increase the maximum fine for licensed building practitioners (LBPs) from \$10,000 to \$20,000 and increase the maximum term of suspension from 12 to 24 months.

## Summary: Problem definition and options

### What is the policy problem?

All restricted building work must be carried out or supervised by an LBP, and penalties are imposed for breaching responsibilities.<sup>1</sup>

The Building Practitioners Board (the Board) is responsible for hearing complaints. The grounds for discipline of LBPs include not providing the owner with a record of work, breaching the code of ethics, and carrying out or supervising work in a negligent or incompetent manner. Disciplinary penalties may include training orders, a formal reprimand, a fine (up to \$10,000), or suspension (up to 12 months) or cancellation of the LBP's licence.

Matters that come before the Board cover a broad range in terms of the nature of offending and impacts on homeowners. Many of these matters relate to competency gaps and/or insufficient supervision, but a small number of these matters are more serious in nature. Poor behaviour by LBPs can have a significant impact on homeowners, delaying builds, increasing cost, and creating stress, as well as damaging the reputation of the LBP scheme.

Issues with poor building work often do not become evident until later. Work completed up to that point may need to be redone, at significant cost to the owner. MBIE estimates the

<sup>1</sup> Restricted building work (RBW) is the design and construction or alteration of a residential building's primary structure, weathertightness, or certain fire safety systems, which must be carried out by a Licensed Building Practitioner (LBP). This type of work is critical to ensuring a home is structurally sound and protected from the elements.

average cost of latent defects across all new home builds in 2025 at about \$23,000 per house<sup>2</sup> but can be much higher for more serious defects.

The maximum fine the Board may impose for a disciplinary matter has not changed since the establishment of the LBP scheme in 2007. Over this time, inflation has eroded the value of the fine and its deterrent effect. A maximum fine of \$10,000, adjusted for inflation from 2007, equals about \$15,600 today.

A maximum fine of \$10,000 also does not reflect the potential for harm caused by LBPs who breach their responsibilities. In most cases, the fines are not high enough to have a material impact and pose a credible deterrent to non-compliance. A maximum fine of \$10,000 was about 3.4 per cent of the cost to build in 2010, but only 1.7 per cent today. It is cheaper for LBPs to cut corners and there are weak incentives to change their behaviour.

Reputational consequences of disciplinary action are also weak, due to poor visibility and accessibility of disciplinary decisions and LBP register data. Low awareness of the register and a lack of data on who has been disciplined and why, means consumers lack information to make informed decisions about which LBP to engage with.

Changes to liability settings and assurance could also increase risk exposure to homeowners. A shift to proportionate liability (from the current joint and several model) could mean that homeowners are at risk of not receiving full redress if things go wrong, as Building Consent Authorities (BCAs) will no longer act as the 'last man standing'. The Government is also progressing amendments to the building control system that will shift responsibility away from BCAs and onto those best placed to manage it (e.g. builders and designers).

In the context of these changes, it is important for those involved in building work to be able to effectively be held to account for the quality of the work they do.

#### **What is the policy objective?**

The primary objective of this work is to ensure the maximum penalties the Board may impose provide meaningful and effective deterrence against LBPs breaching their responsibilities and appropriate accountability for those that do.

#### **What policy options have been considered, including any alternatives to regulation?**

The Minister for Building and Construction has asked MBIE to increase the maximum penalties as a priority in the first instance, but broader work is ongoing. Options that would have limited the Board's discretion to set fines would have required more analysis and consultation and therefore were ruled out of scope. This analysis only considers changing the maximum fine and suspension term for regulated individuals within the LBP scheme.

Officials have considered the following options, of which one or more may be selected:

- Status quo: no change to the maximum fine or term of suspension.
- Option 1 (regulatory): increase the maximum fine for an LBP from \$10,000 to \$20,000 and increase the maximum term of suspension for an LBP from 12 to 24 months.

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<sup>2</sup> This is based on a BRANZ 2009 study citing the average cost of rectifying defects at 4.1 per cent of contract value. It uses standalone houses as a proxy and the total consented cost as a proxy for the contract cost.

<ul style="list-style-type: none"><li>• Option 2 (regulatory): increase the maximum fine for an LBP from \$10,000 to \$50,000 and increase the maximum term of suspension for an LBP from 12 to 24 months.</li><li>• Option 3 (non-regulatory): Improve public awareness and accessibility of the LBP register.</li></ul> <p>The preferred option is option 1 (regulatory), but MBIE notes there are additional benefits if option 3 (non-regulatory) is delivered as a complementary option.</p>
<p><b>What consultation has been undertaken?</b></p> <p>In 2024, MBIE’s consultation on making it easier to build granny flats asked whether current licensed regimes for LBPs and licensed plumbers were effective at holding practitioners to account in the case of breaches. Responses showed a distrust of LBPs and concerns about the way they used Requests for Information as a quality control mechanism.</p> <p>Targeted consultation on potential changes to maximum fine and suspension term was carried with BCAs and industry bodies in September 2025. All stakeholders agreed the maximum penalties were no longer strong enough and should be increased. However, the overall view was that increasing the maximum penalties would have little impact on its own, and that changes should be accompanied by improvements to the complaints system itself, ensuring it is fair and easy to use.</p>
<p><b>Is the preferred option in the Cabinet paper the same as preferred option in the RIS?</b></p> <p>Yes, the preferred option in the Cabinet paper is the same as the preferred option in the RIS: Option 1 – increase the maximum fine for an LBP from \$10,000 to \$20,000 and increase the maximum term of suspension from 12 to 24 months. MBIE notes there are additional benefits if Option 3 – improve public awareness and accessibility of the LBP register – is delivered as a complementary option.</p>

**Summary: Preferred option**

<p><b>Costs (Core information)</b></p> <p><b>Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)</b></p> <p>There will be no additional costs for LBPs that are carrying out work with care and complying with their obligations under the Act. Some LBPs may suffer a greater loss of income, if they are suspended and unable to work without supervision for a longer period.</p>
<p><b>Benefits (Core information)</b></p> <p><b>Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)</b></p> <p>Customers (homeowners and building owners) will benefit from a reduction in the more serious offending. However, this will likely have a minor impact overall on the average costs of defects. Customers will also be supported to make informed decisions about which LBP to engage with.</p> <p>High-performing LBPs may benefit from greater trust from customers in the regime.</p>

## Balance of benefits and costs (Core information)

### Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

MBIE expects the benefits of the preferred option to outweigh the overall costs. Higher maximum penalties would enable the Board to impose higher penalties for serious offences. We expect this will deter more builders from breaching their responsibilities than under the status quo, supporting a lift in the overall quality of building work to the benefit of both homeowners and high performing builders.

## Implementation

### How will the proposal be implemented, who will implement it, and what are the risks?

Changes to the maximum fine and suspension term will be implemented through an amendment to the Act. It will be included in the Building and Construction (Strengthening Occupational Licensing Regimes) Amendment Bill through the select committee process.

MBIE will develop an implementation plan for improving knowledge and accessibility of the LBP register (Option 3), which will include further work to scope the work required, resources and timeframes. MBIE will work with the Board to monitor the impact of the changes on the penalties issued by the Board. MBIE will also use its regular engagements with BCAs and industry bodies to get feedback on the impact of the changes on LBP behaviour.

## Limitations and Constraints on Analysis

MBIE has undertaken analysis on this issue in a short timeframe. This has restricted MBIE's ability to undertake comprehensive consultation and gather quantitative evidence. As above, MBIE has undertaken targeted engagement with a limited number of key sector participants.

There are gaps in the evidence, particularly around the impact of penalties on LBP behaviour. Where quantitative data is not available, we have estimated costs and benefits based on information provided during targeted engagement.

The scope of options for consideration has been limited due to the amount of time available to progress changes through the next available legislative vehicle.

**I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.**

Protect privacy of natural persons

**Responsible Manager signature:**

**Suzannah Toulmin**

**Manager, Consenting and Practitioners Policy**

**5 November 2025**

## Quality Assurance Statement

**Reviewing Agency:** MBIE

**QA rating:** Partially meets

### Panel Comment:

A Quality Assurance Panel from the Ministry of Business, Innovation and Employment (MBIE) has reviewed the regulatory impact statement (RIS) prepared by MBIE titled *Regulatory Impact Statement: Increasing the maximum fine and suspension term for Licensed Building*

*Practitioners.* The Panel considers that the information and impact analysis summarised in the RIS partially meets the quality assurance criteria. The Panel considered there to be a logical relationship between the context, problem and preferred option. However, it considered that the analysis was limited by a lack of specific consultation on the preferred option and that the development of options has been constrained by the time available. The Panel noted that, as set out in the RIS, the efficacy of the preferred option will in part be determined by broader changes to the complaints system that are outside of the scope of this RIS.

## Section 1: Diagnosing the policy problem

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### **What is the context behind the policy problem and how is the status quo expected to develop?**

*The purpose of occupational regulation is to give people confidence in practitioners and their work*

1. The Licensed Building Practitioners (LBP) scheme makes an important contribution to safe and durable residential buildings. It does not regulate the entire building profession, only licensed builders when they are carrying out or supervising restricted building work.
2. Restricted building work is work that relates only to structure, weathertightness and fire safety design, and includes both building and the design. It only affects residential construction and rules out commercial construction, including most medium-to-large apartment buildings. All restricted building work must be carried out or supervised by an LBP licensed to do so.
3. The LBP scheme is the main way of ensuring that someone undertaking residential building work is competent, skilled, and accountable. As at October 2025, there are 30,170 LBPs and 34,591 licences held. The number of licences has been steady for the last 4-5 years.
4. Not all builders are licensed building practitioners. For example, someone working in non-residential construction, someone doing work outside of the scope of restricted building work, or someone working under the supervision of an appropriately licensed LBP, does not need to be licensed.

*Disciplinary penalties can be imposed on LBPs that commit offences*

5. Under section 317 of the Building Act 2004 (the Act), the Building Practitioners Board (the Board) is empowered to take certain disciplinary actions against LBPs for a range of matters raised by a complaint or by its own inquiries. The grounds for discipline include:
  - carrying out or supervising building work in a negligent or incompetent manner or that they are not licensed to do
  - carrying out or supervising building work that does not comply with a building consent
  - failing to provide certain information (eg record of work)
  - breaching the LBP code of ethics
  - acting in a manner that brings the scheme into disrepute.
6. The current disciplinary penalties for LBPs are set out in section 318 of the Act. Penalties can include one or more of the following:
  - suspension of a person's licence for a period of no more than 12 months and record of the suspension in the LBP register
  - cancellation of a person's licence and removal of their name from the LPB register, and order that they cannot apply to be relicensed before the end of a specified period

- restrictions on the type of building work the person may carry out or supervise under the person's licensing class, and record this restriction
  - order that the person be censured
  - order that the person undertake training
  - order the person to pay a fine not exceeding \$10,000.
7. When considering a fine, the Board selects a starting figure based on a set of principles, including protection of the public, consideration of the purposes of the Act, deterring the individual and other LBPs from similar offending, enforcing a high standard of conduct, penalising wrongdoing, and rehabilitation. It then considers reductions to the penalty depending on the circumstances of the complaint and disciplinary process, generally lowering the amount from the starting point, considering factors such as remorse or what effort has gone into rectifying the situation.
  8. There are around 100 complaints or inquiries upheld each year. Fines are the most common penalty imposed, with fines over the last 4 years ranging from \$500 to \$5,000, plus costs.

*Without intervention, behaviour of poor performing LBPs is unlikely to change, but the number of complaints and decisions may increase*

9. The starting figure for setting fines has been slowly increasing in recent years, and **Free and frank advice**<sup>3</sup> However, if no change is made, the Board's ability to hold poor performing LBPs to account will be constrained. Incentives to change behaviour will weaken as building costs increase, and homeowners will continue to feel the impact of poorly performing LBPs.
10. Work is underway to improve the disciplinary processes for LBPs. The Government is progressing amendments that will improve the efficiency and complaints processes for LBPs, as well as removing restrictions on the Board on which disciplinary penalties they can issue alongside others. These changes may increase use of the complaints process, and the number of fines issued.

### **What is the policy problem or opportunity?**

*Matters that come before the Board cover a broad range in terms of the nature of offending and impacts on homeowners*

11. Many of the issues with poor quality building work and matters that come before the Board relate to competency gaps and/or insufficient supervision. Most are complaints or inquiries for a first offence being considered by the Board.
12. Some complaints or inquiries are for matters that are more serious in nature and include LBPs working outside of their area of expertise, cutting corners to save costs, and carrying out or supervising building work without a building consent.

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<sup>3</sup> Trends in the average fine issued each year may be skewed by changes in the matters coming before the Board, and mitigating circumstances.



13. MBIE estimates those responsible for the most serious offending make up less than one per cent of all LBPs<sup>4</sup> but their actions can have a significant impact on homeowners, delaying builds, increasing cost, and creating stress, as well as damaging the reputation of the scheme. Any delay to a build increases the cost to the customer – MBIE estimates the cost of a one-week delay at around \$2,047 per project.<sup>5</sup> However, issues caused by poor building work often do not become evident until later.<sup>6</sup> MBIE estimates the average cost of latent defects across all new home builds in 2025 at about \$23,000 per house.<sup>7</sup> In some cases, it can be much higher than this.
14. As well as time and cost, dishonest LBPs create stress for customers and can slow down or prevent them from moving into their new home, having a renovation completed, or recovering the costs of their investment if they are renting a property out.

*Disciplinary penalties are out of date and do not provide sufficient deterrence*

15. The maximum penalties the Board may impose for a disciplinary matter have not changed since the establishment of the LBP scheme in 2007.
16. Over this time, the LBP workforce and wider building system has continued to evolve and become more specialised, and demands on builders have increased. However, inflation has eroded the value of the fine and its deterrent effect. A maximum fine of \$10,000, adjusted for inflation from 2007, equals about \$15,600 today.
17. The maximum fine does not reflect the harm caused by LBPs who breach their responsibilities. In most cases, the fines are not high enough to have a material impact and pose a credible deterrent to non-compliance. A \$10,000 fine was about 3.4 per cent of the cost to build a standalone home in 2010<sup>8</sup>, but only 1.7 per cent today. Even if the Board imposed the maximum fine permitted under the Act, this would still be insignificant compared to the potential costs builders can save from cutting corners.
18. The maximum penalties for some existing criminal offences in the Act were increased in 2021, following a review. However, the review only considered the penalties for criminal offences. As a result of these changes, the maximum fine for disciplinary matters no longer aligns with the broader regulatory framework.

*Reputational consequences are weak due to poor visibility and accessibility of disciplinary decisions and LBP register data*

19. Limitations of the LBP register mean LBPs who breach their responsibilities face little reputational risk nor any meaningful impact on their ability to earn, while consumers lack information to make informed decisions about which LBP to engage with. The LBP register shows the person's licence class, licence history, and if they have been disciplined in the last three years.

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<sup>4</sup> Based on Board annual reports and engagement with BCAs and industry groups.

<sup>5</sup> Internal analysis based on 2012 BRANZ report ([SR259 Value of time savings in new housing | BRANZ](#)) and adjusted for inflation. The BRANZ research is based on the cost of new dwellings.

<sup>6</sup> For example, a builder could lay slab without clearing the fill underneath. This can cause the slab to crack and all work up to that point must be redone at a significant cost to the owner.

<sup>7</sup> This is based on a BRANZ 2009 study citing the cost of latent defects at 4.1 per cent of contract work. It uses standalone houses as a proxy and the total consented cost as a proxy for the contract cost.

<sup>8</sup> Reliable figures for 2007, when the LBP scheme was established, are not available.

20. However, low knowledge of the LBP register, including where to find it and how to use it, reduces its visibility and use. Meanwhile, low visibility on the register of whether individuals have been disciplined and, if they have, the reasons for and magnitude of the penalty, means consumers are generally not aware of an LBP's disciplinary history.

*Changes to liability settings and assurance could increase risk exposure to homeowners, increasing the need for strong deterrence to protect future homeowners*

21. The Government has agreed to change the building and construction sector's liability settings from joint and several liability to proportionate liability. This will mean that parties involved in defective work will only be responsible for covering the costs of their own contribution, rather than the costs incurred by companies or individuals who are responsible for defective work but cannot pay to remedy it. With BCAs no longer acting as the 'last man standing', there is a risk that customers may not receive full redress when things go wrong.
22. The Government is also progressing amendments to the building control system that will shift responsibility away from BCAs and onto practitioners in the sector (e.g. exempting small stand-alone dwellings (granny flats) from needing a building consent, and self-certification for whole builds).
23. In the context of these changes, it is important for those involved in building work to be able to effectively be held to account for the quality of the work they do through fines and/or suspension terms that are proportionate to the harm caused.

### **What objectives are sought in relation to the policy problem?**

24. The primary objective of this work is to ensure the maximum fine and/or suspension term that the Board may impose provides a meaningful and effective deterrence against LBPs breaching their responsibilities and ensures appropriate accountability for those that do.

### **What consultation has been undertaken?**

25. In 2024, the consultation document *Making it easier to build granny flats* asked how robust the licensing regimes were for LBPs and for licensed plumbers.<sup>9</sup> The most common concern raised was a mistrust of LBPs, and that they rely on the building consent system and building inspections as a quality assurance check.
26. As part of its consultation on remote inspections in late-2024, MBIE also asked whether current occupational regulation and consumer protection measures were fit for purpose. About half of submitters said current measures were not sufficient (a quarter were unsure). Common reasons for this view were issues around LBP competence, insufficient accountability for trades, the risks to homeowners, and concerns about unethical behaviour. Suggested changes included placing more liability and accountability on the sector, strengthening the LBP scheme, lifting LBP competence, higher penalties for LBPs and trades, and making the complaints process easier to use.
27. Targeted consultation on potential changes to the maximum fine and suspension term was carried out with BCAs and industry bodies in September 2025. All stakeholders agreed that maximum penalties were not strong enough and should be increased. BCAs

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<sup>9</sup> See <https://www.mbie.govt.nz/dmsdocument/28513-making-it-easier-to-build-granny-flats-discussion-document>

also commented that the maximum penalties were a deterrent to BCAs making complaints to the Board due to the relatively low level of fine compared to the resource required to see a complaint through to a hearing.

28. Stakeholders were also of the view that increasing the maximum penalties would have little impact on their own and would need to be accompanied by improvements to the complaints system itself, ensuring it is fair and easy to use.

## Section 2: Assessing options to address the policy problem

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### What criteria will be used to compare options to the status quo?

29. MBIE has considered the following key criteria in its assessment of options:
- Effectiveness – the option is effective in deterring LBPs from breaching their responsibilities and enabling poor behaviour to be held to account.
  - Proportionate – the maximum penalties are set at a level proportionate to the harm that may be caused by LBPs that breach their responsibilities.
  - Regulatory coherence – the option is consistent with the purpose of the LBP scheme and aligns with the wider building regulatory system.

### What scope will options be considered within?

30. The Minister for Building and Construction has asked MBIE to increase the maximum fine and suspension term as a priority in the first instance. This will support work to change the liability settings in the sector and shift assurance away from BCAs and onto practitioners.
31. The scope of options for consideration has been limited due to the amount of time available to progress changes through the next available legislative vehicle.
32. Options that would have further limited the Board's discretion to set the level of fines, such as the introduction of minimum or tiered fines, would have required more analysis and consultation, and therefore have been ruled out of scope.
33. Other options to improve the effectiveness of the LBP scheme also require more analysis and consultation and will be considered as part of a wider work programme to lift practitioner performance, which may lead to further legislative or regulatory change. MBIE intends to progress this work after the changes to the maximum fine and suspension term have been made. The proposals to increase maximum fine and suspension term are consistent with the intent of the broader programme and will complement it.
34. This analysis only considers penalties for regulated individuals within the LBP scheme (ie builders that breach their responsibilities under section 317 of the Act).

### What options are being considered?

#### Status quo (no change to the maximum fine nor the maximum term of suspension)

35. The maximum fine for LBPs is \$10,000 and the maximum suspension term is 12 months.
36. The level of fines imposed by the Board has slowly increased in recent years, and the Free and frank advice However, its ability to continue to set fines at a level that provides an effective deterrence will be limited, as the level of fines approach the maximum permitted under the Act.<sup>10</sup>

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<sup>10</sup> The Board operates on a model of picking a starting point for an offence and then factoring in mitigating circumstances, including what steps the LBP has taken to rectify the issue, any remorse, and whether it was a first-time offence. Higher amounts are also reserved for more serious offences.

37. Work is underway to improve the efficiency of the complaints process for LBPs. The intention of these changes is to promote more use of the complaints process by removing barriers such as the time it takes to have a complaint heard.
38. MBIE expects these changes will lead to an increase in the number of complaints and decisions. However, these changes on their own are unlikely to deter poor performing LBPs from breaching their responsibilities. Incidences of poor behaviour are not likely to decrease significantly, and customers will continue to feel the impact (which may be heightened without BCAs acting as the 'last man standing' due to changes to liability settings).

**Option One (regulatory) – Increase the maximum fine for an LBP from \$10,000 to \$20,000, and increase the maximum term of suspension for an LBP from 12 to 24 months**

39. Under this option, section 318(1)(f) of the Act would be amended to increase the maximum fine to \$20,000, and section 318(1)(b) would be amended to increase the maximum suspension term to 24 months.
40. The Board would retain full discretion in deciding on penalties for disciplinary offences.

**Option Two (regulatory) – Increase the maximum fine for an LBP from \$10,000 to \$50,000, and increase the maximum term of suspension for an LBP from 12 to 24 months**

41. Under this option, section 318(1)(f) of the Act would be amended to increase the maximum fine to \$50,000, and section 318(1)(b) would be amended to increase the maximum suspension term to 24 months.
42. The Board would retain full discretion in deciding on penalties for disciplinary offences.

**Option 3 (non-regulatory, complementary) – Improve public awareness and accessibility of the LBP register**

43. MBIE would examine opportunities to improve knowledge of and accessibility to the LBP register. This could involve making the LBP register more accessible and promoting its use to consumers. These changes would be intended to increase usage of the register and the information contained within so that consumers can make more informed choices on the practitioners they wish to engage with, including the scope of their licence and their disciplinary history.

### How do the options compare to the status quo/counterfactual?

	Status Quo	Option One – Increase maximum fine to \$20,000 and maximum suspension term to 24 months	Option Two – Increase maximum fine to \$50,000 and maximum suspension term to 24 months	Option Three – Improve public awareness and accessibility of the LBP register
<b>Effectiveness</b>	0	<p>+</p> <p>Would enable the Board to deal more effectively with serious offences that significantly impact customers.</p> <p>Would have an important signalling effect and fines would be more likely to have a material impact, but effectiveness as a deterrent by itself may be limited by wider issues with the LBP scheme.</p> <p>May also encourage BCAs and others to submit complaints, if they knew that a higher fine was possible. This would increase the likelihood that LBPs breaching their responsibilities are caught and penalties are imposed.</p>	<p>+</p> <p>Similar effects to option 1.</p>	<p>+</p> <p>Would help consumers make informed decisions when choosing a practitioner to engage with for building work. With greater assurance and responsibility on practitioners, consumers will need to know a practitioner's history.</p> <p>With greater awareness of LBP disciplinary history, it is more likely that LBPs breaching their responsibilities will experience an impact on their business.</p>
<b>Proportionate</b>	0	<p>+</p> <p>Would enable the Board to issue penalties that are proportionate to the more serious offending while retaining discretion to issue lower penalties for less serious matters.</p>	<p>-</p> <p>A maximum fine of \$50,000 would be a disproportionately high fine for a disciplinary matter (particularly as the consumer may also be engaged in civil action against the LBP). However, it is unlikely the Board would ever issue a fine near that amount.</p> <p>It would also be significantly higher than the maximum fines for other</p>	n/a

			occupations (including those where there is potential for greater harm eg lawyers and health practitioners).	
<b>Regulatory coherence</b>	0	<p>+</p> <p>Would support the intent of the LBP scheme by restoring the real value of the fine and its deterrent effect.</p>	<p>--</p> <p>An increase to \$50,000 is significantly higher than the rate of inflation since 2007.</p> <p>It would also mean that the maximum fine for disciplinary offences would be significantly higher than the maximum penalties for most of the criminal offences in the Act, many of which deal with more serious matters, and which require a higher standard of proof.</p>	<p>+</p> <p>Would support intent of the LBP scheme by ensuring homeowners have the information they need to make informed decisions when choosing which LBP to engage with, empowering them to help hold poorly performing LBPs to account.</p>
<b>Overall assessment</b>	0	+3	-2	+2

**Key:**

- ++ much better than doing nothing/the status quo
- + better than doing nothing/the status quo
- 0 about the same as doing nothing/the status quo
- worse than doing nothing/the status quo
- much worse than doing nothing/the status quo

**What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?**

- 44. MBIE considers that Option 1 (the preferred option) will be the most effective and efficient way to achieve the objectives of deterring LBPs from breaching their responsibilities and ensuring appropriate accountability if things go wrong. There are additional benefits if Option 3 is delivered as a complementary option.
- 45. Option 1 restores the real value of the fine and its deterrent effect. Higher maxima for fine and suspension term will mean the Board will be able to appropriately hold LBPs to account, while being proportionate with the matters that come before the Board.<sup>11</sup>
- 46. The effectiveness of higher penalties on their own, however, may be limited by wider issues with the LBP scheme. These will be addressed as part of future work on lifting practitioner performance.
- 47. MBIE considers that Option 3 provides a complementary approach to support consumers to make informed decisions about which LBPs to engage with, and to empower them to help hold poorly performing LBPs to account. When delivered alongside Option 1, this will provide the best overall outcome.
- 48. Higher maximum penalties and better-informed consumers will support broader work to shift responsibility onto practitioners and change liability settings, by ensuring LBPs are appropriately held to account for disciplinary offences, which would help deter similar behaviour from other LBPs and protect future homeowners.
- 49. Option 2 would have a similar deterrence effect to Option 1. While it would enable the Board to issue higher fines than under Option 1, it is unlikely the Board would ever issue fines of that amount. A maximum fine of \$50,000 would be disproportionate for most disciplinary offences. This level of fine is usually reserved for more serious or criminal offences and would be significantly higher than the maximum fine for other building professions and other regulated occupations in New Zealand.

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<sup>11</sup>Free and frank advice



**Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?**

50. Yes, the preferred option in the Cabinet paper is the same as the preferred option in the RIS. This is to increase the maximum fine for an LBP from \$10,000 to \$20,000 and increase the maximum term of suspension from 12 to 24 months (Option 1). MBIE also considers there are additional benefits if Option 3 (non-regulatory) is delivered as a complementary option, which can be funded within MBIE's baselines.

**What are the marginal costs and benefits of the preferred option in the Cabinet paper?**

Affected groups	Comment	Impact	Evidence Certainty
<b>Additional costs of the preferred option compared to taking no action</b>			
Licensed building practitioners	No additional cost for LBPs that comply with their obligations.  Transfers (ie fine revenue) from LBPs to the Crown may increase in the short-medium term as a result of higher fines imposed by the Board.  Some LBPs may suffer a greater loss of income, if they are suspended and unable to work without supervision for a longer period.	Low	Medium
<b>Total monetised costs</b>	-	-	-
<b>Non-monetised costs</b>		Low	Medium
<b>Additional benefits of the preferred option compared to taking no action</b>			
Customers (homeowners / building owners)	Reduced harm from LBPs who breach their responsibilities, fewer defects.  Higher quality of building work.  Supported to make informed decisions on which LBP to engage.	Low.  Any reduction in serious offending from higher penalties will likely have a have a minor impact on the average cost of defects across all new builds, as these are mostly driven by other issues, such as	Medium

		competency gaps and/or inadequate supervision.	
Licensed building practitioners	Greater trust from customers in high-performing LBPs. More business for high-performing LBPs from better informed consumers.	Low	Low
Building Practitioners Board	Greater flexibility to sufficiently punish serious disciplinary offences, but with discretion to issue lower penalties for less serious matters.	Low	Medium
<b>Total monetised benefits</b>	-	-	-
<b>Non-monetised benefits</b>		Low	Low-medium

## Section 3: Delivering an option

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### How will the proposal be implemented?

51. Changes to the maximum fine and suspension term will be implemented through an amendment to the Act. The changes will be included in the Building and Construction (Strengthening Occupational Licensing Regimes) Amendment Bill for introduction in late 2025.
52. LBPs will be notified through MBIE's channels, particularly through the Wrap Up newsletter and CodeWords articles.
53. MBIE will develop an implementation plan for improving knowledge and accessibility of the LBP register (Option 3), which will include further analysis to scope the work required, resources and timeframes.
54. The package will be implemented within MBIE baselines.

### How will the proposal be monitored, evaluated, and reviewed?

55. MBIE will work with the Board to monitor the impact of the changes to the maximum fine and suspension term on the penalties issued by the Board. MBIE will also monitor traffic on the LBP website to determine whether there has been an uptake in register use after changes have been implemented.
56. MBIE will use its regular engagements with BCAs and industry bodies to get feedback on the impact of the changes on LBP behaviour, and the willingness of BCAs to lay complaints.
57. MBIE will also identify other channels to get feedback, including through newsletters and the biennial LBP survey (used to collect data on how the scheme and sector are operating).
58. MBIE will review the impact of changes to the maximum penalties, as part of future work on lifting practitioner performance, and will consider what other changes, if any, may be required to ensure penalties issued by the Board provide appropriate accountability and effective deterrence.