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BEWARE OF UNLICENSED CONTRACTORS

Dear Resident or Permit Applicant:

If you are planning a home improvement project like a deck, a new bathroom, or a garage, you will probably need to hire a building contractor.

HAZARDS OF HIRING THE UNLICENSED

While licensing isn't necessarily a measure of competence, it does imply a certain level of professionalism and suggests that the contractor is committed to his or her job. More significantly, licensing can protect you from a number of potential problems, such as the following:

- **Unlicensed usually means uninsured:** If you use a contractor who is uninsured, it means the contractor has no way of reimbursing you for any property damage he or she causes. This means you end up paying the price. Likewise, if contractor carelessness leads to injury or damage to someone else's property, the problem is likely to become yours.
- **No coverage under homeowner's policy:** Some homeowners believe it is safe to use an uninsured contractor, assuming that any damage incurred would be covered under their own insurance policies. However, this isn't the case. Most homeowner policies require that any work to the property be done by licensed contractors; coverage is often specifically excluded for damages caused by "bootleg" contractors.
- **Noncompliance with building codes:** Most building projects, even minor ones, usually require permits and inspections. Unlicensed contractors are often unfamiliar with the applicable building codes and are unable to obtain permits. If your project isn't permitted or doesn't comply with building and zoning codes, you may – and probably will – be ordered to remove or repair the job. Even if a building inspector doesn't "catch" your code violation right away, you will almost certainly have to correct it if and when you try to sell your house.
- **Poor quality work:** Not all unlicensed contractors do poor quality work. And not all poor quality work is done by unlicensed contractors. However, as a rule, if there's shoddy work to be done, it's usually done by unlicensed contractors. Because unlicensed contractors aren't subject to meeting specific standards, they are often untrained, less experienced, and unqualified to do certain types of work.
- **Limited recourse for broken contracts:** If you have a dispute with a licensed contractor, you can call his or her licensing agency. In some cases, the licensing agency has the authority to suspend or revoke a dishonest contractor's license. While this doesn't necessarily ensure a contractor will play fair, it gives him or her considerably more incentive to do so.

These regulatory authorities, however, cannot take this sort of action against unlicensed contractors. Therefore, homeowners often find that their only recourse is a civil lawsuit. And because many unlicensed contractors go in and out of business readily, such a lawsuit is frequently a waste of time.

WARNING SIGNS

Even when a license is required, there is no guarantee that every contractor you encounter will actually have a license. While there are certainly honest and competent contractors out there, the industry is unfortunately plagued with incompetence and con artists. It is essentially up to you to protect yourself. Therefore, when evaluating potential contractors, you should be diligent in your screening process. There are a number of "red flags" you should watch for:

- **Unsolicited phone calls or visits**
- **Large down payments**
- **Unwillingness to give you a price**
- **Insurance or licensing information you cannot verify**
- **High-Pressure sales pitches or scare tactics**
- **No verifiable address and phone numbers**
- **Unwillingness to sign a written contract**

When you're shopping for contractors, be sure to verify that both the license and insurance information you get is correct. Using the insurance policy number, call the contractor's carrier to make sure the policy is still in effect and that it covers projects such as yours. Also, call your state or local licensing board to verify the contractor's licensing information. The licensing agency should be able to tell you if there have been any complaints registered against that contractor. You might also call your consumer Affairs Bureau and Better Business Bureau to ask about any consumer complaints they may have received.