IN THE MATTER OF THE CLAIM	*	BEFORE WILLIS GUNTHER BAKER,
OF CHRISTINA PHILLIPS,	*	AN ADMINISTRATIVE LAW JUDGE
CLAIMANT	*	OF THE MARYLAND OFFICE
AGAINST THE MARYLAND HOME	*	OF ADMINISTRATIVE HEARINGS
IMPROVEMENT GUARANTY FUND	*	
FOR THE ALLEGED ACTS OR	*	
OMISSIONS OF PATRICK	*	
GERMAIN,	*	OAH No.: LABOR-HIC-02-22-19356
T/A VEDRE GOLD INTERNATIONAL	*	MHIC No.: 21 (75) 1108
CONSTRUCTION, INC.,	*	
RESPONDENT	*	•

# **PROPOSED DECISION**

STATEMENT OF THE CASE
ISSUES
SUMMARY OF THE EVIDENCE
PROPOSED FINDINGS OF FACT
DISCUSSION
PROPOSED CONCLUSIONS OF LAW
RECOMMENDED ORDER

# STATEMENT OF THE CASE

On November 22, 2021, Christina Phillips (Claimant) filed a claim (Claim) with the Maryland Home Improvement Commission (MHIC) Guaranty Fund (Fund), under the jurisdiction of the Department of Labor (Department), for reimbursement of \$10,000.00 for actual losses allegedly suffered as a result of a home improvement contract with Patrick Germain (PG), trading as Vedre Gold International Construction, Inc. (VGIC) (Respondent). Md. Code

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On December 2, 2022, I held a remote hearing by Webex videoconference. Bus. Reg. §§ 8-407(a), 8-312; Code of Maryland Regulations (COMAR) 28.02.01.20B(1)(b). Hope Sachs, Assistant Attorney General, Department, represented the Fund. The Claimant was self-represented. The Respondent failed to appear. Stephen D. Ball, Esquire, represented VGIC, but declined to indicate if he also represented PG.

Mr. Ball indicated in an "emergency" postponement request filed on December 1, 2022, that his client, Jean Richard Germain (JRG), the owner of VGIC, and a witness for the Respondent, had been recently hospitalized for a stroke in late November and was scheduled for a medical procedure on December 2, 2022. His request also noted that the named Respondent, PG, was on a trip to Jamaica.

After the failure of the Respondent or the Respondent's representative to appear,<sup>2</sup> I considered whether the request for an emergency postponement for a witness was proper under the circumstances. Code of Maryland Regulations (COMAR) 28.02.01.16E. It was clear that the Respondent was not in attendance and had no intention of being in attendance since Mr. Ball represented that the Respondent was in Jamaica. Further, the postponement request was made by Counsel for a witness, not a party. While VGIC is the corporation under which the Respondent was trading at the time of the allegations in the case, the licensee is the individual, PG. To have

<sup>&</sup>lt;sup>1</sup> Unless otherwise noted, all references hereinafter to the Business Regulation Article are to the 2015 Replacement Volume of the Maryland Annotated Code and will be abbreviated as Bus. Reg..

<sup>&</sup>lt;sup>2</sup> Mr. Ball never stated that he represented PG, only that he represented the VGCI corporation. When specifically asked if her represented PG, he repeated that he represented the corporation. I took that to mean that he was not present to represent PG.

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allowed the emergency postponement request for the Respondent's witness, would have provided the Respondent an unfair and inappropriate postponement for his failure to appear after proper notice. It is irrelevant that the Respondent's witness was unavailable since the Respondent himself failed to appear. In addition, the Claimant noted that the case had been previously scheduled on June 2, 2022, and was cancelled due to settlement, but the Respondent failed to pay, and the case was sent back to the OAH for a hearing. Therefore, I denied the postponement and proceeded with the hearing. I allowed Mr. Ball to participate on behalf of VGIC.

Applicable law permits me to proceed with a hearing in a party's absence if that party fails to attend after receiving proper notice. COMAR 28.02.01.23A. On August 23, 2022, the OAH provided a Notice of Hearing (Notice) to the Respondent by United States mail and certified mail to the Respondent's address on record with the OAH. COMAR 28.02.01.05C(1). The Notice stated that a hearing was scheduled for December 2, 2022, at 9:30 am via Webex videoconferencing. COMAR 09.08.03.03A(2), COMAR 28.02.01.20B. The Notice further advised the Respondent that failure to attend the hearing might result in "a decision against you."

The United States Postal Service (USPS) did not return the Notice to the OAH. The USPS did return the green certified mail card signed on August 26, 2022, by or on behalf of the Respondent at his address of record. The Respondent did not notify the OAH of any change of mailing address. COMAR 28.02.01.03E. The Respondent made no request for postponement prior to the date of the hearing.<sup>3</sup> COMAR 28.02.01.16. I determined that the Respondent received proper notice, and I proceeded to hear the captioned matter. COMAR 28.02.01.05A, C.

<sup>&</sup>lt;sup>3</sup> While Mr. Ball requested a postponement, it was for the illness of witness JRG, not the Respondent.

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The contested case provisions of the Administrative Procedure Act, the Department's hearing regulations, and the Rules of Procedure of the OAH govern procedure. Md. Code Ann., State Gov't §§ 10-201 through 10-226 (2021); COMAR 09.01.03; COMAR 28.02.01.

### **ISSUES**

- 1. Did the Claimant sustain an actual loss compensable by the Fund as a result of the Respondent's acts or omissions?
  - 2. If so, what is the amount of the compensable loss?

## SUMMARY OF THE EVIDENCE

## **Exhibits**

I admitted the following exhibits offered by the Claimant unless otherwise noted:

- Clmt Ex. 1A Contract between the Claimant and the Respondent for restoration of her home after water damage, December 19, 2019
- Clmt Ex. 1B VGIC business card of JRG
- Clmt Ex. 2A Confirmation of receipt of insurance payment and repairs covered, December 14, 2019
- Clmt Ex. 2B Confirmation of check deposit, December 19, 2019
- Clmt Ex. 2C Confirmation of cashed check #311 paid to the Respondent, December 23, 2019
- Clmt Ex. 3A Confirmation of receipt of additional insurance payment and repairs covered, January 30, 2020
- Clmt Ex. 3B Confirmation of check deposit, February 10, 2020
- Clmt Ex. 3C Confirmation of cashed check #321 paid to the Respondent, February 12, 2020
- Clmt Ex. 3D Confirmation of cashed check #322 paid to the Respondent, February 13, 2020
- Clmt Ex. 4A Photo showing no carpet installed, undated
- Clmt Ex. 4B Photo showing no kitchen floor installed, undated
- Clmt Ex. 4C Photo showing the light switch before the Respondent's repair, undated
- Clmt Ex. 4D Photo showing the light switch after the Respondent's repair, undated
- Clmt Ex. 4E Photo showing the hole in ceiling, undated
- Clmt Ex. 4F Photo showing the repaired ceiling, undated
- Clmt Ex. 5A Emails between the parties regarding flooring, January 6-7, March 7, 2020
- Clmt Ex. 5B Email forwarded from the Respondent to the Claimant regarding flooring, April 13, 2020

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- Clmt Ex. 6 Text message between Claimant and JRG's daughter, July 15, 2020
- Clmt Ex. 7 Receipt for flooring purchased by the Claimant, October 20, 2020
- Clmt Ex. 8 Text messages with photo of finished floors to Claimant's daughter, November 10, 2020
- Clmt Ex. 9 A-C Certified Letter to JRG from the Claimant requesting refund for failure to provide services, USPS -"held at post office at customer's request," February 8, 2021
- Clmt Ex. 10 Emails between the Claimant and JRG requesting refund and attaching photos, August 16, 2021
- Clmt Ex. 11A and 11B not admitted
- Clmt Ex. 12A and 12B not admitted
- Clmt Ex. 12C Photo of light switch, October 30, 2022
- Clmt Ex. 12D Photo of upstairs unfinished flooring, October 30, 2022

I admitted the following exhibits offered by the Fund:

- Fund Ex. 1 OAH Hearing Notice, August 23, 2022 and MHIC Hearing Order, July 28, 2022
- Fund Ex. 2 Respondent's MHIC Licensing Record, printed January 21, 2022
- Fund Ex. 3 Notice of Claim to the Respondent, attaching Claim Form, Claimant's Narrative and Contract, December 3, 2021

The Respondent did offer any exhibits.

### Testimony

The Claimant testified and did not present other witnesses. Neither the Respondent nor the Fund offered any witnesses.

# PROPOSED FINDINGS OF FACT

I find the following facts by a preponderance of the evidence:

1. At all times relevant to the subject of this hearing, the Respondent was a licensed home improvement contractor licensed by the MHIC. (Fund Ex. 2.)

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- 2. On December 19, 2019, the Claimant and the Respondent entered into a contract to remediate water damage at the Claimant's home, including replacing carpeting, vinyl flooring, sticky tiles, base boards, drywall, ceiling, and lighting; and performing painting, caulking, and insulation throughout the home. The work was to be performed in the laundry room, hallway, dining room, kitchen, bedrooms, and garage (Contract). (Clmt. Ex. 1A.)
- 3. The original agreed-upon Contract price was stated as "Open" based on the approval of repairs by the Claimant's insurance company, with an initial estimate of \$1,768.32.
- 4. On December 14, 2019, the Claimant's insurance company paid her \$1,768.32. (Clmt. Ex. 2A.)
- 5. The Claimant paid the Respondent \$1,768.32 by check #311 and on December 23, 2019 the Respondent cashed the check. (Clmt. Ex. 2C.)
- 6. It became apparent that the extent of the damage to the Claimant's home far exceeded the initial estimate and on January 31, 2020, the Claimant's insurance company paid her an additional \$8,409.46. (Clmt. Ex. 3A.)
- 7. The Claimant paid the Respondent \$4,204.73 by check #321 and \$4,204.73 by check #322, for a total of \$8,409.46. The Respondent cashed both checks by February 13, 2020. (Clmt. Exs. 3C and 3D.)
- 8. On February 14, 2020, an employee of the Respondent came to the Claimant's home to start work and drywalled the Claimant's kitchen ceiling and wall and replaced three lights. The lights cost \$30.00 each and it took approximately fifteen minutes to replace the lights.
  - 9. The worker also made a repair to a light switch, but left a gap around the edge.

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- 10. The worker returned a few days later to fix some issues with the work already done and to paint. The drywall was not completed properly and showed where the repairs were made. No other work was done at the Claimant's home. (Clmt. Exs. 4A 4F, 10, 12C, and 12D.)
- 11. The Claimant had installed flooring a few months before the flood at her home and wanted to match the replacement flooring to the original floors. On January 6, 2020, the Claimant provided the Respondent with the specifics regarding the flooring. The Respondent offered a flooring that was a completely different color that did not match the existing flooring. (Clmt. Ex. 5A.)
- 12. In April 2020, the Respondent notified the Claimant that her exact flooring had been discontinued. The Respondent provided the Claimant with some sample options. The Claimant picked a new flooring and notified the Respondent. (Clmt. Ex. 5B.)
  - 13. The Claimant did not hear back from the Respondent for several months.
- 14. On July 15, 2020, in response to a June 11, 2020 text message from the Claimant, the Respondent's daughter replied that the Respondent was in the hospital and would be home on "Saturday." (Clmt. Ex. 6.)
- 15. The Claimant contacted the Respondent multiple times between July and October 2020 with no response.
- 16. On October 19, 2020, the Claimant emailed the Respondent asking him to contact her about the incomplete work. The Claimant received no response.
- 17. On October 20, 2020, the Claimant went to Lumber Liquidators and ordered flooring at her own expense. The Claimant and her brother, who had experience installing flooring, completed the flooring project themselves. (Clmt. Ex. 7.)

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- 18. The Claimant continued to reach out to the Respondent, with no response.
- 19. On February 8, 2021, the Claimant sent the Respondent a letter by certified mail requesting a refund of \$8,062.11 and advising she would seek legal action if he did not respond. The Respondent gave instructions to the post office to hold the certified mail at the post office.

  The Respondent never picked up the letter. (Clmt. Ex. 9A.)
- 20. After the Claimant filed her Claim, the Claimant and the Respondent communicated via email on August 16, 2021. The Claimant provided photographs of the poor quality of the drywall repairs and the gaps around the light switch. The Respondent indicated that he would provide a refund but did not do so. (Clmt. Ex. 10.)
- 21. The claim was timely filed, there is no pending court claim for the same loss, the Claimant did not recover the alleged losses from any other source, and the parties did not agree to submit the dispute to arbitration.
- 22. The Claimant resides in the home that is the subject of the claim or does not own more than three dwellings. The Claimant is not a relative, employee, officer, or partner of the Respondent, and is not related to any employee, officer, or partner of the Respondent.

## **DISCUSSION**

The Claimant has the burden of proving the validity of the Claim by a preponderance of the evidence. Bus. Reg. § 8-407(e)(1); State Gov't § 10-217; COMAR 09.08.03.03A(3). To prove a claim by a preponderance of the evidence means to show that it is "more likely so than not so" when all the evidence is considered. *Coleman v. Anne Arundel Cnty. Police Dep't*, 369 Md. 108, 125 n.16 (2002).

While the actual Respondent PG did not deal directly with the Claimant, his brother, JRG did. PG is the Licensee, trading as VGIC, and therefore the contract entered into by JRG through

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VGIC was under the Respondent's MHIC License and is considered to be done by the Respondent. Bus. Reg. § 8-405(b).<sup>4</sup> All references to the Respondent include JRG as PG's agent.

The Claimant provided unchallenged testimony that the Respondent contracted to do repairs at her home after a flood from her third floor washing machine damaged carpet, flooring, ceilings, walls, and lighting in her home. The Respondent worked with the Claimant's insurance company to identify and estimate the damage to the home and the Respondent agreed to accept the payments approved by the insurance company for the work.

The Contract did not have a draw schedule and indicated that costs were "Open." (Clmt. Ex. 1.) The Claimant paid her entire insurance proceeds of \$10,177.78 over to the Respondent upon receipt because the Respondent told her he needed to pay his contractor and purchase supplies. Actual work was performed at the Claimants home on two days in February 2020, which included some drywall and 3 light fixtures. The Claimant notified the Respondent that the drywall was not done properly and the repairs were incomplete, but they were never remedied.

The Claimant contacted the Respondent over many months without response. She completed the flooring on the main level herself with her brother's assistance, but still has no carpet on the third floor and no other repairs have been made to date.

Mr. Ball was permitted to cross-examine the Claimant and give a closing statement. He argued that the Claimant had an unexpected benefit from JRG's negotiations with her insurance company of over \$8,000.00. He also argued that there was no contractor present to testify as to the value of the work performed so any award would be speculative.

<sup>&</sup>lt;sup>4</sup> "For purposes of recovery from the Fund, the act or omission of a licensed contractor includes the act or omission of a subcontractor, salesperson, or employee of the licensed contractor, whether or not an express agency relationship exists." Bus. Reg. § 8-405(b).

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The Fund argued that the Respondent took the Claimant's money and provided nothing of value because he did not do the work he was contracted to complete. The only work that was done to completion were three light fixtures that took fifteen minutes. The Fund recommended I apply the "unique measurement" of damages and award the entire amount paid of \$10,177.78.

An owner may recover compensation from the Fund "for an actual loss that results from an act or omission by a licensed contractor." Bus. Reg. § 8-405(a) (Supp. 2022); see also COMAR 09.08.03.03B(2) ("The Fund may only compensate claimants for actual losses . . . incurred as a result of misconduct by a licensed contractor."). "[A]ctual loss' means the costs of restoration, repair, replacement, or completion that arise from an unworkmanlike, inadequate, or incomplete home improvement." Bus. Reg. § 8-401. For the following reasons, I find that the Claimant has proven eligibility for compensation.

The Respondent was a licensed home improvement contractor at the time the Respondent entered into the Contract with the Claimant and is covered by the Fund. By statute, certain claimants are excluded from recovering from the Fund altogether. In this case, there are no such statutory impediments to the Claimant's recovery. The claim was timely filed, there is no pending court claim for the same loss, and the Claimant did not recover the alleged losses from any other source. Bus. Reg §§ 8-405(g), 8-408(b)(1) (2015 & Supp. 2022). The Claimant resides in the home that is the subject of the claim or does not own more than three dwellings.

Id. § 8-405(f)(2) (Supp. 2022). The parties did not enter into a valid agreement to submit their disputes to arbitration. Id. §§ 8-405(e), 8-408(b)(3) (2015 & Supp. 2022). The Claimant is not a relative, employee, officer, or partner of the Respondent, and is not related to any employee, officer, or partner of the Respondent. Id. § 8-405(f)(1) (Supp. 2022).

The Claimant did not unreasonably reject good faith efforts by the Respondent to resolve

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the claim. *Id.* § 8-405(d) (Supp. 2022). The evidence clearly supports that the Claimant was more than patient in waiting for the Respondent to perform the work under the contract, but the Respondent simply took her money and never returned. There was also evidence that the matter came before the OAH previously and the parties entered into a settlement agreement that never came to fruition because the Respondent made no payments. The MHIC granted the Claimant a new hearing.

The undisputed evidence is clear that the Respondent performed unworkmanlike, inadequate, and incomplete home improvements. The Respondent's workman only came to the Claimant's home on two occasions and did not complete any work other than the installation of three lights, which cost thirty dollars each and took fifteen minutes to install. The drywall work that was performed was incomplete and inadequate and will need to be redone. The Claimant paid the Respondent \$10,177.78 and filed a claim with the Fund for \$10,000.00, essentially assessing a value of \$177.78 for the work that was completed. The Claimant explained how she determined that the light fixture installation was not worth more than \$177.78. I find her explanation reasonable and uncontested.

It is clear that the Claimant's home was damaged on every level from the third floor flood and that there were many projects that were never even touched by the Respondent, despite him receiving payment in full before work commenced. The Claimant was more than patient with the Respondent and showed compassion when he was ill. But the Respondent took advantage of her nature and essentially stole \$10,000.00 from her that he is not entitled to keep. I thus find that the Claimant is eligible for compensation from the Fund.

Having found eligibility for compensation I must determine the amount of the Claimant's actual loss and the amount, if any, that the Claimant is entitled to recover. The Fund may not

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compensate a claimant for consequential or punitive damages, personal injury, attorney fees, court costs, or interest. Bus. Reg. § 8-405(e)(3) (Supp. 2022); COMAR 09.08.03.03B(1). MHIC's regulations provide three formulas to measure a claimant's actual loss, depending on the status of the contract work.

While the Respondent essentially abandoned the project, he did complete one minor job installing the three lights. The Claimant did the replacement of the floors on the main level herself, but has not contracted with anyone else to complete the repairs so I find the second option to apply: "If the contractor did work according to the contract and the claimant is not soliciting another contractor to complete the contract, the claimant's actual loss shall be the amount which the claimant paid to the original contractor less the value of any materials or services provided by the contractor." COMAR 09.08.03.03B(3)(b). As was previously discussed, the value of the three lights is nominal, and the Claimant has fairly assessed the value at \$177.78. The Claimant paid the Respondent \$10,177.78. The Claimant's claim was for \$10.000.00 and I find that she is entitled to the full amount of her claim.

Effective July 1, 2022, a claimant's recovery is capped at \$30,000.00 for acts or omissions of one contractor, and a claimant may not recover more than the amount paid to the contractor against whom the claim is filed.<sup>6</sup> Bus. Reg. § 8-405(e)(1), (5) (Supp. 2022); COMAR 09.08.03.03B(4). In this case, the Claimant's actual loss is less than the amount paid to the Respondent and less than \$30,000.00. Therefore, the Claimant is entitled to recover her actual loss of \$10,000.00

<sup>&</sup>lt;sup>5</sup> The Fund suggested recovery of the entire amount paid to the Respondent, but the award cannot exceed that amount of her claim.

<sup>&</sup>lt;sup>6</sup> On or after July 1, 2022, the increased cap is applicable to any claim regardless of when the home improvement contract was executed, the claim was filed, or the hearing was held. See Landsman v. MHIC, 154 Md. App. 241, 255 (2002) (explaining that the right to compensation from the Fund is a "creature of statute," these rights are subject to change at the "whim of the legislature," and "[a]mendments to such rights are not bound by the usual presumption against retrospective application").

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## PROPOSED CONCLUSIONS OF LAW

I conclude that the Claimant has sustained an actual and compensable loss of \$10,000.00 as a result of the Respondent's acts or omissions. Md. Code Ann., Bus. Reg. §§ 8-401, 8-405 (2015 & Supp. 2022); COMAR 09.08.03.03B(3)(b). I further conclude that the Claimant is entitled to recover that amount from the Fund. Md. Code Ann., Bus. Reg. §§ 8-401, 8-405 (2015 & Supp. 2022); COMAR 09.08.03.03B(3)(b)

## **RECOMMENDED ORDER**

I RECOMMEND that the Maryland Home Improvement Commission:

ORDER that the Maryland Home Improvement Guaranty Fund award the Claimant \$10,000.00; and

ORDER that the Respondent is ineligible for a Maryland Home Improvement

Commission license until the Respondent reimburses the Guaranty Fund for all monies disbursed under this Order, plus annual interest of ten percent (10%) as set by the Maryland Home

Improvement Commission;<sup>7</sup> and

ORDER that the records and publications of the Maryland Home Improvement Commission reflect this decision.

February 8, 2023
Date Decision Issued

Willis Gunther Baker Administrative Law Judge

Willis Gunther Baker

WGB/cj #203255

<sup>&</sup>lt;sup>7</sup> See Md. Code Ann., Bus. Reg. § 8-410(a)(1)(iii) (2015); COMAR 09.08.01.20.

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# PROPOSED ORDER

WHEREFORE, this 24th day of March, 2023, Panel B of the Maryland

Home Improvement Commission approves the Recommended Order of the

Administrative Law Judge and unless any parties files with the Commission

within twenty (20) days of this date written exceptions and/or a request to present

arguments, then this Proposed Order will become final at the end of the twenty

(20) day period. By law the parties then have an additional thirty (30) day period

during which they may file an appeal to Circuit Court.

<u>I Jean White</u>

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