Regulation

RICS

Accept or Reject

When should you accept or reject a valuation instruction?

In these hard times it might seem absurd to suppose that a valuer would turn down an instruction to value. However, Red Book lays down some stringent tests which are there for the benefit of the valuer as much as the client or public. The consequences of unadvisedly accepting a valuation instruction can be far reaching and could unleash a chain of events which may put the firm out of business or give rise to disciplinary action. The following looks at VS 1 from Red Book and gives guidance on best practice.

VS 1.5. Qualifications of the valuer

In addition to RICS membership and registration as a valuer, the responsible valuer must also have the necessary practical experience of valuation in a particular sector or market. Paper qualifications alone do not make you competent to value everything.

Some firms have a policy that all valuations must be signed off by a partner or director. That means, however, that the superior must have expertise in the particular case and not rely on specialist knowledge from an unqualified subordinate which they just sign off.

Some valuations are put together by several people, especially a portfolio of different property types perhaps including plant and machinery. Care must be taken to ensure that there is a suitably qualified valuer for each part of the valuation who is able to take responsibility for it.

In the end, the client expects and is owed a duty of care. Should the valuation ever be challenged, the first thing you would have to demonstrate to the court was that the responsible valuer was competent to carry out the work. If you cannot demonstrate that then the court is not going to be impressed by assurances that the valuation was correct!

VS 1.6 Knowledge and Skills

Recognising a valuer's limitations is critical when allocating an instruction within a firm. The question arises, 'who is best placed to deal with this particular valuation'? For small firms the skills of each individual will be well known but for larger firms best practice is to draw up a matrix to show the competence of each valuer. Competencies to consider include: property type, location, valuation type and value range, which can be cross referenced. For example;

Valuer	Property type					Value limit		
	Resi'	HBR	Ind*	Office	Retail	>500k	>1m	<1m
Janet	X	X					X	
John	X	X					X	X
Jennifer	X	X				X	X	X
James			X	X	X	X		
Julia				X	X		X	X
Jeffrey			X			X	X	X

Surveyor Court, Westwood Way, Coventry CV4 8JE
United Kingdom
t +44 (0)20 7695 1670 (Regulation Helpline)
t +44 (0)20 7334 3867 (Members' Confidential Helpline)
f +44 (0)20 7334 3746
e regulation@rics.org rics.org/regulation

VS 1.7 Independence and objectivity

When asked, many firms tell us that they don't need to check their records because they know who they act for and what properties they have valued in the past and they can say immediately whether or not there is a conflict of interest. When pressed, many admit that on occasion they have turned up at a property only to realise that they have called on it previously.

VS 1.7 should be read in conjunction with VS 2.1, item h. It places a duty on the valuer to disclose any previous material involvement or to make a statement that there has not been.

It would be both irresponsible and unprofessional to positively state whether or not there has been previous involvement and whether or not that leads to a conflict without making a robust check of your records. VS 1.7.6 makes it mandatory to keep a written record of all conflict of interest checks and their resolutions. All previous involvement of any kind must be declared whether or not it creates a conflict.

How these checks are carried out will depend on the size of the firm and the resources at its disposal. Some firms send an email to all staff but, of course, at any one time some staff will be absent. Moreover, it still relies on people being able to remember who they have dealt with and what properties they have seen.

The only really satisfactory way to check is to interrogate the firm's database of case work. This should include all kinds of work, from agency to property management, and professional work to valuations. Some firms use different databases to cover the disciplines. All must be checked. We have found firms who have multiple offices but do not have a single database covering all the offices never mind all the disciplines. There are affordable IT solutions out there for smaller practices. When facing disciplinary proceedings for failing to declare a conflict, not having the right IT would be a poor defence.

Finally, remember it is not just the firm but also the valuer who must declare previous involvement and conflict. The property might belong to the valuer's wife!

When does a property come out of 'quarantine' for mortgage valuations? For residential mortgage valuations there is an understanding that the instruction would be turned down if the property had been valued within the last 12 months. For commercial mortgages the understanding is two years. Finally, there is the question of how far back you should check. There is no rule on this but we think that any involvement within the last ten years would be relevant.