

Value added

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Fiona Haggett looks at the work of two cross-sector groups seeking to address challenges in valuation

Dr Oonagh McDonald's report [Balancing risk and reward: Recommendations for a sustainable valuation profession in the UK](#) was published in January 2014 and made a number of recommendations to address the challenges that have emerged in the valuation sector over recent years.

RICS brought together senior representatives from all areas of the residential and commercial valuation sectors to review and respond to the report in an independently chaired group. All delegates agreed that the long-term sustainability of the profession must be protected and that providing quality, professional valuations is vital to the UK property market. Therefore the long-term supply of valuers must be protected.

The groups considered a wide but interconnected range of challenges in providing professional valuation services, including the following:

- the balance between quality, risk and reward
- levels and scope of exposure
- coverage and availability of professional indemnity insurance (PII)
- conflicts of interest
- regulation of valuers
- terms and conditions of engagement and instructions.

These initial cross-sector groups have been wound up and their final reports published; these can be accessed on the RICS website. Participants agreed that dialogue to progress their work should continue, however, and new groups have been set up to do so, facilitated by RICS but chaired by industry representatives.

Operating in the valuation sector continues to be challenging. The insurance market remains frail, with one large commercial insurer recently pulling out altogether. Ongoing work must focus on identifying ways to ensure that lenders receive the quality of service they require and that valuers are better able to manage their exposure.

The work of the two different groups is summarised below.

Cross-Industry Commercial Valuation Forum (CICVF)

The original cross-sector group concluded that two areas of particular concern needed to be looked at:

- competence and quality assurance processes in the valuation profession
- the development of contractual terms that apportion risk between valuers, lenders

and third parties in a fair and balanced way.

The new CICVF has picked up these issues and is looking to establish how to safeguard the profession's interests. A common goal for the new forum's meetings was set, namely to agree a memorandum of understanding to which all stakeholders can refer as a benchmark in valuation services for loan security purposes.

Participants aim to develop common principles that will establish a basis for valuation work on secured lending, while at the same time addressing lenders' perceived concerns about conflicts of interest, sharing information and valuer competency.

Cross-Industry Residential Valuation Forum (CIRVF)

The residential cross-sector meetings drew to a close in summer 2015, with the final report published soon after.

The ongoing outputs of the new group are as follows:

- developing an alternative dispute resolution offering; this has been subject to cross-sector consultation and is now being redrafted based on responses
- producing a complaint-handling toolkit; currently in draft form, this should be published later in the year
- agreeing a concise review protocol for lender complaints, to help them establish whether valuation is a root cause of their loss or potential loss
- publishing a panel managers' protocol in the first half of 2016, with a view to setting the minimum standard for the sector
- reviewing contractual terms and PII/liability; the guidance note is to be updated and expanded by a working group that began meeting early this year
- fee transparency; RICS contributed to the recent project by the Council of Mortgage Lenders and Which? on fee transparency, is working with the Financial Conduct Authority to look at this issue in the mortgage market, and has produced a short video to boost consumer awareness of the difference between a survey and a valuation.

As the work of these groups continues over the long term, we hope to foster a spirit of cooperation that will benefit all parties involved in these sectors.

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Further information

- [CICVF Report](#)
- [The consumer video](#)
- [RICS UK Valuation Conference](#) , 9 March 2015, Solihull
- This feature is taken from the *Property* journal (March/April 2016)