Comment Information

Document Section RICS Valuation - Global Standards 2017 …
2. Valuation for secured lending in the UK **/**
UK VPGA 7 Valuation for commercial secu… (no name) **/**

Comment ID 43

Respondent Chris Thorne - Valuology

Response Date 06 Jul 2018

Comment

UK VPGA 7 Valuation for commercial secured lending purposes

It is difficult to see the purpose of this new UK VPGA. It consists of little more than a list of cross references to the global standards which, in addition to the generic requirements, has guidance specifically for secured lending in VPGA 2. Indeed, many of the “boxed” paragraphs explicitly remind the valuer of provisions in the global standards.

The Introduction to these proposed UK standards and UK PS1 make it clear that members must comply with the global standards. Adding material that paraphrases requirements in the global standards serves no useful purpose and could be counterproductive. It actually undermines the point that a UK valuer should be using the global standards and may lead some to thinking that this document can be treated as an effective summary. Neither is it “supplementing” the global standards by adding guidance that is specific only to the UK.

There is nothing in VPGA 2 that does not apply in the UK and no additional requirements that are specific to UK financial regulations or lending practice. The only thing discussed in this draft which is not already covered in the global standards is the reference to the UK Guidance Note on risk and liability. This can and should be more effectively promoted by means other than a superfluous section in the UK Red Book.

This proposed VPGA adds nothing except for potential confusion as to where a member undertaking commercial secured lending in the UK should look for guidance. It should be abandoned.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 … 2. Valuation for secured lending in the UK **/** UK VPGA 8 Valuation for residential mortg… (no name) **/**
Comment ID	44
Respondent	Chris Thorne - Valuology
Response Date	06 Jul 2018

Comment

UK VPGA 8 Valuation for residential mortgage purposes

As in the case of many of the other proposed UK VPGAs, the arrangement is curious. The first subheading "Overview" is hardly what it claims to be. The first paragraph probably does fit this description but the second is a very specific reference to valuer liability as per Smith v Eric Bush. This is undoubtedly important but hardly representative of the content of the VPGA as a whole. The third and fourth discuss the relatively arcane issue of the criteria for a "regulated mortgage contract". In the current UKVS 3 the latter point does at least have its own subheading "Loan Classification", but even then it is hardly the one of the most significant items that a valuer undertaking residential mortgage valuations needs to be aware of.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 … 2. Valuation for secured lending in the UK **/** UK VPGA 8 Valuation for residential mortg… UK VPGA 8.1 Application of the RICS Val… (no name) **/**
Comment ID	45
Respondent	Chris Thorne - Valuology
Response Date	06 Jul 2018

Comment

UK VPGA 8.1 Application of the RICS Valuation – Global Standards 2017

Paragraph 3. The statement that "Most lenders have standard terms of engagement that refer to this UK national supplement specification" is almost certainly untrue. Most will reference the specification in the current UK Appendix

10. While many may well amend their terms to reflect the proposed new specification in this VPGA in due course, members need certainty that it is also acceptable to use the current specification for a period after the new UK Supplement comes into effect. There are a number of differences between the current specification and that proposed in the draft, so a transition period becomes a practical necessity.

Paragraph 8. This represents a significant shift in the residential mortgage valuer's potential liability. The current UK Appendix 10, 2.3 states that:

> ***"The valuer must not accept instructions to make recommendations as to the length of the mortgage term, or the amount to be advanced. In addition, advice must not be given as to a lender's underwriting decisions."***

This is now replaced with advice that while the mortgage term, size of advance and lending outcome are a matter for the lender, the valuer may highlight and report on specific risks, particularly if these are likely to have a material effect on value or are likely to prove critical to a lending decision. This change may have been a result of changes to the wording to reflect the specification ceasing to have mandatory status, or it may have been a considered change to permit valuers to comment on something that came to their notice that was not covered by the lender's normal questions. However, such a change should not be made without specific consultation, as it has ramifications for member's professional liabilities.

While there is no compulsion for a valuer to report on a lending risk unrelated to value, if RICS is issuing guidance that indicates they "may" do this, it opens the door to them being found negligent for failing to follow best practice if they fail to alert the lender to something that could affect the lending decision, unless they have contracted out of this responsibility.

Without any explanation for this change being provided it is difficult for me to comment further. However, moving from **"must not"** to **"may"** is a significant step potentially affecting many members. If a full consultation with residential valuers, lenders and insurers has not already taken place before this change was proposed, one should take place before it is finalised. Even if it is agreed by all, the guidance should highlight the additional risk and steps the valuer may take to mitigate it.

The final sentence of paragraph 8 also makes no sense in the context of this change as there is no longer a restriction on such advice. Furthermore it is also misleading in the current context as, although there was no equivalent prohibition to that in the Mortgage Valuation Specification for commercial lending, it is the norm for valuers to contract out of responsibility for such matters.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 … 2. Valuation for secured lending in the UK **/** UK VPGA 8 Valuation for residential mortg… UK VPGA 8.2 Bases of value **/** (no name) **/**
Comment ID	46
Respondent	Chris Thorne - Valuology
Response Date	09 Jul 2018

Comment

UK VPGA 8.2 Bases of value

Paragraph 1. The suggestion that any future development potential may be made as a “special assumption” is incorrect and will lead to confusion as to the nature of a special assumption (SA). The definition in VPS 4 is clear that a SA is an assumption that would not be made by market participants. The very fact that a property has development potential suggests that market participants recognise this. The special assumption would be to ignore any effect that this potential has on value. This is a different scenario to an assumption that a specific scheme of redevelopment has received statutory approval, which would be a special assumption if it had not on the valuation date. This paragraph needs amending.

Paragraph 3. The first sentence also makes reference to a SA, presumably referring to PMV. PMV is a basis. It therefore contains assumptions but may or may not be a special assumption. This is another example of the misuse of the term.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 … 2. Valuation for secured lending in the UK **/** UK VPGA 8 Valuation for residential mortg… UK VPGA 8.4 Factors with a material impa… (no name) **/**
Comment ID	47
Respondent	Chris Thorne - Valuology
Response Date	09 Jul 2018

Comment

UK VPGA 8.4 Factors with a material impact on value

This is a more logical rearrangement and slightly simplified compared to the equivalent in UK Appendix 10, so is welcome.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 … 2. Valuation for secured lending in the UK **/** UK VPGA 8 Valuation for residential mortg… UK VPGA 8.8 Repossession **/** (no name) **/**
Comment ID	49
Respondent	Chris Thorne - Valuology
Response Date	09 Jul 2018

Comment

UK VPGA 8.8 Repossession

This title is inappropriate. A mortgagee can only repossess property if they have previously possessed it, which would be very unusual. The first sentence of the boxed text first uses the correct term “possession” but then the incorrect one. A lender who forecloses a loan and enforces their security is a “Mortgagee in Possession”. This section and others should be checked to ensure the correct word is used.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 … 2. Valuation for secured lending in the UK **/** UK VPGA 9 Residential secured lending g… (no name) **/**
Comment ID	50
Respondent	Chris Thorne - Valuology
Response Date	09 Jul 2018

Comment

UK VPGA 9 Residential secured lending guidance for other related purposes including RICS HomeBuyer Service.

This is essentially the current UK Appendix 11 with the material on HomeBuyer service from the current UKVS3 with minor updates. No comment on this except:

1. Can the title be made more concise?

2. If UK VPGA 8 is now the Specification agreed with lenders, what is is the status of the VPGA? Is it also agreed with the UK residential lenders? It would be helpful if this was clarified.

Comment Information

Document Section	RICS Valuation - Global Standards 2017 … 2. Valuation for secured lending in the UK **/** UK VPGA 10 Valuation of registered social… (no name) **/**
Comment ID	51
Respondent	Chris Thorne - Valuology
Response Date	09 Jul 2018

Comment

UK VPGA 10 Valuation of registered social housing for loan security purposes

This is basically the current UK Appendix 13 but with the readability of the existing text compromised by the placing of sentence or paragraphs of the existing text into boxes which disrupt the flow as they are neither headings nor summaries of the material text that follows.

I note that section 10.4 has been introduced on Affordable Rent. This is curious given that there is a dedicated proposed UK VPSG on this subject. While a lender may need to know how the rents are determined, this is a secondary concern as they are lending against the security of the capital value. Furthermore, the second paragraph regarding the status of the valuer must be inappropriate in a VPGA dealing with secured lending. When would a valuer employed by the borrower ever be acceptable to a lender?