

STRUCTURAL FAULTS OF HOME REPORTS

Why are solicitors opposed to Home Reports?

1 Creates Multiple Surveys

The existing single survey system devised by lawyers to avoid multiple surveys by use of subject to survey offers is being replaced. Under the present arrangements the survey is normally instructed once an offer has been submitted and the offer has been verbally accepted so the survey is done at the point of sale. Now the survey is to be instructed at the time the property is put on the market and so in a slow market the report will become dated. Lawyers are likely to advise their clients that the shelf life of such reports will be in the region of 1 - 3 months and in fact I understand the latest information from CML is that the period will be 1 month. Accordingly, both seller and purchaser will pay for survey reports especially in a slow market. In a better market it is still unlikely to be relied upon by purchasers as lenders will need them to get an up to date valuation.

2 Dated Information

As the market is slow the information will be out of date especially the Survey Report.

3 Home Report is Mainly Opinion not Fact

Most of the Home Report information is opinion and not fact. The valuation is a surveyors estimate of value. The legislation assumes that all surveyors will come up with the same report. The truth is that not all surveyors will give the same valuation. A 10% range is not unusual. The grading of repairs in the new survey is either Category 1, 2 or 3 depending on the need for repair is opinion not fact. There will be little listing of faults as there are on existing styles of survey reports.

You cannot question the surveyor regarding his comments unlike with the present Scheme 1 and 2 reports.

The PQ is said to give information but mainly gives opinion not fact. These have to be completed by clients with different levels of understanding as to what the questions mean and levels of patience in filling up the PQ.

“Don’t know” is a valid answer so is likely to be used where something is difficult to answer or the client simply cannot be bothered.

4 The Question of Independence of Surveyor

With existing Scheme 1 and 2 valuations, the responsibility of the surveyor is clear that it is to the purchaser and his lender and no one else that the surveyor is accountable.

Home reports are instructed by sellers but purchasers have no choice in the selection of that surveyor. Can they treat the report as independent? They may be able to sue for loss. However, since there is a range of

opinion if the report is within that range but say at the high end of it e.g. 10% above what another surveyor might have given the purchaser will have no comeback.

5 Conflict of Interest

Normally demarcation is quite clear as to the surveyors responsibility to his purchasing or lending client but this report will be ordered by the sellers, not purchasers. It is true that a surveyor will know that he should temper the remarks in his survey since purchasers will be relying on it as well. Nevertheless the surveyor is open to pressure from the seller at the time of instruction or the seller may shop around for a surveyor who values high rather than low and the purchaser if he accepts the report will have no choice. Conflict of interest is normally recognised as a bad thing by most professional organisations but I understand politicians have difficulty with the concept.

6 Increased Repossessions

The seller may not be able to afford the up front fee and feel that he has no alternative but to hand in his keys to the lender to sell.

7 Not Popular with Sellers

The singly survey pilot was a disaster for the Government. The Scottish Consumer Council do not appear to have carried out any proper market research themselves. I think that once Sellers learn the facts about them (which are only now becoming fully apparent to us as a profession and through us to our client sellers) the likelihood is that Sellers will quickly fall out of favour with Home Reports.

8 Increased Costs

The new home report is estimated to cost an average of £600.00 to £700.00 plus VAT for the seller. Despite the suggestion by the Scottish Government and the Scottish Consumer Council that the purchaser therefore will not have to pay the likelihood is in practice that the purchaser will have to pay for his own survey whether Scheme 1 or Scheme 2 in addition to the cost to the seller of this Home Report.

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