

# CONSULTATION QUESTIONS

## Section 1

### **Q1) Do you think the Home Report is meeting its original objectives?**

Yes x No

#### **Q1a) If yes, please explain why**

Comments Firstly I must explain I am a Chartered Surveyor and a Partner in DM Hall, Chartered Surveyors. I have been heavily involved with Home Reports since their inception and would have to admit to having been very sceptical at the outset. However after 5 years, and I would argue as a result of significant effort from surveyors, they are now working very much as hoped.

Firstly on realistic asking prices, I am strongly of the view that surveyors have patiently worked with house sellers and estate agents to ensure properties are correctly valued at the outset and clients 'expectations are managed in their own interests. Whilst this has been challenging for surveyors there is no doubt the message is getting through, properties advertised at the correct price with the correct home report valuation will sell within a reasonable period. Overpriced properties tend to stay on the market for extended periods and often only sell after the asking price is lowered to a level below what it would have sold for had it been correctly priced initially.

Secondly to improving the condition of the housing stock, this is becoming more obvious year on year. The team in my office will, at any given time, have files on their desks where sellers have asked us to hold the process until they complete repairs which are categorised as 3s and sometimes 2s on their home reports. We then tend to revisit the properties and update the report prior to the report being signed off and the property marketed. Indeed many agents in this area encourage sellers to deal with at least category 3 repairs prior to marketing. I have many examples of where significant repairs such as roof work, rot/damp work etc. were carried out by the seller prior to marketing, a purchaser then buying at or round the value with no worries such as retentions from the mortgage, and the building society lending on the strength of a transcript valuation report off the generic MVR. And from a purchasers viewpoint they are benefiting hugely from crystallising both condition and value before offering for a property.

Thirdly, to reduce multiple surveys. This has been a major success. There is no doubt where the home report has been prepared by a trusted local surveyor, known to the local people and the professionals and on approved lenders panels then in the vast majority of cases there are no additional surveys or valuations required. Exceptions are where the home report provider is not known locally, or has not provided a generic MVR. There are also occasions where the lender may take their own advice e.g. where there is a high loan to value or where it is a specialist mortgage product. And they will also on occasion obtain their own advice as part of their risk

management. But nothing has changed there, that happened under the previous system as well.

**Q1b) If no, please explain why**

Comments

**Q2) Are the original Home Report objectives still appropriate?**

Yes x No

**Q2a) If yes, please explain why**

Comments It looks as though the worst of the recession may be behind us and the house market is returning to some sort of normality. So if anything the Home Report should become an even more important part of the house sales process.

In a strong market buyers are often encouraged to make rash offers for properties with little knowledge of condition or value. They can finish up offering for several properties, running up all sorts of fees, and left disheartened by the whole process. Indeed where properties were being deliberately under-priced buyers would often offer on properties which were quite clearly way out of their price range. Home reports should prevent this developing as an issue again. Yes the home report valuation may well become the "offers over" asking price in a stronger market, but at least it is a fully researched valuation based on analysis of recent comparables and reflecting current market conditions. It is not a figure simply being picked to create artificial interest. Even where an asking price is low, purchasers will have access to the Home Report valuation and will be aware of the property's true value.

The objectives in terms of condition will continue to be met, even if sellers do not complete repairs at least buyers will be offering in full knowledge of the condition of the property.

And in terms of multiple surveys this should improve even further. I suspect lenders will be happier to take transcript reports on more occasions where purchase prices exceed the valuation[ this is already happening regularly], and the need for replacement home reports will subside as sales periods reduce[ although these have been provided by surveyors at such low costs it has not been an issue].

**Q2b) If no, please explain why**

Comments

**Q3) Should the Home Report play a more central role in promoting energy efficiency and property condition improvements among home owners?**

Yes x No

**Q3a) If yes, please explain why**

Comments My experience is this is already happening. Every day I have discussions with house sellers often having to explain why their property has such a poor energy rating. I am often explaining it is as a result of having an old, inefficient boiler, or sometimes a new inefficient boiler!, or lack of insulation etc. So I think we are moving gradually from a position where 5 years ago nobody seemed very interested in the EPC to a realisation the energy efficiency of their property is becoming more important, particularly as fuel bills soar.

Whilst not wanting to continually lump more and more onto the surveyor already carrying out an extensive and multi-purpose job I see no reason why we could not incorporate more of the information and recommendations from the EPC into the relevant sections of the single survey.

In terms of property condition I am again strongly of the view this is already happening. My experience on the ground is of sellers and their agents wanting to deal with urgent repairs prior to marketing. And if they do not, purchasers will have good information on what they have to do. Perhaps one of the criticisms of the home report has been restricting surveyors to objective comments. I, for one, would encourage surveyors to be more subjective and, yes, begin to incorporate advice into the report in terms of how purchasers should go about dealing with defects.

**Q3b) If no, please explain why**

Comments

**Q4) Should a national register of Home Reports be established?**

Yes x No

**Q4a) If yes, please explain why including who should have responsibility for development and maintenance**

Comments I have ticked "yes" but frankly I am not sure. The EPC part is already on a central register and that is probably the most relevant part in the current climate. I suppose a national register would allow monitoring and might even allow the RICS to ensure the correct quality, but frankly this is already done through vigorous auditing by the VRS.

So mixed views on this one.

**Q4b) If no, please explain why**

Comments

## **Section 2**

**Q5) Do you think the upfront cost of Home Reports is preventing potential sellers from putting their property onto the market?**

Yes  No

**Q5a) If yes, please provide details.**

Comments Absolutely not! I have a view this is a story put about by agents and others who are against home reports, and in my view because of perceived “food chain” and “control” issues rather than actual facts

. The “facts” are that we at DM Hall are happy to allow clients to pay up their Home Report fee over 3 months with the first payment not until the end of the first month.

In addition we take a very sympathetic view where sellers quite clearly cannot pay upfront and in those cases we will defer our fee, and possibly get a mandate signed guaranteeing our fees from the proceeds of sale.

What hasn't helped is that over the last few years the agents themselves have started charging fairly substantial upfront marketing fees, usually more than the home report fee. This was not a function of the market pre 2008.

In our daily work here I could count on one hand the number of clients [sellers] who have grumbled about the cost of their home report over the last 5 years. Most seem to have either accepted, or support the process and the certainty it gives them as sellers.

**Q6) Are you aware of any schemes available (e.g. deferred payment) to help potential sellers to pay for home reports?**

Yes  No

**Q6a) If yes, please provide details**

Comments I have already covered this above. But to clarify, at DM Hall we have in place a payment plan where sellers can spread the cost of the Home Report over 3 months, with the first payment not due until the end of the first month. And where it is clear a seller simply can't pay upfront we will try and find a way, such as getting a signed mandate to ensure our fee is paid from the proceeds of the sale.

However it is important to note surveyors could not carry the cost of all Home Reports until properties are sold. We would all soon have cash flow issues and be out of business!

**Q7) Are there any issues with the majority of Home Reports being commissioned through selling agents?**

Yes  No

**Q7a) If yes, please explain why**

Comments It is normal in any market system that surveyors and estate agents will have regular dialogue. Both groups are very active in the market, and market knowledge is one of the main tools of our trade.

What did that property sell for? How long was it on the market? How many offers were there? What was the second offer? This is food and drink to surveyors doing their job properly. And conversely estate agents will often seek guidance on likely valuations, discuss comparables etc. with a surveyor. Like any other market, intelligence is what oils the wheels of the property market and allows it to function.

So should estate agents instruct Home reports? I have no problem with it . They are an integral part of the process and if sellers find it easier to allow their agents to handle the admin then that is fine. Where I have a huge issue is of reports of agents charging significantly more for the Home report than the surveyor is charging. I think a small admin fee reflecting their work is justifiable, but not some of the mark ups we hear of. I am not sure how prolific this is.

In my office in Dunfermline we normally charge the fee direct to the client regardless of who actually instructs the report. There are exceptions, mainly executory cases or where the agent has already charged the fee.

**Q7b) If no, please explain why**

Comments

**Q8) Should other organisations be allowed to carry out the Single Survey (including valuation) and/or the Energy Report?**

Yes  No

**Q8a) If yes, what other organisations and why**

Comments

**Q8b) If no, please explain why**

Comments I have no idea how any other profession could produce the whole pack and at such competitive prices. The Chartered Surveyor is carrying out the equivalent of a Scheme 2 report with the valuation for a fee often less than we would have charged for a Scheme 2 report under the old system. So the EPC is practically thrown in for nothing!

In addition the surveyor [normally] provides a generic MVR and ensures the whole pack including the PQ is pulled together. Then later on the surveyor has to provide further reports and assistance, a transcript report to the lender on their own bespoke forms, helping purchasing solicitors to ensure documentation in respect of alterations is in order, or if not determining if it would affect value, and also often considering documents such as Coal reports and advising solicitors and lenders whether the contents of these

reports would affect value or mortgageability.

Who would perform all these functions if not the surveyor/ valuer? I do not think the range of advice given by the surveyor could be obtained elsewhere, and certainly not without involving more people.

The surveyor is subjected to regular file audits, not only in-house, but by the RICS, lenders and their panel managers, and the EPC providers. Surely the most audited profession in the country! But this is necessary to retain Bank and Building Society panel appointments which are essential to make the whole home report process work as it should.

I cannot imagine any other professions being appointed to lenders panel of approved valuers.

There have been suggestions from others that the single survey and the valuation could be separated. To me this would be a nonsense, and would instantly return us to a multiple survey position as valuations would have to be commissioned on behalf of purchasers. Core objectives such as reducing multiple surveys and ensuring appropriate asking prices would have to be abandoned.

I think the surveying profession is probably the most competitive of all, and there are many firms out there, both private and corporate. Many surveyors left the profession in 2008. However many have returned and most private firms have active graduate training schemes in place to ensure capacity as the market recovers.

**Q9) In your experience is the requirement for a home report before marketing a property leading to delays in properties coming onto the market?**

Yes  No

**Q9a) If yes, please outline the implications of this.**

Comments There is no space to respond if answering no. However I do want to make the point that most surveyors will get out to the property within 24 hours and get the draft report out the next day. Any holdups tend to be getting access, or awaiting the client completing the PQ or signing of the draft.

**Q10) Are home reports a useful marketing tool for sellers?**

Yes  No

**Q10a) If yes, please explain why**

Comments Crystallising a property's condition and value must always give purchasers confidence particularly if they are familiar with the surveyor who prepared the report. There is no doubt a property marketed at the correct

price with the correct home report value usually sells within a reasonable period. I am firmly of the view, and agents have confirmed this, a comprehensive Home Report prepared by a trusted local surveyor on lenders' panels is a good marketing tool.

**Q10b) If no, please explain why**

Comments

**Q11) Is the 12 week deadline for marketing a property after completion of a home report appropriate and reasonable?**

Yes x No

**Q11a) If yes, please explain why**

Comments 3 months is a long time. Not only can the condition change, but also the valuation in turbulent market conditions. However as ever the market has allowed for this and most surveyors would provide a new report in such circumstances for a significantly modified fee.

**Q11b) If no, please explain why**

Comments

**Q12) Is the 28 day provision for removing a property from the market without requiring a new home report appropriate and reasonable?**

Yes x No

**Q12a) If yes, please explain why**

Comments I think this is fair. Again most surveyors would update the report for a heavily modified fee.

**Q12b) If no, please explain why**

Comments

**Q13) Are there any issues with potential buyers accessing home reports?**

Yes  No x

**Q13a) If yes, please provide an overview and outline the implications of this**

Comments

**Q14) Is this the most appropriate way to enforce home report legislation?**

Yes x No

**Q14a) If no, please explain why and how this could be improved**

Comments



**Q15) What are your views on mortgage lenders' acceptance of home report valuations?**

Comments Surveyors have travelled a long road with lenders since the inception of Home Reports. Significant hurdles have been overcome. The question of valuations being over 3 months old has been dealt with by the advent of the Replacement Home Report, a low cost re-inspection of the property along with a review of the valuation taking into account how the property actually performed on the market and the subsequent sale price. Agreements have been reached with lenders on what is an acceptable variance between sale price and valuation, it is accepted if the variance is too wide then the lender may take their own advice.

Agreements have also been reached relating to "buy to let" mortgages and the provision or not of a rental figure in the original generic MVR. However I would argue that Home Reports were never designed to meet all the needs of specialist "buy to let" lenders and investors as their criteria varies substantially from the regular house buyer. This is worthy of further discussion.

Surveyors have experienced considerable grief from lenders over the initial years and been subjected to increased auditing and suggestions of over valuation. However I think we have now reached working solutions. For the record, the vast majority of Home Reports we carry out here in Dunfermline ultimately result in a transcription report being sent to the purchaser's lender.

I think as the market recovers problems with lenders and transcript reports will decrease considerably.

It is interesting that the Valuation process in England at present is known to be dysfunctional. Many surveyors are unwilling to accept valuation work from lenders at the low level of fees offered coupled with increased auditing and liability. Risk and reward are out of balance. The RICS had set up an independent working party to study this issue. The working party's recent report has put forward a number of recommendations, but one of the main suggestions is to bring in Home Reports in England, so maybe we have got it nearly right.

**Q16) Are the re-dress options available to buyers reasonable and appropriate?**

Yes  No

**Q16a) If no, please explain why and how these could be improved**

Comments

**Q17) Do these exceptions need to be amended?**

Yes  No



**Q17a) If yes, please explain what amendments are required and why**  
Comments

### **Section 3**

**Q18) Does the single survey element of the home report provide an appropriate and useful level of information?**

Yes x No

**Q18a) If no, please explain why and what information should be removed and/or added**

Comments

**Q19) Should the repairs categories in the single survey be amended to make them consistent with the categories used in the Scottish House Conditions Survey?**

Yes  No x

**Q19a) If yes, please explain why**

Comments

**Q19b) If no, please explain why**

Comments I know house buyers and sellers have become very familiar with 1, 2 or 3 categorisations so I don't think it would be sensible to change these. However as a surveyor I think we should be looking at redefining the categories to make them easier to understand.

**Q20) Is the valuation element of the single survey a useful element of the home report? Yes x No**

**Q20a) If yes, please explain why**

Comments The valuation is crystallised at the outset and gives purchasers professional guidance. Also without the valuation we could go back to unrealistic asking prices and multiple surveys.

**Q20b) If no, please explain why**

Comments

**Q21) Is the information provided in the energy report appropriate and useful?**

Yes x No

**Q21a) If yes, please explain why**

Comments I am finding purchasers are becoming more interested in the energy efficiency of properties. However is it too cumbersome? Should the certificate be restricted to the main constituent parts that benchmark efficiency?

**Q21b) If no, please explain why**

Comments

**Q22) Is the information provided in the property questionnaire appropriate and useful?** Yes  No

**Q22a) If yes, please explain why**

Comments My experience at the sharp end is sellers are often confused, and often provide incorrect answers. I think it would be more appropriate to go back to the original proposal and have the Property Enquiry Certificate and other relevant searches included at the outset.

**Q22b) If no, please explain why**

Comments

**Q23) Should an additional question on land maintenance fees be added to the Property Questionnaire?**

Yes  No

**Q23a) If yes, please explain why**

Comments

**Q23b) If no, please explain why**

Comments I would rather see the PQ replaced with something more meaningful