

RICS Scotland

1. A global organisation, the Royal Institution of Chartered Surveyors (RICS) is the principal body representing professionals employed in the land, property and construction sectors. In Scotland, the Institution represents over 11,000 members comprising chartered surveyors (MRICS or FRICS), Associate surveyors (AssocRICS), trainees and students.
2. Our members practise in sixteen land, property and construction markets and are employed in private practice, central and local government, public agencies, academic institutions, business organisations and non-governmental organisations.
3. As part of its Royal Charter, RICS has a commitment to provide advice to the government[s] of the day and, in doing so, has an obligation to bear in mind the public interest as well as the interests of its members. RICS Scotland is therefore in a unique position to provide a balanced, apolitical perspective on issues of importance to the land, property and construction sectors.
4. RICS Scotland comprises many working professional group boards and forums relating to the aforementioned sectors, including the Residential Property Professional Group Board.
5. A request for views and comments on this consultation was distributed to RICS members in Scotland, and sent specifically to members of the Residential Property Professional Group Board for their assessment consultations provisions, and all the respondents views have been collated within this response
6. RICS Scotland has always supported the principles of the Home Report; in that access to free, upfront detailed information on the condition and value of a property at the point of marketing is in the public interest.
7. A recently published independent Commission on transparency in the lending market has concluded as part of its 12 recommendations, that a Home Report system be considered by the UK Government for implementation in England and Wales.
8. RICS Scotland is grateful for the opportunity to respond to this consultation, and would welcome further dialogue with the Scottish Government on any element of this submission.

CONSULTATION QUESTIONS

Section 1

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

Yes No

Q1a) If yes, please explain why

RICS Scotland acknowledges the Home Report had three original objectives:

1. to improve information about property condition and thereby provide an incentive for repair or maintenance works to be carried out, which would ultimately lead to an improvement in the quality of Scotland's private housing stock;
2. to address the problem of buyers paying for multiple valuations and surveys which was prevalent in "market hotspots"; and
3. to address the problems created by the practice of setting artificially low asking prices.

A house is likely to be one of the most expensive purchases a member of the public will ever make. It is therefore imperative that potential buyers are provided with as much information on the property's condition and value, and evidence from our members confirms that the Home Report is delivering these original objectives.

In order to answer this question fully, we will explore each objective in order:

1. Property Condition

From a buyer's perspective, by carrying out a thorough, non-disruptive examination of the property's interior and exterior, a chartered surveyor is able to provide in-depth information on the condition of the property and unveil any 'identified' necessary repairs and maintenance issues.

When an RICS member undertakes a Single Survey inspection the report is provided in draft form to the vendor for review prior to the report being published.

By identifying defects relating to the condition of the property, the Home Report allows the purchaser to make informed decisions about a potential property purchase. This also puts them in a better position to negotiate the price of the home to reflect the cost of identified repairs if appropriate.

Alternatively, in considering the level of work required, the vendor may wish to attend to the defects prior to marketing or the potential buyer may wish to reconsider their decision to purchase.

This particular element of the Home Report provides an immeasurable component to improving the quality of the housing stock in Scotland.

2. Multiple surveys and valuations

Prior to the introduction of mandatory Home Reports, the number of purchasers commissioning a condition survey was very low. The net result of this was that purchasers were relying upon a mortgage valuation to make decisions on the purchase of a property, with little or no knowledge of the condition of the property they were purchasing. Multiple valuations were also relatively common place and proved to be an unwanted and additional cost to potential buyers.

The provision of a single Home Report, which is available for the vast majority of properties on the market in Scotland has eradicated the prevalence of multiple valuations and surveys. Therefore removing the unnecessary financial burden placed upon potential buyers prior to the introduction of the Home Report.

Indeed, in taking an average of the data received from our monthly [Residential Market surveys](#) over the last six months, the majority of our members in Scotland have indicated that the Home report has reduced the number of multiple surveys considerably.

3. Artificial Pricing

The majority of homes on the market require a Home Report which is carried out by a member of RICS. All RICS members are required to undergo rigorous on-going training and adhere to a strict mandatory set of valuation standards, which are internationally recognised. Home Report valuations are consistent and are representative of market demand. The provision of a valuation in the Home Report has thus avoided purchasers' unnecessary expense in commissioning surveys and submitting offers on properties that they simply could not afford.

Inclusion of a valuation in the Home Report has led to a decrease in the setting of artificially low house prices that were prevalent prior to the introduction of Home Reports in 2008.

All RICS members, undertaking valuations which are relied upon by a 3rd party, must be members of the RICS VRS (Valuer Registration Scheme)

Valuer Registration aims to ensure the quality of valuations, raise the credibility of valuers and provide clients with a clearly identifiable designation of international standards, quality and the consistent application of RICS valuation standards.

Q2) Are the original Home Report objectives still appropriate?

Yes No

Q2a) If yes, please explain why

The original home report objectives made provisions for robust and comprehensive information, which is available to both the buyer and the seller of a property.

RICS Scotland believes that whilst these objectives are still appropriate, due consideration should also be given to creating additional objectives which will enhance and improve the report. Focus on sustainability is something which RICS recognises as being an increasingly important element, and we are currently looking at how this can be meaningfully incorporated into the Home Report.

Whilst no evidence exists as to whether home buyers improve the quality of their home after purchase there is considerable evidence that many vendors take the opportunity of carrying out repairs and the information provided allows them to make informed decisions about elements of their property which may require attention, development, upgrading or further maintenance.

It should be noted that Home Reports have only been mandatory for five years. This is a relatively short period of time to properly assess the effectiveness of a new policy that required significant engagement and made substantial positive changes to a market.

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

Yes No

Q3a) If yes, please explain why

RICS Scotland is very aware of the objectives of the Scottish Government's Sustainable Housing Strategy, which seeks to reduce carbon emissions and improve the energy efficiency and sustainability of Scotland's housing stock

RICS Scotland believes that Home Reports can, and do, play an integral role in promoting energy efficiency and property condition improvements.

By providing information on the energy efficiency of a home, potential buyers and sellers are able to view the options available to them for making improvements to the property and, ultimately, potential savings on their electricity and/or gas bills. This is particularly important in considering rising fuel costs and an increase in the number of reports of fuel poverty.

The Home Report also provides energy efficient measures to make cost-effective savings

Properties that return a poor EPC rating could entice the seller to make an investment in the property to make it more energy efficient in a bid to make the property more inviting to a larger pool of potential buyers.

The Sustainable Housing Strategy suggested moving EPC to front of home report document. We believe this would be a very worthwhile method. Alternatively, the Home Report document could be reworked with an obligation to show the EPC rating (as opposed to the whole report) at the front of the document.

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

Yes No

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

RICS Scotland is of the opinion that more thought should be given to this proposal. We can see both positive and negative advantages to this. We would be opposed to the implementation of a register if it transferred additional costs to consumers, however, we have outlined our thoughts, both positive and negative below:

a) Positive: the Scottish Government or Registers for Scotland could develop and maintain a register – as they have the capacity and, most likely, greatest need to use a register. A national register would provide a convenient, accessible tool to track and monitor nationally-set objectives and outcomes; for example, increasing the condition of private housing and housing market performance.

b) Negative: A national register could add to the resourcing burden of the organisation charged with implementing and maintaining the register. It could also add an extra level of bureaucracy and, potentially, lead to an extra fee or payment for individuals (buyers and sellers).

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.

When individuals are considering buying or selling a property, they will be aware that there will be expenses incurred in doing so.

Home Reports are just one outlay for sellers, but they are carried out by chartered surveyors who operate in a competitive price market; thus RICS Scotland believes that the upfront costs are warranted and universally accepted. It should, however, be recognised that the cost of a Home Report will be offset with a nil cost in obtaining a copy of a Home Report on purchase.

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

RICS member firms offer a range of payment schemes designed to assist sellers to pay for a Home Report, example incentives include:

- Discounted home report rates
- Deferred payment options
- Tailored payment plans

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

Yes No

Q7a) If yes, please explain why

RICS Scotland believes that home owners should commission their Home Reports directly through a chartered surveyor rather than a solicitor or a solicitor's agent.

The rationale for this is very simple: direct commissioning would build the relationship between the chartered surveyor and their client which allows the flow of information and questions to be dealt with directly by a professional who understands buildings and valuation methodologies.

RICS members are best placed to directly advise potential sellers on the valuation and condition of their property as they are highly trained and regulated professionals who know and understand the market in which they operate.

By using a local chartered surveyor, sellers will be assured that they will have the required local knowledge and expertise to undertake an inspection and valuation in the post code area.

RICS also provide members, and consumers, with clear, impartial guides to buying a selling a house through its [consumer guides](#).

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

Home Reports are carried out by RICS members who are amongst the most highly regulated professionals in the UK. When carrying out survey reports, RICS members must adhere to a strict mandatory set of valuation standards which are internationally recognised, carry professional indemnity insurance, be a member of RICS' Valuers Registration Scheme, have in place their own complaints handling procedure, be a member of a 3rd party redress scheme and undertake mandatory CPD. On top of this, they must also adhere to RICS' own strict rules of conduct.

It is only RICS members that: can provide clear, impartial and expert advice; can act in the interests of both parties from a neutral perspective; are tightly regulated; have to follow strict rules of conduct; have indemnity insurance in place insurance to protect clients, and can offer recourse to a 3rd party redress scheme.

RICS members have to update their skills and knowledge throughout their careers and are obliged to undertake 20 hours of Continuous Professional Development (CPD) per year. This ensures their expertise and knowledge of the sector is reliable, up to date and irrefutable.

RICS members are the only professionals who can assert all these necessary attributes on an individual basis.

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.

RICS Scotland is of the opinion that there are no delays caused by ensuring that a Home Report is provided prior to a home being place on the market.

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

Yes No

Q10a) If yes, please explain why

RICS Scotland strongly believes that the Home Report is a valuable and valid marketing tool for sellers. We have been monitoring this very question with our members through our monthly Housing Market survey since September 2013, with an average of two-thirds of responders answering positively over the last 6 months¹. Reported examples from our members to further demonstrate this include:

- Properties that are exempt (such as new build or Right to Buy properties) from a Home Report have had agents asking for a Home Report as they see the value in having the document available for prospective buyers.
- Sellers, and buyers alike, view the home report as a requirement – Home Reports have been seen to clarify the process and can offer a degree of comparison with other properties.

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

Yes No

Q11a) If yes, please explain why

RICS Scotland considers the 12 weeks period an adequate level of time for marketing when the time period from original instruction, through inspection, to report publication is considered.

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

Yes No

Q12a) If yes, please explain why

The 28 day provision allows the property to be safely removed from the market without penalising the seller and gives the purchaser the time to conclude an acceptable offer including arranging funding to facilitate purchase.

¹ Question: Do your clients (i.e. the public) value the Home Report?

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

Yes No

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

Generally, the Home Report can be provided in a soft or hard copy therefore there should be no issues on accessing the information.

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

Yes No

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

RICS Scotland believes that the current enforcement provisions are appropriate. However, many members have reported that whilst the legislation is in place the enforcement has been poor with many examples cited where selling agents have failed to comply.

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

RICS Scotland is of the understanding that the majority of lenders accept the generic mortgage valuation which is included in the Home Report. That said, this is an area that is geared more toward lenders' policy and is not influenced by chartered surveyors.

All RICS members undertaking valuations which are relied upon by a 3rd party must be members of the RICS VRS (Valuer Registration Scheme)

Valuer Registration aims to ensure the quality of valuations, raise the credibility of valuers and provide clients with a clearly identifiable designation of international standards, quality and the consistent application of RICS valuation standards.

All RICS members are required to undergo rigorous ongoing training and adhere to a strict mandatory set of valuation standards, which are internationally recognised. Home Report valuations are consistent and are representative of market demand.

Accordingly, RICS Scotland believes that valuations carried out by chartered surveyors should be universally accepted by lenders.

Furthermore, RICS Scotland would like to take this opportunity to support and advocate the recommendation set forth in independent report by Dr Oonagh McDonald CBE, *Balancing Risk and Reward: Recommendations for a Sustainable Valuation Profession in the UK*

<http://www.rics.org/Global/RICS-Balancing-Risk-Reward-Sustainable-Valuation-Report.pdf>), which advised that a lender should cover the costs should it wish to commission its own, additional valuation of a property.

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

RICS members are required to operate an internal complaints handling procedure to deal with any complaints which may arise between them and their client. Once this procedure has been exhausted, the client has the right, at no cost, to refer their complaint to an independent ombudsman who will investigate that complaint free of charge.

Q17) Do these exceptions need to be amended?

Yes No

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

The regulated complaints procedure with redress to an independent Ombudsman provides adequate consumer protection and does not close off the recourse to law.

Section 3

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

Yes No

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

RICS Scotland is firmly of the view that the 24 point condition survey contained in the Home Report is sufficiently detailed and appropriate. It covers all elements that should be included in a condition survey and it also contains a helpful summary sheet.

We do, however, feel that the format of the report could be revised to improve presentation and customer experience, and would be happy to discuss any suggested additional information that may be required.

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

Q19b) If no, please explain why

Having considered this question in depth, RICS Scotland is of the view that the 1-3 category ratings included in the Home Report is the most appropriate way in which to demonstrate a repair category. The definitions are also included in the report.

Q20) Is the valuation element of the single survey a useful element of the home report?

Yes No

Q20a) If yes, please explain why

RICS Scotland strongly believes that the valuation section of the report is a vital element of the single survey.

The valuation benchmarks a property's value against the condition after a more detailed non-disruptive inspection. Without the provision of a valuation figure then there would be a requirement for additional valuations thus removing one of the main tenants of the Home Report.

It provides potential purchasers with a professional view of the market value of the property before they even set foot over the front door, allowing them to make informed decisions about affordability at no additional cost.

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

Yes No

Q21a) If yes, please explain why

RICS believes that the information provided in the energy report provides sellers and buyers with possible options to make energy improvements to the property, before marketing, or after purchasing.

The information is presented in a format which is easy to understand. That said however, RICS Scotland believes that more emphasis should be placed on the EPC, perhaps bringing it to the front of the report, which would help to raise awareness of the important information that it contains.

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

Q22a) If yes, please explain why

Generally, the property questionnaire is a useful element of the Home Report as it provides potential buyers with an indication of what they can expect – in terms of bills, council tax bandings, service and utility providers to the property etc.

As the property questionnaire is completed by the home owner, it may be useful to get some feedback from recent purchasers about any additional information they would like to see included in the questionnaire. Although already included, RICS Scotland suggests that issues such as information on NHBC guarantees etc. should be more predominantly displayed within the questionnaire. Some vendors have reported that the form can be confusing and as part of a review consideration could be given to revising the report in light of the experienced gained over the last five years.

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

Yes No

Q23b) If no, please explain why

RICS Scotland considers that that the majority of gardens within a residential property will require ad-hoc maintenance by the owner and not by a professional gardener. This is a straightforward issue; if you buy a home with a garden, you will have to maintain it.