

11 September 2014

Land Information New Zealand
Level 7, Radio New Zealand House
155 The Terrace
PO Box 5501
Wellington 6145

By email: LINZregulatorysubmission@linz.govt.nz

**SUBMISSION on
Review of the Occupational Regulation of Valuers Discussion Document**

Introduction

Thank you for the opportunity to make a submission on the "Review of the Occupational Regulation of Valuers" Discussion Document. This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial and comprehensive consumer information and advice.

Contact: Sue Chetwin
Consumer NZ
Private Bag 6996
Wellington 6141
Phone: 04 384 7963
Email: sue@consumer.org.nz

Responses to specific questions

Question 1: Do you agree that there is a lack of accountability and transparency in relation to the VRB's operations?

We agree there is a lack of accountability and transparency in relation to the Valuers Registration Board's (VRB) operations. As a minimum, we think the VRB should be required to provide annual reports to the relevant minister and publish the findings of its disciplinary proceedings.

Question 2: Do you agree that the composition of the VRB is problematic? If so, how?

We agree the composition of the VRB is problematic because it is comprised solely of registered valuers.

Question 3: Do you agree with the proposal to constitute a new board which would include lay people with specialist expertise?

Yes, we think it is important the VRB includes lay people such as a consumer representative, lawyer, accountant, and academic. The number of lay people should be at least equal to the number of registered valuers on the board.

Question 4: Do you agree that it should not be mandatory for registered valuers to join NZIV or any other professional association?

New Zealand Institute of Valuers (NZIV) membership should be voluntary like other professional associations in New Zealand.

Question 6: Do you think that a tiered complaints system could deliver the benefits outlined above? If not, why not and do you have any thoughts on how else those benefits might be realised?

We think that a tiered complaints system is preferable to the current slow, expensive, inefficient and inflexible complaints system.

Where a complaints committee is established to hear a complaint, the committee should comprise a minimum of three board members. Membership should include at least one lay person.

We also think complainants should have a right of appeal (aside from judicial review) similar to the right of appeal available to complainants in the real estate context.

We do not agree that disciplinary proceedings should be reported in sanitised form. Consumers should have full access to reports on both complaints and disciplinary proceedings such as those available on real estate agents.

Question 7: Do you think it is possible to reduce the reliance on check valuations and, if so, how might this be done.

Our preference would be to continue using check valuations unless there is strong evidence to show another more effective way to conduct investigations into complaints.

Question 8: Is the range of sanctions proposed above adequate? If not, what other sanctions would be appropriate?

We support the introduction of a broader range of sanctions and agree that these should include warnings, compliance assistance and orders to undertake training. We also support increasing the maximum fine to \$20,000.

However, we do not agree that the scheme should be limited to punishment and deterrence. In our view, the scheme should be more like the Real Estate Agent's Authority scheme which provides for remediation and redress. Although consumers have other avenues of redress such as the disputes tribunal and the courts, we do not believe that these are always adequate or accessible. There are claim limits for disputes tribunal hearings and the cost of bringing a court action could be prohibitive.

Question 9: Is there a need for compliance monitoring and if so, by whom?

Yes, we think compliance should be monitored rather than relying on the complaints system as an enforcement mechanism.

Question 10: Do you agree with the proposal for the VRB to undertake more analysis of complaints and outcomes?

Yes, we think that this analysis would provide useful information to inform the scheme, ensure it is working as intended and identify any potential issues with the scheme.

Question 11: Do you agree that "registered valuer" should be the only protected title? Why/why not?

We agree that there is no need to retain title protection for "public valuer" and that "registered valuer" should be the only protected title. We think that there will be less confusion for consumers if there is only one protected title.

Question 12: Do you think it is necessary or desirable to change the existing registration period and/or registration renewal requirements? Why/why not?

We think the current one year registration period should be maintained and agree the five year period proposed by NZIV is too long. We also support the introduction of more stringent registration renewal requirements.

Question 13: If you answered "yes" to the above question, please indicate whether you prefer one or other of the suggested approaches or another approach.

We think registration renewal requirements such as those required of architects are appropriate. That is, the valuer should be required to continue to meet initial registration requirements (perhaps with the exception of passing an exam) and must also show how they have met Continuing Professional Development (CPD) requirements during the preceding 12 months.

Question 14: Should CPD be mandatory? Why/Why not?

Yes, it is increasingly common for a profession to have mandatory CPD requirements and we see no reason why valuation should be any different. It would be difficult for a valuer to provide adequate valuation services if he or she does not keep up with developments in the area.

CPD requirements need to be meaningful and not pro forma.

Question 15: Do you agree with the proposal for setting practice standards? Why/why not?

Yes, we agree that the practice standards should be set by the professional bodies representing valuers and approved by the VRB.

Question 16: Do you agree with the proposal for setting ethical standards? Why/why not?

Yes, we agree with the proposal for setting ethical standards.

Question 17: Do you agree that the minimum age requirement should be removed?

Yes, we agree that the minimum age requirement should be removed. According to the Policy Framework for Occupational Regulation, for certification regimes "admission criteria should be based on relevant and objective data to ensure fair and consistent treatment of applications (e.g. criteria such as age and residence are probably not

appropriate and any judgements on a person's suitability for an occupation needs to have an objective basis)."

Question 21: Do you think that the three year supervised experience period for New Zealand graduates is too long? If so, how long should the experience be?

We do not think that the three-year supervised experience period is too long. Given that a high proportion of valuations are sought by the public, rather than banks and other lenders, we agree that a relatively long supervision period should be required in order to lessen the risk to consumers. The three-year period also seems to be in line with requirements in other jurisdictions.

Question 22: Do you favour a tiered registration system that provides for provisional registration (with less experience and other requirements) as well as full registration)?

No, we think consumers interests would be better protected by maintaining the three-year supervised experience period rather than introducing a tiered registration system.

Question 23: Should the requirement for overseas valuers to have at least one year's practical experience in New Zealand be retained?

Yes, given that a high proportion of complaints to the VRB are made against valuers who qualified and trained overseas, we think the requirement to have at least one year's practical experience should either be retained or increased.

Question 24: Do the existing degree courses and post-graduate training requirements provide registered valuers with the expertise required to do sum insured valuations?

We are concerned about the quality and accuracy of sum-insured valuations being provided in New Zealand. Our recent mystery shop of five companies¹ showed big differences in the valuations of two New Zealand homes:

- The sum-insured valuations for a 160 square metre renovated 1911 villa in Grey Lynn, Auckland, ranged from \$576,170 to \$985,000, a difference of \$408,830. The default sum provided by the insurer on this home was \$460,460.
- The sum-insured valuations for a 230 square metre renovated 1950s family home in Karori, Wellington, ranged from \$718,079 to \$1,196,000, a difference of \$477,921. The default sum provided by the insurer on this home was \$465,000.

These differences highlight how difficult it is for homeowners to accurately assess the rebuild cost of their homes, even with the help of a registered valuer. They also indicate existing courses may not be adequately preparing valuers for this work.

Question 25: Is there a need for practice standards covering sum insured valuations?

We believe there should be practice standards covering sum-insured valuations.

We agree with NZIV that it may be appropriate to reserve sum-insurance valuations to registered valuers with expertise in residential sum-insured valuations and would like to see further regulation in this area to mitigate risks to consumers.

¹ <https://www.consumer.org.nz/articles/sum-insured-valuations>

This issue isn't unique to valuers. We believe attention also needs to be given to the practice standards of other professionals offering sum-insured valuations.

Question 26: Could registration requirements be reduced for some types of valuation?

No, we believe that having a single set of registration requirements is preferable.

Question 27: Are the current registration requirements excessive for valuers who only carry out residential valuations? What would be the risks and benefits to consumers if the requirements were reduced?

Although reducing the registration requirements for valuers who only carry out residential valuations would potentially give consumers more choice about the type of valuer they use and the cost associated with the valuation, without further detail it is difficult to assess whether these benefits would outweigh the risks.

Question 30: Do you think any changes are required to the existing professional indemnity insurance arrangements?

Yes. Our reasons are explained below.

Question 31: If so, do you favour either of the options outlined above or have an alternative suggestion?

We do not think that the indemnity insurance disclosure requirements used by lawyers would provide sufficient protection for consumers in the valuation context because many consumers would not fully understand the implications of such disclosure and would therefore be taking on an unacceptable level of risk in engaging an un-insured valuer.

In our view, registered valuers should be required to carry professional indemnity insurance. A poor valuation could result in a consumer losing hundreds of thousands of dollars. If a valuer does not carry adequate insurance, or if liability is capped, then a consumer may not be able to fully recover this loss.

Given that most valuers already carry professional indemnity insurance then it does not seem to us to be too onerous to require all valuers to carry such insurance. If the cost of professional indemnity insurance is prohibitive for small valuers then they will need to provide some other consumer protection device. The possible monetary losses for consumers are too big to ignore.

Thank you for the opportunity to make a submission on this discussion document. If you require any further information, please do not hesitate to contact me.

Yours sincerely



Sue Chetwin
Chief Executive