

Professional negligence

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Retrospective market valuations for a residential property

The professional negligence case of (1) *Paratus AMC Ltd* (2) *RMAC 2005 NS1 PLC v Countrywide Surveyors Ltd* [2011] EWHC 3307 (Ch) required the court to weigh up several expert valuations, which were relied upon by the opposing parties, for a residential property. The court held that the preferred method was to rely upon comparable sales evidence, rather than applying a price per square meter for the property.

A claim in negligence was brought against a surveying company, whereby it was alleged that it overvalued a residential property. In a scenario typical of such claims, the property was repossessed and sold when the mortgage payments were defaulted, but was sold for much less than the original valuation, leaving the claimants out of pocket.

The valuation by the Defendant Surveyors was £185,000. It was claimed that this was high and the correct valuation was £154,000. The Defendant Surveyors contended that it was worth £175,000 and therefore the original valuation of £185,000 was within the acceptable margin of error and was not negligent.

Both parties adduced expert evidence, but the basis of the different retrospective valuations differed. The expert evidence relied upon by the claimants was based primarily upon applying a price per square meter for the property. The evidence relied upon by the Defendant Surveyors was based upon comparable sales evidence obtained from the Land Registry for the period immediately prior to the valuation.

The court preferred the latter approach. It held that the size of the property was only one factor in assessing the correct valuation of the property. Valuers would not normally have detailed information about floor areas of comparable properties and it was implausible to suggest that they would obtain such information, given that developers would be unlikely to provide it merely to assist a valuer of a different property. It would also impose an onerous duty on the valuer to obtain such information, given the modest fees which were involved.

The court decided that the correct value had been £175,000 and the Defendant's original valuation was within the acceptable margin of error, held to be 8% in this case.



David Morgan
Solicitor

T: +44 (0)1892 506 048

E: david.morgan@crippslaw.com

