



The National Association of Goldsmiths

Representing Jewellery Retailers since 1894

PRINCIPLES OF GOOD PRACTICE FOR VALUERS

Including Disciplinary Procedure and Procedure for the Resolution of Disputes

As detailed in Appendices 1 and 2 of the 2008 edition of "The Valuer's Guide"

The National Association of Goldsmiths issues the following principles of good practice for valuers. The fifteen Articles encapsulate the main factors of jewellery valuation.

Article 1

- In all aspects of valuation work and related matters the valuer should act in a professional manner and in complete good faith, and should observe and abide by these Articles.

Article 2

- The valuer should only undertake valuation work which they reasonably believe they are competent to undertake by reason of training and experience.

Article 3

- The valuer should seek advice and/or information from independent specialist sources in all cases where it seems to them desirable to do so.
- The valuer should do this particularly in cases where their knowledge and/or experience suggest that such specialist sources may be able to provide data which may affect the valuation.

Article 4

- The valuer should at all times take such care of clients' goods in their possession as they are required to by law.
- The valuer should, if practicable, arrange that clients' goods are insured by the valuer while in their possession, and if goods will not be so insured disclose this fact to clients at the time goods are entrusted to them.

Article 5

- The valuer should state in a valuation sufficient information to identify and describe an item of goods, such that another competent valuer, or other interested person, should be able to form a reasonable opinion as to the factors taken into account in assessing the value and whether or not that value is likely to be upheld by a reasonable consensus of trade opinion.

Article 6

- The valuer should identify the purpose for which the valuation is required by reference to the principles of valuation set out herein, explaining these to the client as may be necessary.
- The values stated should be with reference to the date at which the valuation is carried out except in the case of valuation for probate (which should be with reference to the date of death of the owner of the goods).
- If special circumstances require a valuation to state values with reference to some date other than that on which the valuation is carried out, that date should be clearly stated in the valuation document and the special circumstances explained.
- The principles of valuation are:-

1 Valuation for Insurance Replacement

- Valuation for insurance replacement is based on replacement cost, that is, the retail replacement price (including Value Added Tax at the relevant rate) to the client of replacing an item of goods with a reasonably equivalent item.
- Retail price* means the price that the valuer/retailer charges or would charge at the time of the appraisal for an item reasonably equivalent to the item appraised. This is on the assumption that such price approximates closely to the average of the retail prices that the valuer/retailer reasonably believes are currently charged in the locality for such an item. The basis for the replacement should be qualified, ie NRV, SHRV, ARV, FV.
- In exceptional circumstances the valuation may be based on the estimated cost of recreating the item exactly to the original design, ie FV, in which case explanatory words to that effect should be included in the valuation document. For goods which the customer would replace on the Internet or from television shopping channels, it may be appropriate to value at Internet or television shopping channel replacement price in accordance with separate guidance notes issued by the National Association of Goldsmiths.
- If an item of goods is damaged, or is in a condition that has a noticeable effect on its value, such damage and/or condition should be recorded as part of the valuation description. It should also clearly be stated in the description whether or not (at the client's choice) the value given to the goods takes account of such damage and/or condition.

- It should be explained to the client that a valuation for insurance replacement does not reflect the figure likely to be obtained if the client sells the goods.

2 Valuation for Private Sale

- Valuation for private sale or disposal reflects the price likely to be obtained by the client in a sale to a person in their private capacity.
- It is usual for the figure produced by this form of valuation to fall between cost and retail prices excluding Value Added Tax.

3 Valuation for Probate (in Scotland termed: Confirmation of Will)

- Valuation for probate is in respect of goods that form part of the estate of a deceased person. The goods should be valued on the basis of the price which they might reasonably be expected to fetch if sold in the open market at the date of death.
- In valuing goods for probate account should be taken of the condition of the goods at the time of the valuation and their immediate saleability. The date of death must be noted on the schedule.

4 Valuation for Loan Security

- Valuation for loan security should state values at the lowest level reasonably assessed as likely to be realised on a sale of the goods without the benefit of favourable market conditions.

(Whilst in all valuations the valuer owes a duty of care to their client and to third parties who may rely on the valuation, the reliance placed by a lender on a valuation for loan security makes it particularly important that the valuer does not deviate from the above principle out of a misguided sense of loyalty to their client).

5 Capital Gains Tax (CGT)

- An open market assessment usually requested by the client's accountant or financial adviser. Retrospective value as at 1965 or 1982. In the absence of any other proof of cost or insurance valuation, it is important that opinion is backed up by comparison open market values, ie prices achieved at auction.

6 Family Division, Divorce Situation

- The values given represent open market figures likely to be paid by prospective purchasers when buying at public auction and/or in a willing buyer/willing seller situation. These values reflect the average gross figures reputable dealers are likely to pay for the goods after any auctioneer's premiums or other commissions payable, at the date stated. It is this value that is appropriate to be put to the Court in a divorce case when jointly owned property is either in dispute or being divided between the parties.

Article 7

- The valuer, if asked for an opinion as to the replacement cost for insurance purposes of an item of goods already lost, should not issue a valuation document, but may express an opinion in writing as to the retail replacement price of the lost item as defined in Article 5.
- The valuer should state that the opinion is based wholly on the information supplied by the client and (if such is the case) that the valuer has not seen the item and does not guarantee the accuracy of the information supplied to them.

Article 8

- The valuer should endeavour to maintain good relations with other valuers and should not call in question with a client the integrity and/or competence of another valuer either in general or in relation to a particular valuation without good cause and as a matter of professional and/or moral duty.
- It is generally considered best practice in the case of disputes to endeavour to reconcile differences by direct contact with the other valuer or retailer concerned.

Article 9

- The valuer should maintain strict confidence in respect of all matters relating to clients, their property and records.
- No disclosures of confidential information should be made except with the permission of the client and/or under legal compulsion or public duty.

Article 10

- The valuer should make working notes for every item on which he gives a value. These should be kept in accordance with Article 14.

Article 11

- The valuer, if asked to value goods which he knows, or reasonably suspects have

been purchased recently by the client (otherwise than from another member of the public) should explain to the client that it is generally more satisfactory to refer to the vendor for a valuation, and should only carry out the valuation requested with good reason.

Article 12

- The valuer should use a taking-in form that is signed by the client when the goods are left for valuation.
- An example taking-in form providing the information that is required is available from the National Association of Goldsmiths.

Article 13

- The valuer should provide a set of notes or conditions with each valuation. The

valuer should review this regularly.

- An example is available from the National Association of Goldsmiths.

Article 14

- The valuer should keep records of every valuation together with working notes and any photographs under secure conditions for a period of not less than five years from the date when the valuation was carried out. (It is normally in the interests of the valuer to keep all records for as long as possible.)

Article 15

- The valuer should obtain professional indemnity insurance in respect of potential liability arising out of valuations, and should then maintain this on a continuing basis.

Disciplinary Procedure

The National Association of Goldsmiths lays down disciplinary procedures for Institute Registered Valuers who breach these Principles of Good Practice. These procedures are as follows:

- 1 If it is alleged by any person that an Institute Registered Valuer or N.A.G. Member is in breach of the Principles of Good Practice the matter will be brought to the attention of the Valuations Committee who shall decide the best way to investigate the matter.
- 2 If the Valuations Committee concludes as a result of such investigation that there is substance in the allegation the Committee shall arrange a hearing and notify the Institute Registered Valuer concerned, the complainant, and any other person involved, of the place and time of the hearing and of their right to submit written representations and to attend.
- 3 The hearing will be conducted by a Panel comprising the Valuations Committee Chairman and not less than three other members appointed by the Committee Chairman and will consider representations made by the parties and other evidence, documentary or otherwise, that it thinks relevant. The Panel shall observe the rules of natural justice, but shall not be bound by the formal rules of evidence.
- 4 The decision of the Panel shall be by majority vote and the Chairman shall have a second or casting vote should this be required. At the conclusion of the hearing the Panel may either announce its decision or reserve that decision until some later date.
- 5 If it is the decision of the Panel that the allegation has been substantiated, the Panel may take any of the following courses of action:-
 - (a) If it considers the breach to be of a minor nature, caution the Institute Registered Valuer against repetition of the breach.
 - (b) Censure the Institute Registered Valuer for breach of the Principles of Good Practice and endorse the records accordingly, noting the allegation and the material facts. The details shall stay on record for a period of two years from the date of the decision, and the Institute Registered Valuer shall be given a copy in writing.
 - (c) Remove the name of the Institute Registered Valuer from the circulation list for any period up to twelve months from the date of the decision.
 - (d) Require the Institute Registered Valuer to give a written undertaking not to infringe the Principles of Good Practice in future either in the same or similar regard or in general.
 - (e) Notify the Board of the Association that it considers the breach of the Principles of Good Practice to be a gross breach inconsistent with the status of Institute Registered Valuer, and recommend to the Board that the Institute Registered Valuer's membership be terminated or suspended.
- 6 Of the above, the Panel may apply any or all of the options (b), (c) and (d) to a particular case as may be thought appropriate in regard to the nature and gravity of the circumstances.
- 7 An Institute Registered Valuer who contests the decision of the Panel on any grounds may within fourteen days of such decision give notice in writing to the Chief Executive of the Association stating those grounds in full and the Chief Executive shall thereupon refer the matter for adjudication by the Board of the Association.
- 8 The Valuations Committee, the Panel and the Association shall not be responsible for the costs of any Institute Registered Valuer in answering any allegation nor for the costs of any other person involved in the matter.

The National Association of Goldsmiths can provide various approaches to help resolve or mediate in genuine disputes about valuations, but only in very exceptional circumstances can it openly or implicitly criticise retailers' selling prices or profit margins.

Resolution of Disputes

- 9 If any client of an Institute Registered Valuer or N.A.G. Member Company doubts, with reasonable cause, the accuracy and/or validity of a valuation by that valuer or Company, and complains to the Association, the Chief Executive in conjunction with the Valuations Committee or the Jewellery Advisory Panel shall have jurisdiction to resolve the matter on behalf of the client and in the interests of preserving the reputation and credibility of the Association, its membership and the Institute of Registered Valuers.
- 10 The expression *reasonable cause* above shall include cases where a conflicting valuation of the same item or items has been provided in writing by any valuer whether or not that other valuer is an Institute Registered Valuer or whether or not employed by an N.A.G. Ordinary Member.
- 11 If an Institute Registered Valuer or their employers fails to co-operate with the Committee in the ways described herein, this shall be deemed to be a breach of Article 1 of the Principles of Good Practice, and it shall be open to the Committee to take disciplinary action.
- 12 The Committee may call for any documents relating to the complaint, including valuation notes and/or for oral and/or written submissions from persons involved.
- 13 The Committee shall require a signed consent from the complainant to the investigation and resolution of the complaint by the Committee. If the complainant refuses to provide such consent, the Committee shall not communicate to the complainant any conclusion or decision it may reach, but shall not be prevented from taking whatever other action it considers necessary.
- 14 In appropriate cases, where it reasonably appears to the Committee that the provision of a further authorised valuation is sufficient redress for the complainant, the Committee, before taking action, may require the complainant to sign an undertaking not to pursue any legal remedy against any person or firm involved and/or the Valuations Committee and the Association.
- 15 The Committee may require the complainant to submit for appraisal the item or items that are the subject of the disputed valuation.
- 16 The Committee in resolving the complaint may itself carry out an appraisal and valuation and co-opt such expert or experts as may seem expedient or may delegate the appraisal and valuation to any qualified person. The valuation produced shall be an *authorised valuation* as referred to above and the Committee shall provide copies to the persons involved including the client in a case where the client has provided written consent and any undertaking required.
- 17 An authorised valuation, produced as from the Association, shall be signed by the Chairman or other nominated member of the Committee, and shall contain a disclaimer of liability.
- 18 In an instance where it considers it appropriate to do so, the Committee may require an Institute Registered Valuer against whom a complaint was made to pay the reasonable costs of the complainant, Committee and Association in resolving the dispute.
- 19 In the case of a dispute when an independent valuation is required, the Committee shall request the trade prices and apply the mark-up used by the original valuer to assist in the decision making.

THE NATIONAL ASSOCIATION OF GOLDSMITHS OF GREAT BRITAIN & IRELAND

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Registered Office: 78a Luke Street • LONDON • EC2A 4XG

Tel (020) 7613 4445 • Fax (020) 7613 4450 • E-mail nag@jewellers-online.org • www.jewellers-online.org