

RICS publishes new global professional statement on conflicts of interest

Following extensive industry consultation, the Royal Institution of Chartered Surveyors (RICS) is tightening up requirements for RICS professionals and regulated firms working in the land, property and construction sector, with the publication of a new global professional statement on conflicts of interest.



TC Chetty, RICS SA country manager

Says TC Chetty, RICS country manager for South Africa: “Conflicts of interest cut across the profession regardless of geography or specialism. If conflicts arise and are not appropriately identified and managed, the very integrity of the profession and those acting within it is at stake. Properly managing conflicts improves the client experience and enhances general confidence in the global real estate industry.

“In recent years and in response to client needs and to ensure market confidence, the nature of the services provided by RICS professionals has evolved and developed. As a result, in October 2015 RICS conducted a global questionnaire which received wide ranging responses from a blend of RICS professionals, regulated firms, industry bodies and end-users. These responses showed there was a clear mandate from stakeholders for more robust industry requirements.”

The key findings from the global consultation showed that respondents would like to see RICS address:

- definitions of confidentiality
- full disclosure and transparency between parties
- the practice of “dual agency” in the UK commercial property investment market, and
- tighter rules around multiple agency relationships.

The new requirements aim to address these concerns, providing both greater confidence for investors and increased clarity for RICS professionals. All RICS regulated firms and members will be required to meet the new standard effective from 1 January 2018.

The RICS professional statement on Conflict of Interest was launched at MIPIM, (a major international real estate exhibition and conference held in Cannes, France) on 14 March 2017 by RICS CEO Sean Tompkins.

Tompkins said: “Issues around conflict of interest continue to risk undermining the reputation of a world-class profession. As the leading professional body in the land, property and construction sector, it was our job to take action. I am extremely proud of our new professional statement, which I believe will rebuild trust, ensuring that RICS professionals and regulated firms provide confidence to investors and clients alike.”

Global professional statement

The global professional statement covers all world regions and sets out the high-level principles for the appropriate identification and management of conflicts across all industry specialisms. The core principles state:

“A RICS member or regulated firm must not advise or represent a client where doing so would involve a Conflict of Interest or a significant risk of a Conflict of Interest other than where all of those who are or may be affected have provided their prior Informed Consent. Informed Consent may only be sought where the RICS member or regulated firm is satisfied that proceeding despite a Conflict of Interest is:

- (a) In the interest of all of those who are or may be affected,
- (b) Is not prohibited by law,

And that the conflict will not prevent the member or regulated firm from providing competent and diligent advice to those that may be affected.”

The new UK professional statement will now see the controversial practice of dual agency, whereby agents act for both sides in an instruction, banned in the UK.

Global requirements

On a global level, multiple agency relationships will now only be permissible with informed consent and, the professional statement introduces better processes for managing that consent and promoting transparency. The professional statement will also offer clearer guidance on confidentiality, building greater understanding of where the information gained during a transaction should not be used.

Following launch of the global statement and the UK-specific statement, RICS will seek to review the practice of dual agency outside of the UK market and consult on the requirement for further market-specific standards. Already, some of the best-known commercial property firms, such as SEGRO, JLL and Land Securities have indicated their support for the new standards.

David Sleath, CEO of SEGRO plc said: “It is vital that agents and real estate professional advisers are seen to adhere to the

highest standards, conducting themselves with the greatest integrity. For too long public trust in the industry has been blighted by concerns around conflicts of interest. Action urgently needed to be taken and I'm pleased to see that RICS has taken the lead in banning the practice of 'dual agency' or 'double-running'. Across our industry, we should view this as a very welcome move."

Following on from this, in April, RICS will be publishing an additional UK-specific professional statement for the commercial property investment market that bans the controversial practice of dual agency - known colloquially as 'double-dipping'. Both of these standards will be effective from 1 January 2018.

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