

Research show automated valuation brings benefits for consumers



UK lenders are benefiting from the international experience of using automated valuation models (AVMs) to estimate the market value of property, according to research published today by the CML.

The research report, Automated valuation models: an international perspective, shows that AVMs are being used ever more widely in a range of countries, and that this trend will continue. But use of AVMs around the world is "patchy and complex" and affected by a number of issues, including national differences in the availability of data, as well as political, economic, regulatory, housing and lending market conditions.

The use of AVMs is already well established in the USA, Canada and Sweden. The UK, Denmark, Germany, the Netherlands and Spain are in a second wave of countries rapidly adopting automated valuation and benefiting from the experiences of those countries that have pioneered its use, the research says.

The research shows that competition in the UK is spurring greater use of AVMs as firms look to cut the cost and time taken for valuation. As well as the competitive pressures encouraging firms to use automated valuation, the proportion of loans being generated by financial intermediaries is putting an emphasis on quick decisions at the point of sale. Commenting on publication of the research, CML head of policy Jackie Bennett said:

"Given that automated valuation has significant potential to reduce costs and is one of a number of tools that allows an instant answer to a mortgage application, it can deliver real benefits for consumers. Some lenders in the UK are already offering customers point-of-sale offers using AVMs.

"The research shows that automated valuation is yet another area in which UK mortgage lenders are leading the way in Europe. But lenders will continue to lend prudently and use traditional methods of valuing property where it is appropriate to do so."