

# LHAG INSIGHTS

## DISPUTE RESOLUTION

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## VALUER'S DUTY OF CARE TO BANKS

by Chia Oh Sheng, Lim Jun Xian & Tharshini Santa Kumaran

*RHB Bank Berhad v Azmi & Co Sdn Bhd & Anor*  
[Kuala Lumpur High Court Civil Suit No. WA-22NCvC-343-07/2020]

When a borrower applies for a loan, the bank typically requires some form of security. Often, this security will be a real property. To manage their risks, banks would normally seek a valuation of the property from their panel valuer to ensure that it serves as a sufficient security in the event the borrower defaults in repayment.

In this recent decision<sup>1</sup>, the Court found the defendants liable for overvaluing a property charged by the borrower to the bank as security for a loan. The defendants, who were on the bank's panel of valuers, were appointed by the bank to conduct a valuation of the property for the

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[1] Decision delivered on 7 February 2025

bank's financing purposes. The defendants furnished a valuation report to the bank stating that the market value of the property is RM2.2 million. Relying on this valuation report, the bank disbursed the loan amounting to RM1.87 million to the borrower. The borrower subsequently failed to repay the loan.

The bank later discovered that the defendants had overvalued the property at RM2.2 million when its true market value was no more than RM900,000 at the time the loan was granted. Amongst others, the defendants have failed to apply suitable comparables in valuing the property and failed to consider prior registered sales of the property, in breach of the Malaysian Valuation Standards (MVS) issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers. In the circumstances, the bank brought an action against the defendants for breach of contract and negligence.

After a full trial, the Court found the defendants negligent in providing the bank with a valuation that is above the market value of the property. Therefore, the Court allowed the bank's claim and ordered the defendants to compensate the bank a sum of RM1.3 million, being the loss suffered by bank arising from their negligent valuation.

This decision is a reminder that valuers must exercise reasonable care, skill, and diligence in carrying out their work. Their valuation plays an important part in the bank's financing process. Valuers are, therefore, required to meet the high standards of professional competence expected of them.

Chia Oh Sheng and Lim Jun Xian appeared as counsel for RHB Bank Berhad. They were assisted by a pupil-in-chambers, Tharshini Santa Kumaran.

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