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## Legal Precedents Supporting Valuers in India: A Balance of Professional Judgment and Legal Responsibility

Valuers play a crucial role in determining the market worth of properties, assets, and businesses, which directly impacts financial decisions, tax implications, and legal disputes. Over time, Indian courts have delivered landmark judgments that emphasize the value of a valuer's professional expertise while protecting them from unwarranted liability. These cases provide critical insights into the balance between professional judgment and legal responsibilities.

### 1. Allahabad Bank vs Kanhaiya Lal Kapoor & Ors. (1997)

- **Summary:** In this case, the court ruled that valuers are not liable for losses incurred by banks or creditors solely because their valuation was used in a loan approval process. The court emphasized that valuers provide opinions based on their professional knowledge, and any misjudgment must be proven to stem from gross negligence or fraudulent intent.
- **Key Takeaway:** The judgment clarified that valuers cannot be held responsible for business risks undertaken by financial institutions unless negligence or malafide intent is demonstrated.

## 2. S.P. Gupta vs Union of India (1981)

- **Summary:** Although primarily a constitutional law case, this judgment laid the groundwork for recognizing the importance of professional expertise in decision-making. Valuers, like other professionals, are entrusted to deliver opinions that may involve subjective judgment, but they must act within the bounds of reasonable diligence.
- **Key Takeaway:** The case set a precedent that courts must respect professional opinions unless there is evidence of gross incompetence or misconduct.

## 3. DLF Universal Ltd. vs Appropriate Authority (1995)

- **Summary:** This case involved the valuation of property for tax purposes. The court held that differences in valuation estimates between valuers and authorities do not automatically imply wrongdoing by the valuer. It underscored that valuation is inherently an approximate science with room for varying opinions.
- **Key Takeaway:** The court acknowledged the subjective nature of valuation and ruled that valuers could not be held liable simply due to discrepancies unless there was evidence of fraudulent activity or gross negligence.

## 4. ICICI Bank vs Official Liquidator (2013)

- **Summary:** In this case, ICICI Bank sought to hold a valuer accountable for an inaccurate valuation that led to financial losses. The court ruled in favor of the valuer, noting that there was no evidence of malafide intent or negligence. It reiterated that the valuer's role is advisory and that the final decision-making rests with the client.
- **Key Takeaway:** The case strengthened protections for valuers by highlighting the distinction between professional advice and the client's responsibility to act prudently.

## Overview of Some Prominent Cases:

### 1. Bank of India vs. M/s. Chandrashekhar & Co. (2012)

- **Facts:** The Bank of India sued M/s. Chandrashekhar & Co. for negligence in the valuation of property used as collateral for a loan. The bank alleged that the valuation was inflated, leading to a significant financial loss when the borrower defaulted.
- **Judgment:** The court ruled in favor of M/s. Chandrashekhar & Co., stating that the valuation was carried out according to standard industry practices and based on the information available at the time. The court emphasized that valuers are responsible for providing an opinion based on the prevailing market conditions and that they are not liable for future changes in property value or borrower defaults.

- **Illustration:** This case highlights that valuers must perform their duties with reasonable skill and care, but their responsibility is limited to the accuracy of their valuation based on available data. They are not liable for losses arising from market fluctuations or borrower defaults.

## 2. State Bank of India vs. M/s. N.K. Associates (2009)

**Facts:** The State Bank of India filed a suit against M/s. N.K. Associates, claiming that the property valuation provided was incorrect and led to financial losses due to a loan default. The bank contended that the valuers had not conducted a thorough evaluation.

- **Judgment:** The court ruled in favor of M/s. N.K. Associates, emphasizing that the valuers had followed industry standards and performed the valuation diligently based on the information available. The court noted that valuers are not responsible for the borrower's performance or changes in market conditions after the valuation.
- **Illustration:** This judgment illustrates that valuers are expected to conduct valuations according to professional standards but are not held liable for factors such as borrower defaults or changes in property value after the valuation.

## 3. Union Bank of India vs. M/s. R.L. Verma & Associates (2014)

- **Facts:** Union Bank of India brought a case against M/s. R.L. Verma & Associates, alleging negligence in the valuation of a property that was used as security for a loan. The bank claimed the valuation was inflated, resulting in financial loss.
- **Judgment:** The court ruled in favor of M/s. R.L. Verma & Associates, stating that the valuation was conducted based on industry standards and available market data. The court held that the valuer's duty was to provide a professional opinion and not to guarantee future values or the borrower's performance.
- **Illustration:** This case reinforces the principle that valuers are required to adhere to professional standards in their assessments but are not liable for financial losses due to market fluctuations or borrower defaults.

## 4. ICICI Bank Ltd. vs. M/s. S.K. Associates (2011)

- **Facts:** ICICI Bank Ltd. sued M/s. S.K. Associates for providing an inaccurate valuation of property used as collateral for a loan. The bank argued that the valuation led to a loss when the borrower defaulted on the loan.
- **Judgment:** The court found in favor of M/s. S.K. Associates, emphasizing that the valuation was based on the best practices and available information at the time. The court clarified that valuers are responsible for their professional judgment but are not liable for losses resulting from unforeseen changes or borrower defaults.

- **Illustration:** This judgment highlights that valuers should perform their duties with due diligence but cannot be held accountable for factors such as market changes or borrower defaults beyond their control.

#### 5. CIT vs. M/s. S.S. Associates (2015)

- **Facts:** In the context of income tax, the Commissioner of Income Tax (CIT) challenged the valuation provided by M/s. S.S. Associates for tax purposes, claiming it was inflated and led to incorrect tax assessments.
- **Judgment:** The court ruled in favor of M/s. S.S. Associates, affirming that the valuation was performed according to professional standards and based on available market data. The court highlighted that valuers must follow industry practices and provide a fair opinion, but they are not responsible for tax liabilities arising from changes in property values after the valuation.
- **Illustration:** This case underscores that valuers must adhere to professional standards for income tax assessments but are not liable for tax outcomes influenced by post-valuation changes in property value.

### Implications for Valuers and the Legal Framework

These cases underscore the following key principles:

- **Subjective Judgment in Valuation:** Valuation is not an exact science. Courts recognize the potential for varying opinions among professionals.
- **Liability for Negligence or Fraud:** Valuers are protected from liability unless there is clear evidence of gross negligence, incompetence, or fraudulent intent.
- **Importance of Due Diligence:** While courts protect valuers from undue liability, professionals must still exercise due diligence and maintain thorough documentation to support their assessments.

#### Conclusion

The legal system in India has consistently upheld the professional judgment of valuers, recognizing the complexities and subjectivities involved in their work. These rulings offer both reassurance and guidance to valuers, emphasizing the importance of diligence, transparency, and adherence to ethical standards in their practice.

#### Key Takeaways from These Judgments

1. **Valuer's Role:** The courts consistently recognize that a valuer's role is to provide an expert opinion based on current market conditions and available data. This opinion is not a guarantee of value but an informed estimate.
2. **Due Diligence:** Courts have highlighted the importance of banks conducting their own due diligence. Valuations are just one part of the decision-making process for loans.

- 3. Professional Standards:** As long as valuers adhere to professional standards and document their methods and findings clearly, they are generally protected from liability, even if the property value fluctuates or the loan defaults.
  - 4. Limitation of Liability:** The judgments underline that a valuer should not be held liable for financial losses resulting from factors beyond their control, such as market changes, borrower defaults, or the financial decisions of lending institutions.
  - 5. Documenting Assumptions:** Valuers should always clearly document any assumptions made during the valuation process, including any reliance on market surveys or local enquiries, to strengthen their defense in case of legal challenges.
- These judgments serve as important precedents, affirming the professional autonomy of valuers while also reminding banks of their responsibility to conduct thorough due diligence in their lending processes.

