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Investors catch cold after buying 'over-valued' flats

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A GROUP of investors say they are facing ruin after buying new apartments which they claim were over-valued and are now losing them huge amounts of money.

Rents on the apartments – some of which are in Yorkshire – are failing to meet their mortgage payments, leaving the owners struggling with negative equity. One pensioner is facing bankruptcy and is set to lose his home and another man is paying 6,000 a month to stave off repossession of his property portfolio.

The investors blame valuers and property company Dylan Harvey. The latter sold flats in cities and towns all over the north of England including Halifax and Barnsley.

A number of those who bought Dylan Harvey homes claim they were told rental potential was inflated by as much as 200 a month and property values by up to 20,000.

The company's boss Toby Whittaker, 30, has hit back and says the figures were based on independent valuations.

But the buy-to-let investors allege that Dylan Harvey staff told valuers that the flats came with parking spaces, when some did not, which artificially added at least 15,000 to each property.

A group of 14 investors is preparing to sue the valuers for negligence and is questioning conveyancers involved in the deals.

One of the group, who asked to remain anonymous, said: "You can see why my property has been over-valued by 20,000. I bought it without parking, but Dylan Harvey told valuers that the flat came with a space when it clearly didn't. This added to the supposed value.

"I only realised this when I started checking everything out and requested copies of the valuation from the mortgage company.

"Like all the other people involved, I'd never seen it before because I bought off plan and it went straight to the mortgage company. I assumed the figures were all fine because I was given a mortgage on the basis that the rent would cover the mortgage payments by 130 per cent.

"It doesn't and I am paying 150 a month to prop it up. I am also in negative equity. I am really angry. I asked all the right questions at the time and now I'm in a financial mess."

Another investor, Malcolm Roscow, 68, faces bankruptcy and losing his home in Dorset after buying 10 apartments, including one at Glebe Court in Wombwell, near Barnsley, from Dylan Harvey between March 2005 and May 2006.

He said: "It was the worst decision of my life. I was a successful businessman and I've lost everything. I've even rung the Samaritans I have been so low."

One of his properties, a two-bedroom flat in Manchester, was bought for 170,990 in April 1996. Mr Roscow said valuers told him it would bring in 875 a month in rent but he has never been able to get more than 600, and the flat is now worth 155,000.

Colleys, part of HBOS, which valued many of the flats involved, said it could not comment on individual cases, but a statement said: "We have a very straightforward policy.

"The valuer will rely on information provided by the builders, developers or their agents relating to the property, and the conveyancer reporting any incentives or discrepancy in the purchase price, in order to arrive at their valuation.

"As a prudent measure we then base our lending decision on the lower of either the purchase price or valuation."

Toby Whittaker, the managing director of Manchester-based Dylan Harvey, refutes all the allegations.

He said: "I've never sold a property at an overvalued price."

He blamed a depressed and over supplied market for falling values and rents and rising interest rates for putting pressure on some investors.

He added that he had many satisfied clients and had sold over 5,000 properties in the last 10 years. Those who were complaining had over stretched themselves.

"Malcolm Roscow thought he was going to be a millionaire, but he was over-committed. If I'd known he was a pensioner re-mortgaging his own home to get the deposits I'd have told him not to do it.

"If the investors can't afford the repayments they shouldn't invest in the first place."

Mr Whittaker said that he had agreed to refund 15,000 to one client, who had complained that his property had been over valued as a result of having car parking space included.

"On Red there are 60 car parking spaces for 88 flats and it is first come first served. At the time, the mortgage company valuer asked one of my staff if the flats came with parking and he said: 'yes'.

"When we realised that communal parking did not count we contacted every single valuer and told them that the flats didn't come with parking."

Lancashire Police are investigating threats to Toby Whittaker and his family, which he claims are from a disgruntled investor. Buyer finds himself in negative equity

Malcolm Roscow, 68, bought 10 properties off plans from Dylan Harvey between March 2005 and May 2006.

The apartments are in Wombwell, near Barnsley; Liverpool; Warrington; and Manchester

Mr Roscow was a successful retired businessman when he began his buy-to-let spree.

"I got into property as a way of occupying my time after my wife died," he said.

He and his son Adrian also set up their own property brokerage business, Property Tigers, selling apartments to other investors and had been happy to recommend Dylan Harvey.

But Mr Roscow is now one of Dylan Harvey's fiercest critics. His flats are being repossessed and he faces bankruptcy and the loss of his home in Dorset.

"We came across Dylan Harvey through an acquaintance and we were treated like royalty

"The sales talk was very persuasive and Dylan Harvey said they'd take care of everything including arranging a mortgage.

"I was well aware of what buy- to-let entailed and the valuations Dylan Harvey showed us seemed fine and the figures added up to a good investment, but in fact all my properties have been in negative cash flow from day one."

He adds: "What happened is that Dylan Harvey appointed a mortgage broker for each development. When the development was within a couple of months of completing, surveyors are employed to establish prices and achievable rents.

"Interestingly, in every case this so-called achievable rental figure matched the figure I was given by the developer when I first put down deposits on the properties a year or so earlier. It is also very interesting – in hindsight – that these rental figures just happened to match the 130 per cent rental cover that the buy-to-let mortgage providers were insisting on at the time."

He never saw copies of the valuation reports and did not do his own checks on the property values because: "I figured that the mortgage providers wouldn't grant us mortgages if the rental figures didn't stack up. How wrong could I be.

"In reality the value of the properties is 20,000 less than I was told and the rent about 200 less.

"I have been forced to use all the funds at my disposal, and then some, to prop up my buy-to-let portfolio and now one by one my properties are being repossessed.

"It's hell of a way for a long and successful career to come to an end. "

Mr Roscow is keen to hear from other investors who have been affected. His email address is malcolm.roscow@propertytigers.com

Landlords get hands-on

Future landlords plan to take a hands-on approach to their investments, with a majority saying they would manage their properties themselves, says a building society.

Around 54 per cent of people planning to get a buy-to-let property said they would manage it themselves, rather than pay an agent to do it.

And 88 per cent admitted that they would frequently drive past their property to check how well the tenants were keeping it, according to research for Birmingham Midshires.

More than a third of landlords also said they would fix problems and carry out maintenance themselves, rather than pay a professional to do it.

The property investment market has increased more than 50-fold during the past decade, as soaring house prices and subdued stock market returns have encouraged people to put their cash into bricks and mortar.

At the end of last year there were nearly one million buy-to-let loans in existence, collectively worth 116bn, and accounting for one in 10 of all outstanding mortgages.

Tim Hague, managing director of mortgages at Birmingham Midshires, said: "With landlords enjoying an average return of 16.3 per cent in 2007, a buy-to-let remains a sound long-term investment."

YouGov questioned 487 people considering becoming landlords during February.