



Valuation Office
Agency



Understanding customers' confidence in the VOA's valuations and advice

Summary of Stage One research findings

January 2014

This research report has been written by ZCV based on research carried out in January-March 2013. The views and findings are the authors' own and do not necessarily reflect those of the Valuation Office Agency.



Background to the survey

The Valuation Office Agency (VOA) is an executive agency of HMRC. Its core function is to provide fair and accurate property valuations for taxation purposes.

One of the VOA's core functions is to carry out property valuations across non-domestic and domestic properties in England and Wales, which enables Local Authorities to collect Non-Domestic Rates (NDR) and Council Tax (CT). Central to the VOA's vision is that its customers feel confident in its valuations and advice, with particular emphasis on targeting and achieving greater customer trust.

There is limited evidence on the views taxpayers and ratepayers have of the Agency and how their interactions with it impact on their opinions and perceptions. While existing evidence suggests understanding of the valuation process is limited, the degree to which this is important to taxpayers and ratepayers is not clear. It is possible that this lower level of understanding results in customers contacting the VOA and, in some cases, challenging their valuation. Both contacting the VOA and, particularly, challenging the band or RV of a property creates a cost for the taxpayer and the Agency, especially given that large proportions of challenges do not result in a reduction in a property's valuation. A key objective for the VOA is therefore to understand:

- what motivates customers to contact the Agency and submit a challenge
- how the VOA can change the way it interacts with customers to raise levels of understanding and acceptance of the valuations it provides.

The Agency invited 2CV to conduct a qualitative research study to explore these issues. This document summarises the main findings of the research.

Research Objectives



Aim and objectives

The aim of the research was to develop an understanding of:

- what motivates customers to get in contact with the VOA, either to challenge or to make an enquiry about the valuation of their property,
- where the VOA should focus its efforts to increase taxpayers' and ratepayers' understanding of the valuations it provides.

More specifically, this research sought to explore and identify:

- triggers and motivators that influence taxpayers and ratepayers to contact the VOA
- customer behaviour as a result of these interactions, ie a decision to make an enquiry versus a decision to challenge
- the ways in which the VOA can influence these triggers, ie the impact of information provided at different points in the process and how this can be improved
- where the VOA should focus its efforts to increase taxpayers' and ratepayers' understanding of the valuations it provides
- whether trust/confidence in, and acceptance of, property valuations and the process involved are important in determining whether a taxpayer or ratepayer decides to challenge



The project was conducted over two phases using a qualitative methodology of depth interviews and mini-groups with stakeholders and customers.

Phase one consisted of six depth interviews with key stakeholders across the business areas of Council Tax and Business Rates. This included a range of operational staff (which had daily contact with operational staff) as well as those involved in policy development. In addition two Local Authority Managers were included to understand more about the contact they had with customers (particularly those customers who queries would be redirected to the VOA).

All the interviews took place at 2CV's office in central London or over the telephone at the stakeholder's request. The depth interviews were undertaken either individually or, where relevant, in pairs. The objectives were to understand stakeholders' opinions and the experience of those who had both enquired about and appealed their property valuations. This included understanding more about the way in which information is currently communicated to customers and stakeholders views on how these could be improved. The findings from this stage of the research were used to refine the key themes for Phase Two.

Phase two consisted of nine two-hour mini-groups (up to four participants per group) and 23 one-hour individual semi-structured depth interviews¹ with Business Rates (NDR) and Council Tax payers in England and Wales. The sample included direct and represented appellants², a mixture of appeal types (ie Informal Challenge, Formal Challenge, and Material Change in Circumstances, Compiled List and Valuation Office Notice)³, and customers whose appeal had been both successful and unsuccessful. The interviews took place with customers in London, Leeds and Cardiff.⁴

The objectives of phase two were to understand what motivates taxpayers and ratepayers to contact the VOA and challenge their valuation, and what information or communications could help improve customers' understanding of the way in which the VOA values properties.

The mini-groups and depths were designed to explore:

- primers, triggers and motivators in customers contacting the VOA and subsequently deciding to challenge their valuation
- experiences of the appeals process
- potential improvements and areas of impact.

The research also included 20 short face-to-face interviews across one street in Coventry which management information showed included a mix of businesses which had appealed and those which had not challenged their RV. The key objective was to understand more about the knowledge and understanding of those customers which had contact with the VOA and those that had not.

All fieldwork took place between 28th January and 27th February 2013. Data was analysed using a thematic framework approach as well as undertaking discourse analysis to understand more about the language that participants used to describe their experiences.

All members of research team were involved in the analysis and exploration of the data. As with all qualitative work, the findings included in the report outline the views and perceptions of those customers included in the research and care should be taken when generalising the findings.

¹ Depth interviewing is a qualitative research technique that involves conducting individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation. Focus groups are group discussions organised to explore a specific set of issues such as people's views and experiences of a particular subject. Across both focus groups and the depth interviews, the research aim was to understand the range of views across the various customer groups the VOA comes into contact with.

² This included those who had made an appeal against their rateable value for NDR and those who had made either an informal challenge or formal appeal against their Council Tax band. For the purposes of this report, all customers who had challenged or appealed their RV or CT band will be referred to as appellants.

³ Further information on the grounds on which an appeal can be made against a property's rateable value can be found at: http://www.2010.voa.gov.uk/rli/static/HelpPages/English/faqs/faq100-grounds_of_appeal.html

⁴ Interviews were undertaken across three sites in order to understand more about any regional variation in understanding of the valuation process and differences in reasons for contacting the VOA.

Summary of Council Tax Findings



Customers had a limited understanding of how CT bands are calculated

Overall, customers involved in the research had a limited understanding of how Council Tax bills are calculated. In many cases they did not differentiate between the VOA and Local Councils and thought that Local Councils set the bands as well as the amount they were required to pay. Overall, few customers knew there was a separate body responsible for setting bands. When they understood this separation, they felt the VOA's independence was important in ensuring a fair and impartial system.

Primers and triggers to contacting the VOA

Receiving a bill

Customers described how their yearly Council Tax statement had led them to question the amount of tax they paid. In some cases, the fact that bills had been 'frozen' meant people felt more accepting this year than in previous years.

First time payers

For some customers, becoming the taxpayer on a property had led them to be surprised by the amount they had to pay, especially if they had moved from another Local Authority area or become a CT payer for the first time.

Change in circumstances

In some cases triggers came from external factors such as changes in take home pay, which resulted in a drive to cut costs. However, in many cases Council Tax was not a consideration, as people were generally not aware they could appeal the band of their property. In cases where there was awareness of the possibility to challenge, this was initially viewed as a longer process and not a quick win in comparison to other areas where costs could be saved, eg changing energy suppliers.

Speaking to neighbours

In some cases, long-established residents of an area described speaking with neighbours as a trigger which led them to feel might be in the wrong band. For example, when a neighbour whose house was very similar mentioned they were in a different band, this prompted customers to question their own band. However, there was less evidence of this happening outside this cohort of long-established residents and in London, where people tended to be less familiar with their neighbours.

Agents

Agents were described as actively chasing CT payers through letters to introduce themselves and through visiting people's properties. On the whole, the customers included in this research felt agents appeared professional, as they were often chartered surveyors and presented credible and specific information. As with NDR, these agents made the process sound complicated and beyond the skill set of the 'layman'. In this context, a fee or percentage of the rebate felt reasonable to customers because they considered the short-term return and long-term reduction, ie an immediate rebate and larger future savings.

However, there was also evidence of unscrupulous agents stating that an entire area was using their services, thus tapping into behavioural levers of 'herd mentality' and 'loss aversion'. These agents were described as being more likely to demand upfront payments and then disappear. However, this did not deter customers in general because they focused on the goal of longer-term savings.

Understanding bands

Overall, while there was some understanding that a property was allocated to a band for Council Tax purposes, there was little appreciation that bands equate to more than just a fixed value. This meant customers did not understand they could move within a band rather than down or up a band if the VOA changed the valuation of their property. As a result, they often could not understand why properties of different sizes (and therefore different values) could fit within the range of the same band. In some cases, failure to understand this concept triggered customers to query their banding with the VOA.

Martin Lewis

When searching for information about Council Tax bands, customers reported that Martin Lewis appears high up on searches. They described how his website makes the process seem simple and provides guidelines on how to proceed; given his perceived status as trusted money saving expert, customers felt that they should follow his suggestions. As a result, those customers which had visited his site felt that it was a powerful motivator for them contacting the VOA.

Noticing inconsistencies

Generally, unlike NDR customers, participants who had contacted the VOA regarding CT were mostly looking for reassurance that everything was right with their band. In these cases, when they contacted the VOA they suggested they would like more information about why they had been placed in a particular band – they were generally not minded to challenge their valuation. When they had used the VOA website to check if they were in the right band, they often described being presented with information about neighbours without additional supporting information about the variation between property attributes. In these cases, they described how seeing that neighbours were in different bands despite being in similar properties triggered them to contact the VOA.

As witnessed with NDR, these primers did not trigger customers to contact the VOA alone, but accumulated in people's minds to strengthen perceptions that there could be something wrong with their band.

Challenging is low risk

Among customers who had decided to challenge their valuation, there was the perception that there was little risk in challenging bands and it was therefore worth 'giving it a go'. Even if they felt their case was weak, they felt that the outcome would provide reassurance that their band was correct. Overall, there was almost no awareness of the potential for a band to go up, and few considered the impact their appeal could have on neighbours. Customers felt the process of contacting the VOA, and potentially challenging their band, required very little of them – which heightened the sense of there being 'nothing to lose'. When appealing directly, customers did not feel the evidence required was difficult to obtain. In some cases, they felt the VOA went beyond what they might expect in considering and processing their case. Once the process was underway, customers felt there was nothing more to do; in many cases, they forgot they had challenged until they received their outcome. They therefore felt the process was very easy to complete.

Attitudes towards the VOA

As described above, some customers felt the VOA went beyond what they might expect when compared to other central or local government services. Customers described how everything could be dealt with over the phone, found VOA personnel very polite and helpful and did not feel they had to deal with anything difficult throughout the process (eg complicated forms). The point at which a customer was in the process had an impact on their perceptions of the VOA and its role:

Pre-challenge

- Only a small minority had heard of the VOA before they had made an enquiry or appeal
- Many assumed the Agency would support Local Councils in their decisions and, as such, would want to protect revenue. When they became aware that the VOA was separate and independent from Local Councils, they felt the system appeared fairer.

Post-challenge

- Overall, most felt the VOA did a good and efficient job where they had contacted it and appealed directly.
 - That said, success had a clear impact on satisfaction: perceptions were most positive where appellants had been successful.
- Represented appellants had no shift in perceptions from start to finish as they had no direct contact with the VOA.
 - They had a less formed view of the VOA and its role as they were more distanced from the process.
 - However, they felt that contact from the VOA to reassure them their agent had 'done the job', particularly in cases of unsuccessful outcomes, would have been welcome.

New letters for unsuccessful appellants

Within the research, appellants were asked to review a proposed letter explaining why an appeal had been unsuccessful.

They considered the letter an improvement on current information and that it served a number of purposes:

- It demystified the process
- It clarified which factors affected the decision
- It created a greater sense of fairness, as they were able to see other properties in the same band.

The information was felt to be specific enough to be relevant and useful:

- Properties of a similar age and size were shown in the tables
- Properties were all within similar locations.

Improving information and communications

Across the groups there was an appetite for more information around banding, including how bands worked and the range of figures included within each band. This included customers who had made an appeal via an agent wanting reassurance that the appeal had been lodged and was being dealt with by the VOA. In addition, there was also a desire, particularly among unsuccessful appellants, for more information to explain how their valuation had been worked out and why they had been unsuccessful. Beyond this, there appeared to be potential value in introducing a set of criteria/questions that customers could ask of agents to enable them to confirm the legitimacy of the agent and their potential claim.

Summary of NDR Findings



Customers had a limited understanding of Business Rates and Rateable Values

Overall, there was a lack of clarity over how Rateable Values (RV) are calculated, which led participants to see the valuation process as a 'dark art'. Knowledge around RV was mainly gathered from information on the business rates bill and the most common belief was that the main calculation related to the square footage of a property.

Once a customer had made an enquiry, particularly if they went on to challenge their valuation, they developed a more detailed understanding of the valuation process. However, understanding the full criteria used and how these are evaluated appeared to remain difficult. In particular, customers were not clear about the make-up or weighting of criteria and how this equated to the sum they pay. While many believed rates were calculated purely on the square footage of their property, others had some awareness of other factors that could also impact on the rates they pay. However, even among these customers there was lack of clarity around the exact weighting of the criteria and how these differed by sector and premises-type. Questions therefore remained as to whether the criteria used were specific to their business, sector-based or generic.

While concrete knowledge was lacking, small pockets of understanding were demonstrated across the different focus groups. In many cases customers used this knowledge as a starting point to question the basis of their rates. For example, where businesses had learned of a similar business (in terms of square footage) paying less, or a business in bigger premises that was paying the same, this often led them to question their own valuation. These pockets of knowledge led customers to conclude that the system was inconsistent and contributed to a feeling that it was unfair.

This perceived inconsistency frustrated customers, as they expected a straightforward process akin to Council Tax. Business Rates and RV were often compared to utilities and customers felt that understanding them would take up as much energy and time as these did. Customers involved in the research suggested that a simpler system would help them understand how their rates had been calculated; this could potentially lessen the volume of customers contacting the VOA with queries. They also felt that a more straightforward system could have a positive impact on the volume of people who, through lack of understanding and inconsistencies, concluded their RV was inaccurate and that they were paying an unfair amount; and who went on to appeal their RV.

Primers and triggers for contacting the VOA

Because of a lack of understanding and perception of inconsistencies, customers were often primed to question their rateable value – sometimes before they become aware of their right to appeal. A number of key primers were identified throughout the groups which could act as a trigger to a business contacting the VOA to query their rates:

Receiving a bill

Unsurprisingly in this climate, receiving Business Rates bills led many to question the amount they were paying, especially in relation to rents which had been frozen, discounted or increased only minimally as people often linked the rent that they paid with their RV.

Not understanding how RV has been calculated

As outlined above, customers did not understand the criteria used to arrive at their RV. There was therefore the sense that this was a complicated system, eg the detail regarding zones, sub-sections, interior and exterior and how these interrelate with business sector, location, environment, etc. This lack of understanding often led customers to contact the VOA.

Change in environment/ circumstances

In some cases, the impetus to contact the VOA came from external factors such as a dramatic change to the environment, eg extensive demolition/building works nearby or the business going through a difficult financial period.

Speaking to professional peers/ neighbouring businesses

Business customers often spoke with neighbouring businesses or professional peers and learnt they were paying less in similar premises (or the same in bigger premises). As a result, they started to believe they were paying too much and contacted the VOA.

While these factors on their own did not necessarily trigger a challenge, they appeared to strengthen customers' perceptions that they were being inaccurately charged. This led some to contact the VOA and raise an appeal; others were more likely to engage in discussions on the topic with other businesses or rating agents.

Overall, customers perceived a number of benefits to appealing which in their view far outweighed any associated risks:

- **No cost** – customers felt there was no apparent cost in appealing the RV of their properties, especially given the potential long-term savings/gains that could result from a successful appeal.
- **Feeling that there was 'nothing to lose'** – in the main, customers did not know that RV could go up as well as staying the same or being reduced. Where they are aware this could happen, they felt that it was very unlikely – especially as they were contesting their RV because they felt it was too high.
- **Business imperatives** – against a backdrop of a tough economic climate and the continual need to cut costs businesses felt that, as with other bills, business rates were an area that should be considered to identify possible savings.

Ratings agents

A call or visit from an agent often served as the entry-point to an appeal for businesses. This was because, in many cases, the agent identified evidence using case studies of similar businesses for which they had saved money.⁵ Agents were described as actively chasing businesses through letters, phone calls, emails and follow-up phone calls. Whereas in the past businesses reported being reticent to engage with them, in the current climate there was more appetite to appoint an agent as they felt the need to save money was more pressing.

Agents were generally perceived to be chartered surveyors and customers therefore felt they sounded professional. Importantly, however, those included in the research felt the agents they had used or spoken to had made the process sound as though it required the service of a dedicated ratings expert. Customers felt that this discussion coupled with case studies made the case presented by agents compelling, even if there was an associated fee (generally a percentage of the rebate) that they would have to pay if their appeal was successful.

Agents therefore often acted as a bridge for knowledge gaps, as they created an awareness of the right to appeal and often suggested to customers that they had a case. This, together with the primers outlined above, served to trigger an appeal, either by the customer appointing an agent or by the customer contacting the VOA directly.

In some instances, there was also evidence of activity by agents perceived as 'unscrupulous': these agents charged an upfront payment but the customer reported that had not heard anything from them months later. In some cases, customers included in the research had heard nothing for almost a year, at which point they felt like they may have 'been had'. Until this point, however, customers did not think the worst, as agents had usually pre-empted this lack of contact by stating the process could take a long time – emphasising the need for a specialist to 'navigate the minefield that is ratings law'. Often the agent had not explicitly talked about the VOA and its role in the process, so customers did not learn how to find out more (eg go to the VOA website).

Once customers had met with an agent, they often sought out more information from business peers. In some cases they had already done this but a cumulative effect occurred; hearing about other businesses from a third party, combined with other factors and triggers, tended to result in their contacting the VOA with a view to appealing their valuation.

Overall the benefits of using a rating agent were perceived to be:

- **Expertise and knowledge** - agents were seen as highly specialised and qualified in this area; their in-depth knowledge meant they could make the necessary 'short cuts' they described to achieve the right outcome
- **Time** – agents outlined a time-consuming process which customers felt they did not have the time (or desire) to take on
- **Complicated** – agents suggested the process and proof required was complex and therefore outside the layman's skill set
- **Low cost** – agents' fees did not deter customers from appointing a representative, as they were looking at the bigger saving potential from reduced valuations.

However, while first-time appellers appointed an agent because they felt they had less (or no) knowledge about the system and believed it to be complex and time-consuming, where the outcome was unsuccessful they were more likely to take matters into their own hands on their next appeal. In general, they described feeling frustrated that the case was unsuccessful and as a result may have developed more knowledge around the subject and process.

Among those who had made multiple appeals, there was a tendency towards appealing directly. This was due to their accumulated knowledge from previous appeals; customers outlined how they felt more confident about taking the case on themselves as a result.

Once the process had been followed once or twice, appealing was described as becoming an ingrained part of business routines, with many adopting it as a regular part of their financial administration. This was especially true for medium-sized businesses, as they had sufficient personnel to enable the work to be included in an employee's job remit on an ongoing basis.

Improving information and communications

How Business Rates and Rateable Value are calculated

There was an appetite for greater detail in terms of how Business Rates and Rateable Values are calculated. Most customer included in the research felt that existing bills were simply a list of headlines, with little explanation as to how the figures included had been calculated. That said, customers did not wish to be bombarded with reams of information, especially if the system is as complex as some have concluded it to be.

For all, there was a desire for a simple and clear system with the provision of information that gave sufficient detail to demonstrate a clear rationale for why they were paying what they were paying. To this end, some customers suggested that explaining the range of values that a property fits into might aid understanding: this explanation could be consistently outlined on bills and the VOA website, incorporating all variables/parameters that had been taken into consideration.

Based on the discussions in groups, customers suggested that the inclusion of clear information and the rationale for how rates are calculated could positively impact on their and other customers' confidence in the VOA's valuations. They felt this would also start to diminish perceptions of rateable values as a 'dark art', thus impacting positively on customer perceptions of transparency and consistency. Retailers expressed a desire for zoning to be explained in full, including more detail on how this system correlates with additional criteria such as area, vicinity and location.

During the appeal process

Once an appeal has been lodged, ratepayers suggested introducing communication that stated a timetable of events and the deadline by which they would hear the outcome of their case. Beyond this, there was little demand for ongoing communication, as businesses refocused on the 'day to day' of their business and did not overly consider the process or outcome.

Purpose of Business Rates

Customers thought information explaining what Business Rates are used to support might help with value perceptions and impact positively on trust and confidence in the VOA.

Conclusion



Overall, the research demonstrated that customers had limited knowledge of the VOA and the way in which properties are valued. In some cases this lack of knowledge, coupled with a range of other triggers and primers, prompted customers to contact the VOA when they actively considered the valuation of their property and, in some cases, to challenge their rateable value or Council Tax band.

The research identified a number of points in the customer journey, both when customers contact the VOA and throughout the appeals process, at which they would like further information to be provided. This includes both information about the valuation process and the way in which the VOA values properties, and specific information about the way in which their own property valuation has been calculated. Stage two of this research project will investigate how the information suggested by those involved in the research could be presented to improve understanding and acceptance of the valuations the Agency provides.