

The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
His Majesty's Treasury
1 Horse Guards Road
London
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Propertymark
Arbon House
6 Tournament Court
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May 2024

Dear Chancellor,

Re: Removing the threshold for letting agents to come under money laundering supervision

I would like to personally thank you for the recent engagement from HM Treasury following our letter last August. We hope that HM Treasury has found our subsequent meetings on the closure of pooled client accounts useful, and we will continue to offer our support as HM Treasury seeks to improve the money laundering regulations. We will of course be responding to the consultation on the MLRs, which we hope provides insight into the issues facing estate and letting agents as they aim to comply with their legal obligations.

One issue not covered by the consultation remains however, which could further improve consistent compliance with MLRs and remove confusion for agents if resolved. Currently, all estate agents are subject to money laundering supervision, while letting agents are not unless an individual property has a monthly rent of 10,000 euros (or the equivalent amount in a Member State) or more. While the consultation explores if the threshold should be reduced or be converted to GBP, we believe that removing the threshold entirely would be a significant benefit to the sector, resolving several issues while expanding the capacity of letting agents to counter potential money laundering threats.

The existing system creates an unnecessary two-tier system for letting agents, where letting agents are often unsure if they must carry out customer due diligence. This especially impacts estate agents who also rent out properties, as it is unclear if all of their activities are subject to AML supervision as a company or only estate agent activities. Furthermore, since most letting agents are not required to carry out customer due diligence to prevent money laundering, there are gaps in the sector that can be exploited by criminals. Removing the threshold will create consistency and cover all housing tenures, further reducing the risk of money laundering through UK property.

Being a fully supervised firm would also help prevent more letting agents from having their pooled client accounts closed. Many banks' local branches target letting agents that do not meet the threshold, with many claiming the reason why they asked the agent to close their account or preventing letting agents from opening new ones is because the agent is not a regulated and fully supervised firm for anti-money laundering. If HMRC supervised all letting agents, and all property agents were regulated that would provide reassurance to banks that the sector does not present an inherent risk.

Additionally, the Office of Financial Sanctions Implementation is considering requiring all letting agents, regardless of whether they meet the threshold or not, to report if they have encountered suspected Designated Persons on the sanctions list in the course of their business. This of course would require letting agents to carry out customer due diligence on the landlords and tenants that they enter business with. Currently, we recommended this as best practice but, despite agents

potentially falling foul of the Proceeds of Crime legislation, it is not a legal requirement. Therefore, any further due diligence requirements would be a natural extension of letting agents' duties, especially when considering that letting agents carry out checks on tenants to ensure they can verify their identity and have the financial means to afford their rent. However, without this being made a legal requirement and supervision extended to all letting agents we fear that enforcement by the sector will be low, inconsistent and create more confusion around anti-money laundering requirements.

Based on the reasons outlined, we urge HM Treasury to consider expanding the Money Laundering Regulations to all letting agents and removing the threshold. For our part, Propertymark will continue to do all that we can to support any communication campaign to raise awareness of the requirement for letting agents, including working with HM Treasury to produce guidance and webinars for our members. I have also included with this letter our position paper and guidance document for member agents.

We welcome any comments and further engagement with HM Treasury on this topic.

Best wishes,



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Chief Executive Officer
Propertymark