



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Nathan Emerson
Arbon House
6 Tournament Court
CV34 6LG

14th September 2023

Dear Nathan,

PROPERTY AGENTS' ACCESS TO BANKING

Thank you for your letter to the Chancellor of the Exchequer regarding difficulties faced by property agents in accessing client accounts. The Government recognises the importance of pooled client accounts (PCAs) as an important part of business banking infrastructure for several industries, including property agents. I am replying as the minister responsible for this policy area.

The ability to apply simplified due diligence (SDD) to a customer can be a key factor in the commercial decision of banks to offer PCAs to letting agents for the purposes of holding client money. SDD allows banks to offer PCAs without the need to verify the identities of each individual who would have their money held in the account.

Recognising the importance of PCAs, and in response to concerns raised by industry bodies, the Treasury worked with the Joint Money Laundering Steering Group (JMLSG), an expert body consisting of the leading financial services trade associations, to produce guidance aimed at improving access to PCAs for businesses which fall outside the scope of the Money Laundering Regulations (MLRs). This guidance is clear that, even if a firm is not registered for supervision under the MLRs, banks can still apply SDD to PCAs for these businesses if they assess their risk of money laundering and terrorist financing to be low. The Government has worked closely with UK Finance in recent months to reiterate this to banks following reports of a number of letting agents having their PCAs closed.

Regarding your suggestion that all letting agents should be in scope of the MLRs, the Government is committed to ensuring that businesses do not have disproportionate or unnecessary burdens placed on them when the risks of money laundering do not justify their inclusion within the regulated sector. The National Risk Assessment (NRA) of money laundering and terrorist financing acts as the central vehicle through which emerging risks are assessed to determine whether inclusion in the MLRs is a proportionate outcome. The next NRA is due to be published next year.

While the Government has taken action through guidance and engagement with industry to address this issue, we recognise that difficulties persist. In last year's review of the MLRs the Government committed to consult on options aiming to address the difficulties in accessing PCAs, including the option of amending the regulations to widen the range of low-risk circumstances in which PCAs may be provided while applying SDD. Work on this consultation will begin later this year, and my officials will be in touch to seek Propertymark's constructive engagement with our proposals in advance of and through the consultation.

Thank you for taking the time to make me aware of these concerns and for your helpful briefing.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Baroness Penn', written in a cursive style.

BARONESS PENN