

UKALA ACCOUNTING STANDARD

Effective from 1st March 2019

This guide is devised to provide advice to UKALA members who hold or intend to hold Clients' Money and to help you identify any areas of vulnerability in your processes and controls. This guide is to assist you in understanding Clients' Money and how to hold it correctly.

UKALA may require firms to provide evidence that your procedures for the holding and accounting of Clients' Money meets this standard.

Our Aim

To establish that Clients' Money held can be reconciled to the clients to whom it belongs, and is secured on their behalf at all times and available to be returned to the client when requested by them.

UKALA reserves the right to reject any application for membership if we consider that you cannot or do not comply with basic practices when holding Clients' Money. You should refer to this guide when completing the UKALA Clients' Money Questionnaire.

Clients' Money

Clients' Money is any money received and held by a firm on behalf of its client. Examples may include:

- Tenants' deposits
- Rents
- Service charges
- Interest (if in an interest bearing client account)
- Arbitration fees
- Fee money taken in advance
- Clients' Money held but due to be paid to contractors
- Money held by members appointed as a Receiver
- Sale proceeds

Clients' Money Bank Accounts

You must set up a separate bank account for Clients' Money and obtain written confirmation from your bank or building society manager to confirm that the bank or building society is unable to exercise any right of set off or counterclaim against the money in this account in respect of any sum owed to them by your firm on any other account or any of your subsidiary companies. The account must be with a bank or building society authorised and regulated by the Financial Conduct Authority (FCA).

The title of the Clients' Money Bank Account must also be distinguishable from your firm's other accounts, for example, by using the words 'Client' or 'Clients' Money Only' to reflect the difference between your accounts. You must not combine the named account(s) with any other account(s).

If the account is not one of the recognised Clients' Money Bank Accounts as provided by UKALA, you must obtain written confirmation from your bank or building society manager to confirm that all money is held by your firm as an agent and your account meets the conditions above.

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Clients' Money Transactions

All Clients' Money should be paid into the Clients' Money Bank Account within 3 business days of receipt by your firm. Any mixed remittances (payments comprising money for rent or deposits and money for some other service or goods) must also be paid into a Clients' Money Bank Account. Your firm must check that Clients' Money received by automated transfer is clearly recorded and that you keep precise records of all cash transactions.

You must be transparent with your client with regards to your commission, fees and deadlines. You must remove any monies for other goods or services and in relation to monies owed to your firm (i.e. fees) a least once a month, or as soon as possible. If you note any unidentifiable transactions, treat these as Clients' Money until such time you can identify them. All monies must be repaid to your clients without delay if there is no longer any requirement to retain that money or the client requests it.

Systems & Controls

Your firm must have and comply with written procedures for handling Clients' Money, which are provided to your client, preferably in your Terms of Business or Management Agreement. You should provide your clients with a copy of this document.

You must provide a copy of your procedures for handling client money to any person who may reasonably require a copy, free of charge.

Your firm must ensure all systems and controls are maintained to a high standard in order to monitor and manage Clients' Money transactions and any arising credit risk. Your firm's systems must be able to identify all payments and receipts to the particular client to whom they relate, i.e. client's name and property address and reference numbers where applicable.

We strongly advise you to have or establish securely controlled and protected client data and accounting systems and ensure all your computer systems are adequately protected for access, by implementing a disaster recovery process and arranging for regular backups and firewall updates. You must keep a clear audit trail of client accounting records, including all copies of reconciliations; the recommended best practice time frame for this is a minimum of six years plus the current year.

It is best practice for your firm to appoint a capable and qualified individual to oversee the day to day running of the Clients' Money Bank Account and to oversee the systems and controls put in place. Your firm must ensure adequate procedures are put in place to monitor staff. It is important to carry out training for all staff involved in the firm's Clients' Money handling arrangements so they are fully aware of these procedures and understand their responsibilities. This will enable your firm to guarantee your employees competence to perform their roles adequately.

Your firm must establish if your principals can override controls surrounding the accounting system, and ensure all departments and branches administer the same level of controls in relation to the client accounting function. It is best practice to ensure there is sufficient holiday and long term absence cover to enable the firm to continue to function appropriately in regards to handling all Clients' Money.

Keeping Clients Informed

Your Terms of Business or Management Agreements and any other client agreements should adequately explain that you are holding the money in a Clients' Money Account, including the name and address of the bank or building society.

You must publish your procedures for handling client money on your website (if any).

You may be required by law, where possible, to display your annual Clients' Money protection scheme certificate and window sticker. We recommend you apply the Clients' Money protection scheme logo on all your literature, to advertise that your firm holds Clients' Money protection; this provides peace of mind for your clients and demonstrates that you are a reputable firm.

About Your Business

It is best practice that your firm implements a good code of conduct and is constantly up to date on relevant legislation. For example, under current legislation if you take a security deposit from your tenants, you must ensure that where applicable, it is protected in a Government authorised Tenancy Deposit Protection Scheme and that you correctly issue the Prescribed Information to the tenant within the allocated timescales. In order to comply with the guidelines set by HM Revenue and Customs (HMRC), if you act on behalf of a landlord that does not reside in the United Kingdom, you must register with the HMRC Non-Resident Landlord Scheme. This scheme has been put in place for taxing the UK rental income of non-resident landlords. There are several ways an individual can comply with this.

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