

House of Commons Foreign Affairs Committee call for evidence on sanctions scrutiny

Response from Propertymark

July 2025

Background

1. Propertymark is the UK's leading professional body of property agents, with over 19,000 members representing over 12,800 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Overview

2. From 14 May 2025, letting agents across the UK have been subject to reporting obligations because they were added to the list of "relevant firms" under financial sanctions regulations. The UK Government say that extending reporting obligations to letting agents will facilitate the Office of Financial Sanctions Implementation's (OFSI) aim of encouraging better sanctions compliance, as well as improving OFSI's understanding of how financial sanctions are being implemented in the private rented sector, raising impacted businesses' awareness of their sanctions obligations, and assisting OFSI in identifying potential circumvention gaps and financial sanctions breaches.

Feedback from Propertymark

3. Propertymark has long worked to ensure that property agents understand their legal obligations and support the UK Government in reducing economic crime and promoting how sanctions are an important national security and foreign policy tool.¹ We also work closely with HMRC and HM Treasury to ensure that agents are fully aware of their obligations and to report any challenges the sector is experiencing back to the relevant bodies.
4. Purchasing property in the UK is a common method that can be used by serious organised criminals to launder the proceeds of criminal activity. The sheer size of the property market in the UK and the high value of property assets means that extremely large amounts of criminal funds can be 'cleaned' in a single transaction. Between 2016 and 2022, Transparency International report that an estimated £6.7bn of UK property has been purchased with wealth suspected to have been obtained from questionable funds.²
5. The sales and lettings sectors, property auctioneers and high value dealers are all attractive targets for those looking to launder money. Both small and large agencies are susceptible to criminal activity. The London property market and the wider UK housing market are highly desirable options and are both affected by financial crime. While the property sector remains

¹ <https://www.propertymark.co.uk/membership/knowledge-hub/aml-training.html>

² <https://www.ft.com/content/9db4fb78-6ead-4da8-b13c-5684d8191b2e>

largely unregulated, and without minimum standards to operate, the industry is vulnerable to attack.

Key concerns

Financial sanctions reporting regime and anti-money laundering rules for letting agents have similar objectives but significant differences.

6. Whilst we recognise that anti-money laundering regulations are different, but closely aligned to sanctions regulations, the requirements for checks are not consistent for letting agents which runs the risk of reduced compliance. The key similarities of both regulations are that they rely on letting agents to use judgement and adopt a risk-based approach. However, letting agents are not subject to money laundering supervision unless an individual property has a monthly rent of 10,000 euros (or the equivalent amount in a Member State) or more. In contrast, the financial sanctions reporting obligations apply to all letting agents, not just in relation to individual properties with a monthly rent of 10,000 euros or more. This means that there are varying levels of Customer Due Diligence taking place across the sector and not all letting agents will have a risk assessment for sanctions or anti-money laundering.
7. OFSI's report Property and Related Services Threat Assessment outlines red flag scenarios such as, "Rent payments are disproportionate with a subletter or tenant's income," that, "Property and related services firms and UK firms operating in other sectors that deal with the property sector can strengthen compliance with UK financial sanctions by ensuring robust due diligence is conducted where relevant."³ However, many of these red flag scenario checks would be more widely picked up if all letting agents were required to register for anti-money laundering supervision and meet the Customer Due Diligence requirements of the anti-money laundering regulations.

Confusing two-tier system for letting agents.

8. The new financial sanctions reporting regime for letting agents has added further complexity to an existing confusing two-tier system for letting agents. This especially impacts multi-disciplinary practices such as estate agents who also carry out letting agency work. Under anti-money laundering regulations, the estate agency side of the business is subject anti money laundering requirements and financial sanctions reporting obligations, whilst the letting agency side of the business is subject to financial sanctions reporting obligations but not subject to anti- money laundering rules. As a result, they are not legally required to do Customer Due Diligence checks on landlords and tenants unless they are dealing with monthly rents of 10,000 euros or more. If an agent knows or suspects that there has been money laundering or terrorist financing activity and the business falls within the regulated sector, then agents must make reports to the National Crime Agency (NCA) under Part 7 of the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

³ <https://www.gov.uk/government/publications/ofsi-threat-assessment-reports>

Lack of support for businesses and individuals to understand Sanctions and Anti-Money Laundering Act 2018.⁴

9. It is not commonly known that UK financial sanctions apply to all persons within the territory and territorial sea of the UK and to all UK persons, wherever they are in the world. More must be done to ensure all individuals and businesses who are within or undertake activities within the UK's territory must comply with UK financial sanctions that are in force. Furthermore, the legislative frameworks for financial sanctions do not prescribe the processes which businesses have to adopt to achieve compliance with their legal obligations and consequently many small, medium and large letting agency businesses do not know how to implement a sanctions policy, do not fall with the supervision regime for anti-money laundering and therefore do not have a legal requirement to have an money laundering risk assessment in place.
10. There is no single Act of Parliament that sets out the UK financial sanctions regime. The legislative regime is made up of various EU Regulations and UK Statutory Instruments.⁵ Additionally, the penalties for breaches vary depending on the underlying legislation but include imprisonment and/or a fine. The way the regime works means that, if a business or individual is unaware that someone has been added to a sanctions list, and they deal with that individual, they could find themselves guilty of an offence. Ultimately, compliance is challenging because the lists are updated on a periodic basis and letting agents are expected to monitor daily.
11. Furthermore, estate agents across the UK and letting agents in England and Northern Ireland are not regulated nor have minimum entry requirements to conduct estate and letting agency work. This leaves the sector vulnerable as there is no guarantee that an individual agent fully understands their AML or sanctions reporting requirements. Additionally, there is no standardised guidance from within the sector provided by a central agent regulator that could provide much needed certainty and clarity of requirements.

Letting agents carrying out manual sanctions list checks.

12. Letting agents have two main options for conducting sanctions checks. Firstly, manually. Secondly, using a digital screening tool.⁶ OFSI have significantly underestimated the proportion of letting agents undertaking checks manually, as opposed to using a digital solution.⁷ However, digital screening tools incur a fee and also include a full anti-money laundering check which is not a legal requirement for all letting agents. Through manual checks, this means that letting agents are accessing the publicly available sanctions list and manually entering tenant details to check for matches. This process is time-consuming,

⁴ <https://www.legislation.gov.uk/ukpga/2018/13/contents>

⁵ The UK currently implements over 30 sanctions regimes. These include country-specific sanctions regimes, including on Russia, DPRK and Iran, as well as regimes targeting Daesh, Al Qaida and other terrorist groups.

⁶ <https://sanctionssearchapp.ofsi.hmtreasury.gov.uk/>

⁷ OFSI Guidance says: "It is up to letting agents to determine how they wish to ensure they comply with financial sanctions prohibitions, and this may involve the use of sanctions screening tools."
<https://www.gov.uk/government/publications/uk-financial-sanctions-faqs/uk-financial-sanctions-faqs>

especially for letting agents who are managing hundreds of tenancies, and prone to error, particularly when dealing with common names or missing unique identifiers which are unknown to the vast majority of letting agents.

No guidance on what happens when a report is made.

13. Under the Sanctions (EU Exit) (Miscellaneous Amendments) (No.2) Regulations 2024, letting agents are required to inform OFSI as soon as practicable if they know or reasonably suspect a person is a sanctioned (designated) person or has committed offences under financial sanctions regulations. However, there is no information from OFSI on what letting agents should do with an existing tenancy or proposed tenancy. OFSI guidance does not state whether letting agents will receive a response, within a certain timescale or what to do with sitting tenants should a landlord be sanctioned and vice versa.

Key recommendations

UK Government to widen the scope of money laundering supervision to include all letting agents.

14. By not extending the Money Laundering Regulations to include lettings activity the property sector is vulnerable to criminal activity and compliance with the financial sanctions regime is undermined. In the last 15 years the size of the private rented sector has grown. For instance, in England alone according to the English Housing Survey 2023-24 just over 4.4 million households live in the private rented sector, which is 19% of all households.⁸ Furthermore, in 2023 in England it was estimated that there were 22,900 letting agents with around 64% of landlords use these services.⁹ Propertymark has long argued that the existing threshold for AML supervision for letting agents should be removed to reduce the risk of cash payments being used to 'clean' dirty money. Whilst we recognise that the UK Government wants to tackle financial sanctions breaches that are occurring below the threshold, this is a missed opportunity to level the playing field for letting agents in terms of AML supervision, Customer Due Diligence and financial sanctions reporting obligations.

Improved guidance and support with sanctions policies and risk assessments.

15. What would benefit the property sector significantly is a series of practical examples of risk assessments that represent best practice, where it can be explained which sources were used. Our members have made it clear that existing guidance does not go far enough as it does not clearly show the endpoint of what a risk assessment, sanctions policies and reporting should look like.

⁸ <https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2023-to-2024-headline-findings-on-demographics-and-household-resilience/introduction-and-key-findings>

⁹ <https://www.gov.uk/government/publications/renters-rights-bill-impact-assessment>

Improved guidance for reporting Suspicious Activity Reports (SARs).

16. Guidance from OFSI and HMRC (the supervisor for anti-money laundering for the property sector) should include real life examples from property agents who have given SARs to the NCA to illustrate the process and explain the steps required. This would help to better explain to staff and Money Laundering Reporting Officer about how long the process can take and what the outcomes can be. The current guidance on how to submit a SAR is 30 pages long and the process is clunky and involves using drop down lists and codes. Furthermore, a lot of the information seeking to be collected is geared towards financial institutions such as asking for bank account details which sales agents won't always know depending on when suspicion is formed.

Introduce a standard SAR form tailored to the property sector.

17. Property agents need clear guidance from the UK Government that is simple, quick and easy to apply. Information such as fact sheets, flow charts, best practice guidance, dedicated areas on websites and webinars will benefit estate agents and help reduce the time it takes agents to put in place, controls and procedures to anticipate and prevent money laundering or terrorist financing. Providing compliance staff with both structured training to help them feel confident about reporting, and access to the right technology and data to build a full picture of the suspicious activity, is the only way that reporting will increase.

Regulate property agents to tackle 'professional' enablers.

18. Estate agents operating across the UK and letting agents in England and Northern Ireland are unregulated, which means anyone can set up a business. To work in the sector there are no minimum standards and there is no statutory regulation to ensure agents are suitably qualified. Additionally, agents who are not members of a professional body do not have to meet minimum competency standards. This can make estate agents a target for criminal activity. OFSI's Property and Related Services Threat Assessment says, "Professional enablers can also operate as estate agency businesses or letting agency businesses on behalf of a Designated Person by making payments to staff or family members located at a property owned or controlled by the Designated Person or collecting rent on the Designated Person's behalf."¹⁰ On 18 July 2019, the Regulation of Property Agents (RoPA) working group produced a report setting out recommendations for a new regulatory framework focused on estate agents in the UK and letting and managing agents in England. The proposals included ensuring everyone in the industry is licensed, adheres to a strict code of practice and holds (at least) a Level 3 qualification. The UK Government must implement the recommendations.¹¹

¹⁰ <https://www.gov.uk/government/publications/ofsi-threat-assessment-reports>

¹¹ <https://www.gov.uk/government/publications/regulation-of-property-agents-working-group-report>