

Office of Financial Sanctions Implementation
Ownership and Control Test in UK Financial Sanctions Regulations Consultation
Response from Propertymark
April 2026

Background

1. Propertymark is the UK's leading professional body of property agents, with over 19,000 members representing over 12,500 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.

Consultation – overview

2. Since 14 May 2025, all letting agents have had to report any activity from people sanctioned under the Sanctions and Anti-Money Laundering Act 2018 (designated as "relevant firms"). People under UK Financial Sanctions (Designated Persons / DPs) often use complicated business structures or proxies to purchase property, as doing so directly would mean property agents can identify them on the UK Sanctions List¹ and end the transaction.
3. The Russia (Sanctions) (EU Exit) Regulations 2019 states that a Designated Person is someone who also indirectly controls an organisation, meaning that they can exert some form of control to ensure the organisation acts in their wishes, despite having no official ownership or membership of the organisation. (The full meaning of "indirect" ownership can be found in Section 7 of The Russia (Sanctions) (EU Exit) Regulations 2019². The combination of assessing the ownership and potential indirect control over an organisation is known as the "ownership and control" test.
4. The Office for Financial Sanctions Implementation is seeking views on how effective the control test in particular is, as some concerns have been raised by industry representatives that the "control test" is too ambiguous, that it relies not on strict evidence but on the assumption that a Designated Person (DP) might be able assert control.

Summary of Propertymark response

5. We welcome the opportunity to respond to OFSI's consultation on the Ownership and Control Test in UK Financial Sanctions Regulations. To provide an overview of our approach, Propertymark supports legal requirements and where thresholds are in place recommends that property agents conduct financial sanctions checks and Customer Due Diligence for all clients in both a property sale and when renting out a new property. For property sales, estate agents must verify the identities of all buyers and sellers involved (including potential beneficial owners). This is to prevent instances where one organisation involved, either intentionally or unintentionally, fails to

¹ [FCDO - UK Sanctions List Search - GOV.UK](#)

² [The Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#)

conduct a thorough identity check. In the private rented sector, letting agents supports adherence to the requirements to check if the landlord and tenant is on the Sanctions List at regular intervals, especially when there is a change of tenancy. While some property agents will use a third-party provider to conduct these checks, often providing a full anti-money laundering package that includes financial sanctions checks, some smaller agents will conduct manual checks while larger agents may have dedicated anti-money laundering (AML) teams and resources. When making assessments whether a potential DP is directly or indirectly involved in a property transaction can be extremely difficult, especially if the DP is actively hiding their involvement. There are four factors that make it difficult to report a DP's involvement in a transaction:

- **Assessing control is often out of a property agents' skill set if the DP is actively hiding their ownership** – methods including complex business structures, trusts and the use of proxies can make determining if a DP is involved challenging for property agents, compared to legal and financial organisations who will have skill sets more aligned to assessing inconsistencies in financial and legal records.
 - **Understanding an official's ability to control organisations requires a considerable understanding of overseas laws** – to make a fully accurate assessment for the ability of a DP to have control of an organisation, a property agent would need to know the legal system and current political environment of the country where the business and all directors are based.
 - **Not all countries have transparent registers of ownership** – when dealing with a company based outside of the UK, not an infrequent occurrence for London real estate, there's no guarantee that there will be any publicly available data on the ownership of a business or that the data will be up to date. This will make it difficult to assess the link between a DP and the business.
 - **High risk transactions can end before a DP is identified due to AML checks** – if a DP is involved in a transaction, an agent's customer due diligence checks will often flag the transaction as a high-risk due to factors including the involvement of a proxy, complex business structure or where it is clear that the "client" is not disclosing who the beneficial owner is. In these cases, the agent will submit a Suspicious Activity Report before they are able to identify the DP's involvement.
6. While we are the UK's largest professional membership body of property agents, OFSI should take into account that property agents who are not Propertymark members may not have the same level of understanding or training to financial sanctions checks that Propertymark members do. This is our understanding of the actions taken by our members based on our own experiences with them and the guidance we produce.

Consultation Questions – Propertymark response

Question 1: How often does a DP’s hypothetical ability to exercise control feature in your sanctions casework? In what proportion or volume of cases does this consideration materially affect the outcome, such as resulting in the test being met?

7. Due to the nature of the majority of property transactions directly involving individuals, consideration of a Designated Person’s (DP) ability to exercise control does not often feature in the activities of property agents. Our understanding of the actions taken by our members is that property agents will consult the UK Sanctions List, which property agents use to ensure that no one on the Sanctions List is involved in a property transaction, be that to purchase or rent. The guidance that Propertymark provides on sanctions follows but is distinct from the general anti-money laundering guidance published by HM Revenue and Customs (HMRC), that property agents need to take into account the risk due to the specific circumstances of the transaction and individuals involved. The vast majority of transactions involve individuals who are not on the UK Financial Sanctions List directly, making it unnecessary to assess a DP’s ability to exercise control.

8. For those whose market is more likely to be at risk of DP involvement, the need to assess a DP’s hypothetical ability to exercise control depends entirely on other risks uncovered by the risk assessment. This would include identifying if a proxy was involved, meaning that the agent would have to identify the beneficial owner. If one cannot be identified but the agent still suspects one to be involved, (especially if it appears the ‘client’ is actively hiding the involvement of a beneficial owner) this would often result in the transaction coming to an end and a Suspicious Activity Report (SAR) filed with the National Crime Agency (NCA). At this point, no further action would be taken from the agent to determine the identity of the beneficial owner, who may be a DP as this task would be transferred for investigation by the NCA. If a business is involved rather than an individual, the agent would face a similar issue. If they are able to identify that an additional party is involved in the transaction or where full ownership of the business has not been disclosed but rather steps have been taken to hide certain individuals, this would be considered enough to bring the transaction to an end under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. While the transaction did come to an end, effectively upholding the UK’s Financial Sanctions, it does mean that the activity of the DP involved does not get reported as their identity was not uncovered.

Question 2: In which sanctions regimes does hypothetical control most commonly arise? Are there particular regimes where it appears more frequently?

9. Propertymark recommends that our members assess the specific risk that a specific transaction could be used to facilitate money laundering, terrorist financing or a breach of financial sanctions. The following five factors would make it more likely that an agent would consider that a Designated Person could be involved in a transaction through their hypothetical control:
 - Firstly, the transaction is carried out through a business, trust or complex corporate structure that hides who would ultimately benefit from the transaction.
 - Secondly, it is clear that the individual who is claiming to be beneficial owner of the transaction is working on behalf of someone else.

- Thirdly, the person identified as being the beneficial owner is connected to or is a Politically Exposed Person (PEP).
- Fourthly, the transaction involves a high-value property (either renting or sales)
- Fifthly, the transaction is located in a location that has been targeted by Designated Persons or used by criminals for the purposes of money laundering (primarily London or other large cities).

10. In these situations, the property agent would consider why a proxy is being used or why a more complicated business structure has been used instead of an individual or a business with a more straightforward ownership model. This is because the risk of money laundering would be so high as to qualify for enhanced customer due diligence. At this point, the property agent would seek out the identity of any other beneficial owners involved and cross reference them with the UK Financial Sanctions List, including the history of ownership of a business. If the DP was at one time connected with the business, even if they have no clear control over it, the agent may see this as being too high of a risk to continue the transaction, although this would be taken on a case by case basis depending on how long it has been since the DP was involved in the business. The agent may also seek any connection with the organisation that a DP was part of, for example, if at one point the proxy or directors/officers of the business held some kind of public office within a country that has been flagged as high risk for money laundering or that has been sanctioned by the UK Government. At this point however, it is likely that the risk of money laundering would be so high that the property agent may submit a SAR before needing to consider the hypothetical control that a DP has over any organisation involved in the transaction.

Question 3: Are there discernible sectoral or structural trends in the cases involving hypothetical control, for example the use of trusts, proxies, complex corporate structures or cross-jurisdictional arrangements?

11. It is difficult to ascertain specific trends as it is illegal to disclose specific cases that have been reported to the National Crime Agency, which property agents will likely do on top of reporting to OFSI when a DP is involved. The use of trusts, proxies and complex corporate structures and cross-jurisdictional arrangements are known to be utilised by DPs when purchasing property. Furthermore, DPs are more likely to reach out to a private owner or property agent they know is less likely to conduct sanctions and customer due diligence checks rather than go through an agent which is a member of a professional body. This is because if a DP approached a property agent directly, who conducted sanctions or other customer due diligence checks, they would be immediately discovered and reported. While there may be some property agents who fail to conduct their required due diligence, this is becoming less likely as guidance and awareness of money laundering and sanctions requirements grows and some agents move to third-party providers. As fewer less scrupulous agents remain operating in the market, if a DP wishes to enter an arrangement with a property agent, they will have to avoid sharing their identity. This is often done through more complicated corporate structures that are disguised as legitimate arrangements that hide the DP's connection to the property. Others will simply use a proxy, where it can be difficult to determine a connection to the DP.

Question 4: Have you observed any patterns in the way that DPs structure their interests or relationships that complicate the assessment of the hypothetical element of the control test?

12. We are not aware of any additional specific ways in which DPs structure their interests or relationships to complicate the assessment of the hypothetical element of the control test.

Question 5: Without the hypothetical control element of the control test, how would you or your organisation identify and respond to potential circumvention by DPs through complex or opaque arrangements intended to obscure a DP's influence?

13. If the hypothetical control element of the control test was removed, we would recommend that our members ascertain if a potential DP has or had a degree of involvement with a client (be they an organisation or individual) involved in the transaction. This would effectively determine involvement that could indicate a level of interest or control that would mean the transaction could not continue. We would recommend our members take the following steps to assess whether or not a potential DP was involved in a transaction:

- Identify any and all officers or directors involved in the organisation through documents shared with the agent.
- Request for additional details on the ownership of the company structure, including documents related to the incorporation of the business, trust or body that was created.
- Search Companies House for any additional details of ownership or involvement.
- If identified, carry customer due diligence and sanctions checks on all additional individuals identified.
- If the individual identified is a PEP, DP or individual who poses a money laundering risk (or if they are similarly employed by or connected to an organisation/government that poses the same risk), report to relevant bodies and take appropriate action such as submitting DAML request or cancelling the transaction.

14. We would recommend this only where individual risk assessments determine that there may be an additional beneficial owner or the risk of one that wasn't disclosed. This is because not disclosing a beneficial owner is a considerable indicator for money laundering or the involvement of a DP.

Question 6: What impact, whether positive or negative, does the assessment of hypothetical control have on legal risk and administrative burden?

15. The burden for property agents is largely an administrative burden. Property agents do not always have the skill set necessary to conduct a rigorous assessment of a client's financial history or how to identify their business relationships, especially if efforts have been made to hide their activity. The duty for property agents to assess if a client is a DP often begins and ends with searching the UK Sanctions List, which can sometimes provide a false sense of security if the DP uses a proxy, be that a business or individual. If a client is working on behalf of a DP and the agents suspects a proxy is involved, it can be challenging to identify the beneficial owner, even if the DP pulls out of the transaction out of concern they will be reported.

Question 7: Do you find that in practice, there is enough evidence to substantiate the hypothetical element - “P would (if P chose to) be able” - in the control test when dealing with hypothetical control? Why/why not? What evidence or information is most/least persuasive in these cases?

16. There is no consistent level of evidence that agents use to substantiate the hypothetical element of a DP to control a business that is involved in a property transaction. For property transactions, the perception of potential risk is often considered a greater factor than the sufficiency of evidence gathered. This is because property agents combine all identity checks, be they to assess fraud, if the client is a DP or other purposes through one process. Typically, when they do this, property agents will use the same standards for evidence as required by the current Estate and Letting Agency Business Guidance for Money Laundering Supervision³. Rather than providing strict criteria for evidence, the Guidance recommends that property agents produce risk assessments based on the specific environment they are operating in and to produce their own thresholds for determining whether or not a client may pose a money laundering or terrorist financing risk. When this approach is taken for sanctions checks, this is usually not an issue because the same indicators for a money laundering risk also apply to the involvement of a DP and that the control test for assessing financial sanctions avoidance is likewise meant to be risk-based and taken on a case-by-case basis. The level of risk needs to take into account a range of factors, including but not limited to the level of communication throughout the transaction, the value of the property, the location of the property, the complexity of the ownership model of the business, how old the business is etc. This is supposed to be taken as a whole, so more frequent red flags could mean that any evidence of a link between a DP and the client would be taken as an immediate risk and thus reported for OFSI and the NCA. However, if there has been no other indication that the transaction is at risk of money laundering and there is a tenuous link between the DP and the client, then a greater amount of evidence of the involvement of the DP would be required.
17. The perception of risk rather than having overwhelming evidence of any link of a DP to the sale also applies to third party providers who will often not state the reasons why a client failed an identity check, as providing this detail risks impacting a potential investigation into the client from the National Crime Agency.

Question 8: What are the main challenges when forming an assessment of whether a DP would be able to exercise control if they chose to? How do these challenges affect due diligence burdens, resource allocation, the risk of litigation against your assessment or inconsistent outcomes?

18. There are three main challenges when forming an assessment of whether a DP would be able to exercise control if they chose to. Firstly, the transparency of registers of ownership in overseas countries. This makes it difficult to find the history of ownership of a business as not all countries will have an easily accessible up to date register of ownership. If the business is operating in the UK, there is also no guarantee that a DP will disclose their ownership or their level of control over the company. Secondly, understanding if a DP can exert control over an organisation requires considerable knowledge of how a country functions, both officially and unofficially. If the DP is an

³ [Estate and letting agency business guidance for money laundering supervision - GOV.UK](https://www.gov.uk/guidance/estate-and-letting-agency-business-guidance-for-money-laundering-supervision)

elected official, the property agent would need to know exactly what powers the official has and if they could unofficially have some control over other organisations. To know this for all countries and government positions is unachievable and unrealistic. Thirdly, property agents do not typically have the skills needed to assess if a DP could be connected to a business through assessing legal and financial records, especially if these are made complicated to hide the link between the DP and the business.

Question 9: Is it costly to investigate hypothetical control and to implement financial sanctions on this basis? If yes, please provide monetary estimates. Would removing the clause offer tangible savings on your implementation and/or compliance costs?

19. Since most property agents will combine AML checks with Sanctions checks, it is not costly to implement financial sanctions on this basis other than ongoing costs for existing compliance. The only exception to this would be for letting agents who do not meet the threshold for AML supervision. However, these agents are typically not the target of DPs and so checking the UK Financial Sanctions List will be enough to prove if a DP is involved in the transaction in the vast majority of cases. Although if not doing a manual check then costs to use a third-party supplier would need to be taken into consideration.

Question 10: Are there any best practices or internal procedures your organisation has developed for managing issues associated with assessment of the hypothetical element? Conversely, are there any procedures that you disregarded as being ineffective?

20. Propertymark has not currently developed specific guidance for assessing the hypothetical element. We would welcome further discussions with OFSI to establish effective guidance that we can share with our members, particularly from industries that have more experience in assessing the hypothetical element of sanctions reporting.

Question 11: How, if at all, could HMG better support firms in making an independent assessment of hypothetical control (without providing a determination)? For example, through access to additional public sources of information, the publication of control typologies, and/or facilitating dissemination of industry-produced best practice?

21. We would welcome the following from HMG:

- Industry workshops lead by regulators and professional bodies where organisations can share their experiences and challenges with financial sanctions reporting requirements that can be turned into best practice guides or help inform future regulations.
- Working with HMRC and other AML regulators to understand how financial sanctions reporting can be better implementing into a single regime for financial crime reporting. This will avoid situations where DPs are not reported due to transactions needing to come to an end under AML regulations as well as support information sharing and clarity about reliance when different sectors and professions interact with a property transaction

- Producing a list of known DPs that have been reported to OFSI, the sectors they're engaging in, and methods used to hide their identity. Access to this data should be only given for a limited time on request only after the identity of the person seeking access has been verified. This can help property agents better understand how DPs could be involved in transactions and ensures they have a greater certainty of involvement if the same DP has been using the same methods to obtain property.

Question 12: Do you find that in practice, the way hypothetical control (as defined at paragraph 2.2) presents in sanctions casework typically corresponds with 'potential future de facto control' or 'potential future de jure control' as given in Mr Justice Thompsell's control typology?

22. Our understanding is that following definitions of "de facto" and "de jure" control do correspond with the why casework typically works in practice:

- **Potential future de facto control:** This would exist where, although the DP enjoyed no current legal right of ownership or control, the DP had the legal means to obtain ownership or control.
- **Potential future de jure control:** This would exist where although there was no evidence that the putative controller was currently exercising de facto control, there is some good reason to believe that the putative controller could, if he or she wished, exercise control in some manner.

Question 13: Are there any examples from your casework that do not fit neatly in the four categories given in Mr Justice Thompsell's control typology, or which reveal gaps or ambiguities?

23. We do not have any examples of case work but would be happy to engage further with OFSI so that we may provide future examples if our members raise any with us.

Question 14: Do you identify types of control in your sanctions casework when conducting assessments of control? Are there other typologies or conceptualisations of control not mentioned in this chapter that you consider practically relevant?

24. We are not aware of any additional types of control that come up in the sanctions casework that our members carry out.