



Client Money Protect



# Client Money Holding Guidance Notes



All Members of Client Money Protect (CMP) are required to handle client money as per Section E in the CMP Scheme Rules. These standards for holding and accounting for client money are regarded as industry best practice.

The aim of this guide is to provide advice to all member firms of CMP who hold or intend to hold client money and to help identify areas of vulnerability in their process and controls. This guide is to assist you in understanding client money and the best practices needed to hold it correctly. You may also pass this guide onto your clients so they feel secure in the knowledge that their money is being handled correctly.

## Our aim

To establish that the clients' money held can be reconciled to the client to whom it belongs to and is secured on their behalf at all times and available to be returned to the client when required.

CMP reserves the right to reject any application for membership if we consider that you cannot or do not comply with these practices when holding client money.

## What is client money

Client money is money that a firm holds or receives for or from a client and can be of any currency. This could be in the form of cash, draft, cheque or electronic transfer and includes money held by the firm as stakeholder and which is not immediately due or payable on demand to the firm for its own account. For example, rent and/or deposits.

## Setting up client money accounts

You should set up a separate bank account(s) for handling your clients' money. It is best practice to have a separate client account for deposits and another for rents. The separation is to make it easy to establish which is deposit money and which is rent money.

For all client accounts you should obtain written confirmation from that the bank is unable to exercise any right of set off or counterclaim against the money in this account in respect of any sum owed to the bank by your firm on any other account or any of your subsidiary companies.

The title of your client account must be distinguishable from other accounts of your firm for example, by using the words 'client' or 'client money' to reflect the difference between your accounts.

CMP may request written confirmation from your bank that proves all money is held by your firm as an agent and your account conditions.



Client Money Protected: [www.clientmoneyprotect.co.uk](http://www.clientmoneyprotect.co.uk)

## Client money transactions

All client money should be paid directly into the client bank account or alternatively within 3 business days of receipt by your firm. Any mixed remittances (payments comprising money for rents or deposits and money for some other service or goods) should also be paid into a client bank account. Your firm should check that monies received by automated transfer are clearly recorded and that you keep precise records of all cash transactions.

You should be transparent with your client with regards to your commission, fees and deadlines and that you remove any monies for other goods or services and in relation to monies owed to your firm (i.e. fees) at least once a month, or as soon as possible. If you note any unidentifiable transactions, it is best practice to treat these as client money until such time you can identify them. All monies should be repaid to your clients in a timely manner when due.

## Systems & controls

All procedures for handling client money should be clearly written down and provided to your client, preferably in your Terms of Business or Management Agreement.

Your firm should ensure that all system and controls are maintained to a high standard in order to monitor and manage client 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 which they relate i.e. clients' name, property address and reference number where applicable.

We strongly advise you to establish securely controlled and protected client data and accounting systems and ensure that all your computer systems are adequately protected for access, by implementing a disaster recovery process and arrange for regular backups and firewall updates. It is important to 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' account and to oversee the systems and controls put in place. Your firm must ensure that adequate procedures are put in place to monitor staff. It is important to carry out training for all staff involved in the firm's client 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 that all departments and branches administer the same level of controls in relation to the client accounting function. It is good practice to ensure that there is sufficient holiday and long term absence cover to enable the firm to continue to function appropriately in regards to handling all client monies.

## Keeping clients informed

It is good practice to ensure that your Terms of Business or Management agreements and any other client agreements adequately explain that you are holding the money in a client money account, including the name and address of the bank. All procedures for handling client money are clearly written down and provided to your client, preferably in your Terms of Business or Management agreement.

You are required by law, where possible to display your annual CMP Membership certificate and window sticker. We recommend you should also apply the CMP logo on your firm's website and all your literature, to advertise that your firm holds client money protection; this provides peace of mind to your clients and demonstrates that you are a reputable company.

## 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.



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