CLIENT MONEY HANDLING & RECONCILIATION PROCEDURES

Recovia Ltd — FCA Authorisation Application Supporting Document

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Document title	Client Money Handling & Reconciliation Procedures
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Owner	SMF16 — Compliance Oversight | Ben James Portman
Applies to	All staff of Recovia Ltd handling or having access to client money
Regulatory context	FCA Consumer Credit (Full Permission) & CMC Authorisation Application

1. Purpose & Scope

This document sets out the detailed procedures by which Recovia Ltd receives, holds, reconciles and remits client money in the course of its regulated debt recovery activities. It is produced as a supporting document for Recovia's FCA authorisation application and forms part of Recovia's compliance framework.

Recovia holds client money in the following circumstances: funds recovered from debtors are received into a designated Recovia client money account and held there until remittance to the relevant client, net of Recovia's agreed fees. At no point does Recovia commingle client money with its own operating funds.

> These procedures are designed to satisfy the FCA's requirements under CONC (Consumer Credit sourcebook), the Client Assets sourcebook (CASS) as applicable to consumer credit firms holding client money, and the FCA's broader expectations of firms operating client money accounts under its authorisation regime.

2. Regulatory & Legal Framework

The following legislation and regulatory rules govern Recovia's client money obligations:

CONC 11	FCA Consumer Credit sourcebook — client money rules for consumer credit firms; requires segregation, reconciliation and prompt remittance
CASS 5	Client Assets sourcebook — insurance intermediary client money rules applied by analogy where relevant to Recovia's model
FCA PRIN 10	FCA Principle 10 — firms must arrange adequate protection for clients' assets when responsible for them
CMCOB 7.4	Claims Management Conduct of Business — client money provisions applicable to authorised CMCs
Insolvency Act 1986	Client money held on trust is protected in the event of Recovia's insolvency — it does not form part of Recovia's estate
FSCS	FSCS deposit protection applies to the client account (up to £85,000 per eligible depositor) at Lloyds Bank plc
UK GDPR	Client and debtor financial data processed in connection with client money handling is subject to data protection obligations

3. The Client Money Account

3.1 Account Details

Recovia maintains one designated client money account, held entirely separately from Recovia's operating account:

Account name	RECOVIA LTD CLIENT ACCOUNT
Bank	Lloyds Bank plc
Sort code	Provided to clients at onboarding
Account number	Provided to clients at onboarding; not published
Account type	Business current account — designated client money account
FSCS protected	Yes — up to £85,000 per eligible depositor
Signatories	Ben James Portman (sole signatory for routine transactions)
Dual auth threshold	Any single outward payment exceeding £5,000 requires secondary confirmation by [insert second signatory / SMF1] before processing

Receiving account. Debtor payments are made in the first instance to a designated receive-only account operated by Recovia (Account name: Recovia Ltd; Sort code 04-06-05; Account number 29921860). This account is configured to receive credits only — it cannot accept direct debits and cannot originate outbound payments — providing a structural safeguard against payment-redirection fraud. Funds received are transferred promptly, and in any event within 2 business days of clearing, to the designated client money account described above. The receiving account is reconciled to the client money account as part of the monthly reconciliation.

3.2 Trust Status

All money held in the client money account is held on trust for the relevant client(s). This means:

- Client money does not belong to Recovia and must never be treated as Recovia's own funds
- In the event of Recovia's insolvency, the client money account is protected and must be returned to clients — it does not form part of Recovia's insolvency estate
- No client's funds may be used to make good a shortfall owed to another client — each client's balance is tracked individually
- Recovia's own fees are deducted only at the point of remittance, from the specific client's balance to which they relate — never in advance of recovery

3.3 Segregation

The client money account is strictly segregated from Recovia's operating account at all times. The following controls enforce segregation:

- The client money account is a separately named account — the word 'CLIENT' appears in the account name
- No Recovia operating expenses (staff costs, rent, software, professional fees) are ever paid from the client account
- No funds from the client account are ever transferred to Recovia's operating account except as a legitimate fee deduction at the point of a client remittance — and only after the full recovered sum has been received and cleared
- Bank statements for the client account and the operating account are maintained and reconciled separately
- Any accidental receipt of Recovia's own funds into the client account is identified at the next reconciliation and transferred out immediately

4. Receiving Client Money — Step-by-Step Procedures

4.1 Standard Receipt: Debtor Pays in Full

Step	Action / Procedure	Responsible
1	Debtor makes payment into the Recovia client money account — by bank transfer, cheque, or other method. All payment details provided to debtors reference the client account only.	Case handler
2	Payment received — case handler checks bank statement or online banking against expected receipt. Payment matched to the relevant case by reference number or debtor name.	Case handler
3	Case file updated immediately: date received, amount received, payment method, bank reference recorded. Case status updated to 'Funds received — pending clearance'.	Case handler
4	If payment is by cheque: funds are NOT treated as received until the cheque clears (minimum 3 working days). Case file noted accordingly. No remittance to client until clearance confirmed.	Case handler
5	Once cleared: client money ledger updated — new entry created: [Date] | [Client name] | [Case ref] | [Debtor name] | [Gross amount received] | [Balance now held].	Case handler / SMF16
6	Client notified of receipt by email within 1 business day of cleared funds being confirmed. Notification includes: gross amount received, anticipated remittance date, fee deduction summary.	Case handler

4.2 Partial Payments & Instalments

Step	Action / Procedure	Responsible
1	Instalment received — matched to active payment plan on case file. Amount, date and running balance recorded on client money ledger.	Case handler
2	Client notified of each instalment received, with updated running balance and projected final payment date.	Case handler
3	Fees are NOT deducted from individual instalments — they are held in aggregate and deducted only at the point of full settlement or upon agreed early remittance. This is agreed with the client at case inception.	SMF16
4	Where a payment plan runs over multiple months, the client money ledger is reconciled monthly (see Section 6) and the client receives a monthly statement of funds held on their behalf.	SMF16

4.3 Overpayments & Third-Party Payments

Overpayments and unexpected third-party payments are a key money laundering risk indicator. Any payment exceeding the expected amount, or received from a party other than the named debtor, must be escalated to SMF16 and the MLRO immediately before any further action is taken.

Step	Action / Procedure	Responsible
1	Overpayment received (debtor pays more than the balance owed): case handler immediately flags to SMF16. No remittance to client until SMF16 has assessed whether the overpayment is suspicious.	**Case handler → SMF16**
2	SMF16 assesses overpayment. If genuine error: debtor notified and excess returned directly to the debtor's account within 5 business days. Client money ledger updated with explanation.	**SMF16**
3	If overpayment cannot be readily explained or debtor requests excess paid to a third party: MLRO notified immediately. Case frozen pending AML assessment. No funds moved until MLRO clears.	**SMF16 → MLRO**
4	Third-party payment received (paid by someone other than the debtor): immediately flagged to MLRO regardless of amount. Internal SAR consideration triggered. Case frozen.	**Case handler → MLRO**
5	All overpayment and third-party payment incidents logged on the client money exceptions register (Appendix B).	**SMF16**

5. Remitting Client Money — Step-by-Step Procedures

Recovia remits recovered funds to clients promptly — ordinarily within 5 business days, and in any event within 14 days — of receipt of cleared funds. The following procedure governs every remittance:

Step	Action / Procedure	Responsible
1	Case handler confirms cleared funds have been received in full (or instalment trigger point reached where applicable). Checks client money ledger for the client's balance.	Case handler
2	Fee calculation prepared: gross amount received, less Recovia's success fee (tiered rate per engagement letter), less any court fees or disbursements previously authorised by the client in writing. Net remittance amount calculated.	Case handler / SMF16
3	Fee calculation reviewed and approved by SMF16 before any transfer is initiated. SMF16 confirms: fee rate is per the signed engagement letter; disbursements are at cost and previously authorised; net amount is arithmetically correct.	SMF16
4	Remittance statement prepared (see Appendix A template). Statement shows: client name, case reference, debtor name, gross amount recovered, itemised deductions (success fee, court fee, Clarion admin fee if applicable), net remittance amount, and bank details being remitted to.	SMF16
5	Remittance statement sent to client by email for their records before or simultaneous with the bank transfer.	SMF16
6	Bank transfer initiated from client account to client's nominated account. Transfer reference includes case reference number and client name for audit trail.	SMF16
7	For any single payment exceeding £5,000: secondary confirmation obtained from [insert second signatory] before transfer is processed. Confirmation recorded in writing (email).	SMF16 + second signatory
8	Once transfer confirmed as processed: client money ledger updated — new entry: [Date] | [Client] | [Case ref] | [Fee deducted] | [Disbursements deducted] | [Net amount remitted] | [Bank reference] | [Balance remaining: £0 or residual if partial].	SMF16
9	Bank transfer confirmation (e.g. online banking receipt or CHAPS confirmation) saved to case file as evidence of remittance.	SMF16
10	14-day SLA monitored: if remittance cannot be made within 14 days of cleared receipt (e.g. bank system issue, dispute over fee), client notified in writing with reason and revised timeline.	SMF16

5.1 Remittance SLA Monitoring

SMF16 reviews the client money ledger every Monday. Any client balance where cleared funds have been held for 10 or more days and remittance has not yet been initiated is flagged as approaching SLA. Any balance held beyond 14 days without remittance is treated as an exception and escalated immediately with a written explanation to the client.

5.2 Disputed Fee Deductions

Where a client disputes Recovia's fee deduction:

1. Client raises dispute in writing — case handler acknowledges within 2 business days
2. SMF16 reviews the engagement letter, fee schedule and calculation — written response to client within 5 business days
3. Where the dispute is upheld: corrected remittance issued within 3 business days of resolution
4. Where the dispute is not upheld: written explanation provided with full fee breakdown; client's right to escalate under the Complaints Procedure (REC-POL-002) noted; complaints@recoviaholdings.co.uk
5. Disputed remittance cases are logged on the exceptions register and reviewed as part of the monthly compliance review

6. Client Money Reconciliation

Reconciliation is the single most important control over client money. It is the procedure by which Recovia verifies that the amount of client money it believes it holds matches the amount actually held in the client bank account. Any discrepancy must be investigated and resolved within 2 business days.

6.1 Reconciliation Frequency

Monthly reconciliation	Full reconciliation performed on the last working day of every month — mandatory
Ad hoc reconciliation	Performed immediately following any unusual event: large receipt, unexpected payment, system error, staff change, or concern raised by any party
Annual reconciliation	Full reconciliation performed as part of the annual compliance review, reviewed and signed off by Ben James Portman as Director

6.2 Monthly Reconciliation — Step-by-Step

Step	Action / Procedure	Responsible
1	On the last working day of the month, SMF16 downloads the client account bank statement for the full month (or prints from online banking). Statement saved to the compliance file for that month.	SMF16
2	SMF16 opens the client money ledger. Confirms the opening balance shown on the ledger matches the closing balance from the previous month's reconciliation.	SMF16
3	All receipts shown on the bank statement are matched one-by-one to entries on the client money ledger. For each receipt: tick on bank statement, tick on ledger. Any unmatched items circled.	SMF16
4	All outward payments (remittances to clients, fee deductions) shown on the bank statement are matched one-by-one to ledger entries. For each payment: tick on bank statement, tick on ledger.	SMF16
5	Closing balance calculated: Ledger balance = Opening balance + all receipts - all remittances - all fee deductions. This figure is the 'ledger balance'.	SMF16
6	Bank statement closing balance noted. The 'bank balance' is the actual amount in the client account at month end per the bank statement.	SMF16
7	Comparison: Ledger balance vs Bank balance. These two figures must agree. If they agree: reconciliation passed — sign and date the reconciliation worksheet.	SMF16
8	If they do NOT agree: reconciliation failed — discrepancy investigation procedure (Section 6.3) triggered immediately. Discrepancy logged on exceptions register.	SMF16
9	Reconciliation worksheet filed to the monthly compliance folder. Available for FCA inspection at any time.	SMF16
10	Monthly client money summary prepared: total funds held on behalf of	SMF16

	each client, total fees deducted in the month, total remittances made, any balances outstanding and reason. Retained on file.	

6.3 Discrepancy Investigation Procedure

If the ledger balance and bank balance do not agree at reconciliation:

Step	Action / Procedure	Responsible
1	SMF16 immediately notes the discrepancy: date identified, amount of shortfall or excess, first view on likely cause.	SMF16
2	SMF16 reviews all transactions in the period for: data entry errors on the ledger; bank transactions not yet recorded on the ledger; timing differences (cheques in transit, same-day transfers not yet cleared); unauthorised transactions.	SMF16
3	If a data entry error is found: corrected on the ledger, correction initialled and dated by SMF16, reconciliation re-run. Correction noted on exceptions register.	SMF16
4	If a bank transaction is found that is not on the ledger: investigated immediately — what is the payment and who authorised it? If legitimate, ledger updated. If unrecognised: bank contacted, case handler interviewed, MLRO notified.	SMF16 / MLRO
5	If a timing difference: documented on reconciliation worksheet with expected clearance date. Followed up at next business day.	SMF16
6	If discrepancy cannot be resolved within 2 business days: Director (Ben James Portman) notified in writing. External accountant or FCA contacted if shortfall is unexplained or material.	SMF16 → Director
7	All discrepancies — however resolved — logged on the exceptions register with: date, amount, cause, resolution, and sign-off.	SMF16

6.4 Reconciliation Worksheet

Every monthly reconciliation is documented on the standard Reconciliation Worksheet (Appendix C). The worksheet includes:

- Month and year of reconciliation
- Opening ledger balance
- Total receipts in the period (per ledger)
- Total remittances in the period (per ledger)
- Total fee deductions in the period (per ledger)
- Closing ledger balance (calculated)
- Closing bank balance (per bank statement)
- Difference (must be £0.00 — any other figure triggers discrepancy procedure)
- Signed and dated by SMF16
- Reviewed and countersigned by Director (Ben James Portman) annually

7. Client Money Ledger

The client money ledger is the master record of all client money held by Recovia. It is maintained in real time — every transaction is recorded on the day it occurs. The ledger is held on Recovia's cloud-based case management system with access restricted to authorised staff.

7.1 Ledger Structure

The ledger is structured as follows — one record per transaction:

Date	Client	Case Ref	Debtor	Receipt (Dr)	Remit (Cr)	Fee (Cr)	Balance	Notes
01/06/26	Paint Shed Ltd	REC-3092	LS Decorators	£1,146.92	—	—	£1,146.92	Receipt of full debt — cleared
05/06/26	Paint Shed Ltd	REC-3092	LS Decorators	—	£917.54	£229.38	£0.00	Remittance at 20% + fees; stmt sent

Note: the example above is illustrative. The live ledger is maintained in Recovia's case management system.

7.2 Ledger Controls

- Every entry is made on the day of the transaction — no backdating
- Corrections are made by adding a new correcting entry, not by amending or deleting the original — the original entry remains visible with a note referencing the correction
- The ledger is backed up automatically daily to a separate cloud location
- Access to the ledger is restricted to SMF16 and the Director — no other staff may make ledger entries without SMF16 supervision
- The ledger is available for inspection by the FCA, external auditors or the Director at any time

8. Client Statements & Reporting

8.1 Remittance Statements

A remittance statement is issued to the client with every payment. The statement includes:

- Client name and address
- Case reference number and debtor name
- Gross amount recovered
- Itemised deductions: success fee (rate and amount), court fee (if applicable), solicitor admin fee (if applicable)
- Net amount remitted
- Bank transfer reference
- Running total of all recoveries on the case (where multiple recoveries have been made)

8.2 Monthly Statements for Active Payment Plans

Where Recovia holds funds under a payment plan running over multiple months, the relevant client receives a monthly statement by email on the first working day of each month. The statement shows:

- Payments received in the prior month (date, amount, payment method)
- Total funds currently held on the client's behalf
- Fees anticipated upon final settlement
- Expected next payment date and amount
- Outstanding balance owed by the debtor

8.3 Annual Statement

In January of each year, each active client receives an annual client money summary for the prior calendar year, covering all receipts, all remittances, all fees deducted, and any balance carried forward. This statement is also retained on Recovia's compliance file.

9. Controls, Oversight & Breach Response

9.1 Control Summary

Control	Description	Frequency
Ledger update	Every receipt and remittance recorded same day	**Real time**
14-day SLA monitoring	SMF16 reviews ledger every Monday for approaching SLA breaches	**Weekly**
Bank statement review	Client account bank statement reviewed and matched to ledger	**Monthly**
Full reconciliation	Ledger balance reconciled against bank balance — discrepancies investigated within 2 days	**Monthly**
Dual authorisation	Payments over £5,000 require secondary confirmation before processing	**Per transaction**
Monthly compliance review	SMF16 reviews all client money activity, exceptions and SLA compliance	**Monthly**
Director review	Director (Ben James Portman) reviews reconciliation worksheet	**Annually**
Annual compliance report	Client money section included in annual compliance report to Director	**Annually**
FCA inspection readiness	All ledgers, statements, reconciliation worksheets available on demand	**Ongoing**

9.2 Client Money Breach Response

A client money breach is any event where: client money is not properly segregated; a reconciliation discrepancy cannot be resolved within 2 business days; client money is used for Recovia's own purposes; or a remittance SLA is materially breached without prior client consent.

In the event of a client money breach, Recovia will:

6. Immediately cease the activity causing the breach
7. Notify the affected client(s) in writing within 1 business day
8. Notify the FCA via Connect within 1 business day if the breach is material — a breach is material if it involves: commingling of funds, a shortfall that cannot be made good immediately, or a breach affecting more than one client
9. Investigate the root cause and implement corrective action within 5 business days
10. Document the breach, cause, client notification, FCA notification (if required) and corrective action on the exceptions register
11. Include the breach in the next annual compliance report regardless of materiality

10. Record Keeping

Client money ledger	6 years from the date of the last entry (legal and FCA regulatory requirement)
Bank statements	6 years from date of statement
Reconciliation worksheets	6 years from date of reconciliation
Remittance statements	6 years from date of statement
Engagement letters	6 years from end of the client relationship
Exceptions register	6 years from date of entry
Client monthly statements	6 years from date of statement
Dual auth confirmations	6 years from date of transaction

All records are stored on Recovia's cloud-based case management system, backed up daily, with access restricted to authorised staff. Records are available for inspection by the FCA, the Financial Ombudsman Service or any other competent authority on request.

Appendix A — Remittance Statement Template

RECOVIA LTD — REMITTANCE STATEMENT

Date	
Client name	
Client address	
Case reference	
Debtor name	
Gross recovered	£
Success fee	£ (%)
Court fee	£
Solicitor admin	£
Total deductions	£
NET REMITTANCE	£
Transfer reference	
Date of transfer	
Transferred to	[Client bank account]

This remittance is made in accordance with our engagement letter dated [date]. If you have any queries please contact contact@recoviaholdings.co.uk or call 01527 369593.

Appendix B — Client Money Exceptions Register

Ref	Date	Type	Client / Case	Description	Action taken	Sign-off

Exception types: R = Reconciliation discrepancy | O = Overpayment | T = Third-party payment | S = SLA breach | B = Commingling / segregation breach | D = Disputed fee deduction

Appendix C — Monthly Reconciliation Worksheet

Month / Year	
Completed by	
Date completed	

Item	Ledger (£)	Bank Stmt (£)
Opening balance (from prior month reconciliation)		
Add: Total receipts this month		
Less: Total remittances to clients this month		
Less: Total fee deductions this month		
CLOSING BALANCE		
Difference (must be £0.00)		

Reconciliation result	☐ PASSED (difference = £0.00) ☐ FAILED — discrepancy investigation triggered
Discrepancy amount	£
Cause identified	
Resolution	
Signed (SMF16)	Date:
Countersigned (Director)	Date: (annual review only)