



# FINANCIAL SANCTIONS

Sanctions and Anti-Money Laundering Act 2018

Coming into force for all Letting agents

14th May 2025

## OBJECTIVES

Financial sanctions protect the UK's financial system which advances foreign policy and national security goals.

From May 15th 2025 all Letting agencies will need to check their Landlords and Tenants against a government list (changes immediately) for an order for freezing their assets, restricting investment and financial services. It applies to every person in the UK and UK persons worldwide, individuals and companies.

Agents are prohibited from receiving and making payments to/ from or providing funds to a sanctioned person.

Agents breach = criminal offence, fines the greater of 50% of the total value of the breach or £1 million and/or 7 years imprisonment.

Agents are held accountable regardless of their intent. Intent or knowledge does not need to be proven for action to be taken. It is a Strict Liability Offence!

If the designated person is on the list you are prohibited from working with them and a report to OFSI must be made.\*1

## WHEN DOES IT APPLY?

Applies:

LL - on receipt of instructions for you to act

TT - when working for the LL, once offer has been accepted by the LL ( I suggest this is before the TA is signed and before rent/deposit is received)

- Renewed tenancy agreements

## HOW TO PREPARE

Compliance depends upon your 'Due Diligence' and evidence of the checks you have made. Do what makes you sleep well at night!

### 1. Risk Assessment - on your clients

Sending/ receiving money in 3rd party name, Complex corporate structures, PEP's, foreign entities/people linked to sanctioned countries are all risk factors

### 2. Sanctions Policy Write one and keep it reviewed

### 3. Staff training On induction and regularly

### 4. Know your client - Due Diligence

All Letting Agents should complete full ID checks on LL's and TT's (as if they were AML registered) to ensure compliance.

### 5. DIY or 3rd party supplier with tech updated every few minutes?

The choice is yours. But Sanctions become live immediately.



## AT A GLANCE

### SANCTIONS

- Strict liability
- No money threshold
- No prescription on how to be compliant
- OFSI reporting

### AML

- Risk based liability
- 10,000 euros per month rent
- Prescribed compliancy (policies and procedures can assist against liability)
- NCA-SAR reporting



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"Former solicitor and for over 26 years, Karen has reviewed, considered and advised her own staff on the practical implementation of the laws for Letting agents. Now she advises others on staying compliant to maintain the value of Agents business"

This is provided to you for educational purposes only. We are not a legal practice, and this information is not intended to be legal advice. If legal advice is required, you should consult a suitably qualified legal adviser.

\*1 Office of Financial Sanctions Implementation (OFSI)

## Frequently asked questions

### 1. What is the current 'Guidance' for Estate agency businesses?

The current Government guidance for Estate agency businesses for money laundering supervision is:  
<https://www.gov.uk/government/publications/money-laundering-regulations-2007-supervision-of-estate-agency-businesses>

### 2. Does HMRC publish a list of those Agents in breach of AML regulations?

Yes they do. HMRC has a duty to publish a list of offending Agents.

Damage is caused to the business' reputation as well as the fine.

<https://www.gov.uk/government/publications/businesses-not-complying-with-money-laundering-regulations-in-2018-to-2019/list-of-businesses-for-tax-year-2019-to-2020-that-have-not-complied-with-the-2017-money-laundering-regulation>

### 3. Are HMRC fining Estate Agents for breach of AML regulations?

Yes they do. 144 agents were fined within a 3 month period in October to December 2023 alone! Fines averaged between £1,250 to £52,000.

Most fines for Estate Agents are under Regulation (56) Breach AML regs\* for failures in failing to apply for registration at the required time and for failing to renew their registration.

### 4. When HMRC inspects Estate Agencies, what failings are usually found?

- Absence of correct Policies and Procedures specific to the Agency
- Absence of recorded staff training
- Late start of Customer Due Diligence (CDD)
- Evidence of CDD which is not certified as true copies or have expired

### 5. Do I have to perform only one Financial sanctions check on my clients?

All agents have a duty to carry out ongoing Financial sanctions checks:

- Applicable at the start of your relationship with the LL on signing your Agency terms and conditions and with a tenant as soon as their offer has been accepted
- On renewal of a tenancy agreement or relet
- As soon as it is within your knowledge / reason to believe they could be on the Financial sanctions list.

### 6. What can I do to protect my business?

1. Ensure Timely Registration and renewal: Register with HMRC for anti-money laundering supervision before commencing trading activities. Early diary note to renew on time.
2. Maintain Compliance Programs: Develop and regularly update comprehensive and specific to your business AML policies, Financial Sanctions policies, Risk assessments, controls, and procedures.
3. Conduct Regular Training: Educate staff on AML obligations and Financial sanctions checks and the importance of compliance to prevent inadvertent breaches.
4. Keep evidence of training given and to whom.
5. Keep evidence of all Financial Sanctions checks made on initial instruction, new tenancies and when and what information gives you reason to check the list.
6. Monitor Regulatory Updates: Stay informed about changes in AML regulations and Financial Sanctions checks to ensure ongoing compliance.