



# UKALA ACCOUNTING STANDARD

Effective from 22<sup>nd</sup> February 2023

This accounting standard is devised to inform UKALA members who hold or intend to hold Clients' Money and to assist you to identify any areas of vulnerability in your processes and controls. It will also assist you in understanding Clients' Money and how to hold it correctly

UKALA requires firms to meet this standard and may require evidence that your procedures for the holding and accounting of Clients' Money does so.

## Our Aim

To establish that Clients' Money held can be reconciled to the clients to whom it belongs and is secured on their behalf at all times and available to be returned to the client without delay when requested by them.

In accordance with the UKALA terms and conditions we reserve the right to decline or cancel membership if we consider that you cannot or do not comply with this standard when holding Clients' Money. You must comply with this standard at all times.

## Clients' Money

Clients' Money is any money received or held by a Business on behalf of a client that does not belong to it. Examples may include:

- Tenants' deposits
- Rents received on behalf of the client
- Client Account Service Providers (CASP) receipts
- Service charges received on behalf of the client
- Interest
- Arbitration fees
- Money taken in advance
- Clients' Money held but due to be paid to contractors
- Money held by members appointed as a Receiver

*Note: Rent-to-Rent (Guaranteed Rent) type schemes are not deemed client money*

## Clients' Money Bank Accounts

You must set up a separate bank account with a bank or building society authorised and regulated by the Financial Conduct Authority (FCA) for Clients' Money related to your lettings business. (Please note: Electronic Money Institution (EMI) issued "client accounts" do not fulfil this requirement). Clients must be informed of these details. The title of the Clients' Money Bank Account must be distinguishable from your firm's other accounts, for example, by using the words 'Client' or 'Clients' Money Only' to reflect the difference between your accounts.

All Client money other than cash payments must be received directly into the client account (i.e. not via any other account of the business or its subsidiaries). All Clients' Money received in cash should be paid into the Clients' Money Bank Account within 3 business days of receipt by your firm.

You must obtain written confirmation from your bank or building society that all money is held by your firm as an agent and your account meets the conditions below:

- The bank or building society is unable to exercise any right of set off or counterclaim against the money

in this account in respect of any sum owed to them by your firm on any other account or any of your subsidiary companies

- The bank or building society are not entitled to combine the named account(s) with any other account(s)
- If the account is not one of the recognised Clients' Money Bank Accounts as provided by UKALA, you must obtain written confirmation from your bank or building society manager to confirm that all money is held by your firm as an agent and your account meets the conditions above.

#### **Clients' Money Transactions (Receipts)**

Funds which can be paid into the client account are limited to:

- Clients' Money (See above).
- Any mixed remittances (payments comprising money for rent or deposits and money for some other service or goods), card payments, cheques, or banker's drafts where the total remittance includes client money as well as other money.
- Funds being paid by the member to correct amounts paid out or withdrawn in error, to restore client money
- A 'float' to cover a future payment on behalf of a client.
- Amounts that are necessary to maintain (and open) a client account

Note: Funds from sales or for purchase of property should not be held by member agents

#### **Clients' Money Transactions (Payments)**

Individual Clients must not be paid any more than the total of client money held on behalf of that Client.

Funds which can be paid out of the client account are limited to;

- Funds payable to a client, or their appropriately authorised representative.
- Funds included in mixed remittances (see above), which is not client money should be removed within 3 business days.
- Funds being transferred directly to another Client bank account.
- Reimbursement of expenses made by the member's firm on behalf of the client, where the client has been informed and no objection has been received within a reasonable time.
- Funds due to the member's firm under written agreement, which are contractually due e.g., fees and charges, which should be done at least monthly.
- Justifiable disbursements such as payment of invoices on behalf of the Client.
- Amounts that are necessary to maintain (and open) a client account where no longer needed.

*Notes: Cash Transactions out of a client account are best avoided but, where made must be receipted and retained for audit purposes.*

*Funds must be repaid to clients if there is no longer any requirement to retain that money or the client requests it.*

#### **Client Account Service Provider (CASP)**

A CASP provider is a company offering a service where they provide a client account, on which they control and authorise transactions on behalf of the agent.

#### **CASP User**

The agent is required to declare to UKALA that they are using CASP whether this is at the start of their membership or immediately if started during the term, failure to do so could result in suspension/cancellation of membership.

All UKALA member agents who are a CASP User must:

- Only use a provider that is either a UKALA member or is an approved UKALA CASP provider.
- Ensure that they have written terms of business with the CASP provider.
- Exercise oversight of the client account including checking bank accounts and reconciliations on at least a monthly basis.
- Meet all of UKALA's terms and conditions, code of practice and accounting standards.
- Inform their clients in writing of the location and terms of protection of the client monies provided by the CASP provider. (for example in the terms of business or in a side letter).

#### **UKALA member providing CASP services to others**

A UKALA member agent is required to declare to UKALA if they are providing a CASP service whether this is at the start of their membership or immediately if started during the membership term.

### **Additional requirements to provide CASP**

- A UKALA member who is a CASP Provider must operate a separate client account for each individual client which contains the client's name within the client account.
- Professional Indemnity insurance must be at least equal to 120% of maximum client money holding. The Professional Indemnity must include Fidelity/Dishonesty cover at least equal to the level of Professional Indemnity cover
- Maximum total client money holding for a UKALA CASP provider is £5M.
- Provide their CASP users with written Terms of business.
- All client agents must also have CMP from a government approved scheme.

### **Approval of CASP providers for use by UKALA members**

- A CASP Provider must operate a separate client account for each individual client which contains the client's name within the client account.
- Have CMP cover with a government approved scheme
- Professional Indemnity insurance must be at least equal to 120% of maximum client money holding. The Professional Indemnity must include Fidelity/Dishonesty cover at least equal to the level of Professional Indemnity cover
- Maximum total client money holding for a UKALA APPROVED CASP provider will be determined upon application.
- Must provide a Bank Letters to show that the client money accounts provided comply with the UKALA accounting standard.
- Provide a copy of their Terms of business to their CASP users.
- Provide UKALA with a copy of their processes and control procedures.

### **Systems & Controls**

Your firm must have and comply with written procedures for handling Clients' Money, which are available to your clients. You must publish your procedures for handling client money on your website (if any). You should provide your clients with a copy of this document upon request.

Your firm must ensure that all accounting systems and client data is securely controlled and protected by appropriate means.

#### **Reconciliation**

- Any unidentifiable transactions, treat these as Clients' Money until such time you can identify them
- You must keep a clear audit trail of client accounting records, for a minimum of six years plus the current year.
- Client account transactions must be reconciled on a regular basis and not less than once a month.
- Your firm must ensure all systems and controls are maintained to a high standard to monitor and manage Clients' Money transactions. Your firm's systems must be able to identify all payments and receipts to the particular client to whom they relate, i.e., client's name and property address and reference numbers where applicable.
- Any short fall in funds must be remedied as soon as practicable.