



Client Money Protect scheme rules

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Section A: Introduction and purpose

Introduction

CM Protect Limited trading as Client Money Protect (CMP) is administered by HFIS plc trading as Hamilton Fraser. CMP is a wholly owned subsidiary of HFIS plc who are authorised and regulated by the Financial Conduct Authority (reference number: 306513).

CMP is part of a larger business that has been operating since 1996 and provides valuable protection to operators and consumers within the private rented sector. You may have heard of us through our industry brands such as mydeposits (tenancy deposit protection across the UK and Channel Islands protecting more than £1BN of tenants' money), the Property Redress Scheme (complaints against more than 10,000 letting agents across the UK) and our award winning Hamilton Fraser Total Landlord Insurance. For more information please visit www.hamiltonfraser.co.uk and check out our credentials.

Members are purchasing a membership of the scheme, they do not purchase an insurance service. The scheme is the insured entity.

The scheme is a government-approved client money protection scheme under the 'The Client Money Protection schemes for property agents (Approval and designation of schemes) regulations 2018'. The scheme is also recognised by the Scottish Government and the Welsh Assembly.

From 1 April 2019 it has been a legal requirement under 'The Client Money Protection schemes for property agents (requirement to belong to a scheme etc.) regulations 2019' for all letting and property management agents in England to join an approved client money protection scheme.

The scheme is not a regulator and does not have the authority to take any regulatory or criminal action against a member. For more information on the statutory requirements including, transparency requirements, enforcement and penalties visit www.gov.uk/client-money-protection-scheme-property-agents.

These scheme rules set out the operation of the scheme, the basis upon which, members join, the conditions of membership, how we expect our members to manage client money and how the operation of the scheme provides compensation to the clients of our members.

Purpose

The main purpose of the scheme is to:

1. Allow property agents to fulfil their legal responsibility to comply with the Housing and Planning Act 2016, Letting Agent Registration (Scotland) Regulations 2016 and/or Housing Act (Wales) 2014
2. Compensate the losses of scheme member clients who suffer as a result of misappropriation of client money by the owners or principals of the member
3. Actively assist in and contribute to raising standards in the industry in relation to the handling of client money by highlighting and promoting best practice in the handling of client money, identifying bad practice and helping to eliminate it.

Section B: Membership

Membership acceptance criteria

A residential letting or property management agent can apply to be a member, online or using the editable pdf application form. The agent must agree to adhere to the latest version of the scheme rules and handling of client money in accordance with section C of these scheme rules.

An agent must complete the application form, provide all the required documents and confirm agreement to the scheme rules all of which form the contract of membership.

The agent must agree to the scheme carrying out a credit check on you or your business with recognised credit checking agencies and for the scheme to monitor your credit score and rating throughout your membership subscription.

The agent must:

1. Let and/or manage residential property in the UK with the continued agreement from their landlord client(s)
2. Receive the rental payments and transfer to the landlord client(s) minus any deductions for fees etc. As per the contractual agreement
3. Protect the deposits on behalf of the landlord client(s) as per the legislative requirements with a government authorised deposit protection scheme, such as mydeposits
4. Always hold client money such as deposits and rents in a client money account(s) and agree to provide evidence of the client money account(s) when requested by us
5. Ensure that client money does not form part of the agent's money or assets
6. Be free of any petition to wind up, liquidation, receivership or insolvency orders
7. Not have managers, directors, owners or shareholders that have been removed, been refused or excluded from membership of this, or any other client money protection scheme without first informing us and providing full disclosure on the reasons for your exclusion
8. Not have managers, directors, owners or shareholders that have been associated with a business that previously suffered any money misappropriation or dishonesty incidents or who have been convicted of any finance related criminal offence and/or have any criminal prosecutions pending
9. Not be aware of any fact, circumstance or incident that may prevent the paying back of client money held, unless otherwise agreed by the scheme in writing
10. Have adequate professional indemnity insurance for the size of the firm, with a minimum indemnity limit of £100,000
11. Be a member of a government authorised consumer redress scheme, such as the Property Redress Scheme or Property Ombudsman or the first tier tribunal (if based in Scotland)
12. Register all offices/branches with the scheme which have a valid address within the UK, Channel Islands or IOM which is not a PO Box and pay the relevant fee
13. If you have additional offices/branches which manage their own individual client account(s) i.e. not held centrally at a single head office location, then those offices must join the scheme under a separate membership
14. Register different legal entities including franchises separately even if operating under one central client bank account and pay the relevant fee for each membership.

Section B: Membership

Subscriptions and membership

The agent must provide copies of the following documents which can be uploaded during the application process or sent via email to info@clientmoneyprotect.co.uk

1. Provide a copy of the firm's professional indemnity insurance policy that is appropriate for the size of the firm, income, type of work and the amount of client money held with the limit of indemnity no less than £100,000. CMP also recommends crime cover which will protect the agent in the event of employee theft, visit <https://quotes.cmpprofessionalindemnity.co.uk/> for more information on crime cover
2. Provide a letter from the bank confirming segregated client account(s) with a bank or building society authorised by the Financial Conduct Authority. For monies held to be easily identifiable, CMP recommends that deposits and rents are split and kept in separate client accounts
3. Provide copies from the last three months' bank statements from your client account(s) showing all client money transactions i.e. deposits, rents, maintenance
4. Provide evidence (i.e. Screen-shot of summary page) of the number and amount of security deposits currently protected in an authorised government tenancy deposit protection scheme (both insurance and custodial as appropriate).

Subscriptions and membership fees

1. The member agrees to pay all membership fees as required. Membership of the scheme will only commence or be renewed when we have received cleared payment of membership fees
2. Membership subscription is for a period of 12 calendar months
3. After the first 14 days there will be no refund of membership fees if either the scheme or the member cancels their membership. If the cancellation falls within the first 14 days of membership a full refund minus a £25 administration fee will be made.

Membership conditions

Members of the scheme must:

1. Comply with the latest version of the scheme rules
2. Pay all required membership fees when due
3. Always hold client money such as deposits and rents in a client money account(s) and agree to provide evidence of the client money account(s) when requested by us
4. Handle client money in accordance with section C of these scheme rules
5. Prominently display the scheme's window sticker and membership certificate in all member offices and on their website
6. Display the scheme's logo on their company letterhead and website
7. Respond to scheme communications when requested to do so
8. Always provide (and keep the scheme updated) a working telephone contact number, a working email address and a trading address
9. Provide clients with the 'Information for clients of CMP members guide' and/or display guide on company website
10. Maintain membership with a government authorised consumer redress scheme, such as the Property Redress Scheme or The Property Ombudsman
11. Maintain professional indemnity insurance cover that is appropriate for the business

Section B: Membership

12. Publish procedures for handling client money on their website and provide a copy to anyone who reasonably may require a copy. The scheme provides a client money handling procedure document which members are required to adhere to
13. Agree to their firm name (both legal entity and all trading names) and contact details being published on the scheme's website which will confirm membership of the scheme to the general public and also any expiry date if you are no longer a member
14. Agree to cooperate fully with any audit or investigation by the scheme, or our appointed auditors, by providing required documents and which could include onsite visits
15. Inform the scheme if there has been any misappropriation, dishonesty or any other matter that might prevent the member from being able to return client money to its clients
16. The scheme reserves the right to reject any new application or renewal of membership if we consider that you cannot or do not comply with these client money handling conditions.

Changes to membership and/or membership data

1. Inform the scheme if there is any change to its legal entity. Membership is not transferable to a new legal entity and the member must inform us and obtain a new membership using the correct company information and by paying the required fees
2. Update the scheme with written notification as soon as possible if there are any changes to any of the information provided in their original application form or client money questionnaire
3. Non-disclosure or misrepresentations by a member may result in membership cancellation. We may need to change the terms and conditions of membership based on any non-disclosure or misrepresentation made by the member.

Agent member renewal

Renewal notification will be sent to the member prior to the renewal date advising what steps need to be taken for the member to renew their CMP membership for a period of 12 calendar months.

The member agrees to:

1. Complete and provide all renewal documentation requested by the scheme
2. Pay the renewal fee upon the scheme offering renewal terms.

If membership is not renewed with the scheme, either voluntarily or because we are not prepared to offer new membership terms following a renewal application by the agent member, the scheme will inform Trading Standards, authorised redress schemes, authorised deposit protection schemes, property portals and any other relevant government body including other approved client money protection schemes.

The membership renewal process may change from time to time. The agent member agrees to provide any information requested as part of the renewal process at the time of renewal.

Declining membership

Part of the scheme's acceptance criteria is passing a risk assessment which includes a credit check on the business with a recognised credit checking agency.

We may decline an application or renewal of membership at our discretion if the risk assessment fails. The scheme reserves the right to reject any new application or renewal of membership if we consider that the agent cannot or does not comply with the membership conditions.

Section C: Handling of client money

Members of the scheme must adhere to these client money handling rules:

1. Have separate client bank accounts solely for the use of all client money
2. Only hold client monies in UK banking institutions authorised by the Financial Conduct Authority and that are covered by the financial services compensation scheme and ensure that funds are available within a maximum of 31 days
3. Have the title of their client money bank account easily distinguished from other accounts of their firm with the words 'client account' clearly stated
4. Have written confirmation from their bank(s) that all client money is held by your firm as a trustee and that the bank is not entitled to combine the client money account(s) with any other account, or to exercise any right of set-off or counterclaim against money in that account, in respect of any sum owed to it on any other account by the firm
5. Have and maintain relevant systems and controls which enable you to monitor and manage client money transactions and any credit risk arising, including but not limited to regular internal account audits
6. Have accounting systems and client data securely controlled and protected
7. Obtain clients' written approval to make payments from their accounts
8. Pay all client monies into the firm's designated client money bank account within three business days of the money being received into the firm
9. Nominate authorised staff to handle client money
10. Ensure records show all dealings with client money
11. Ensure that all procedures for handling client money are complied with and clearly written down and provided free of charge to your clients, preferably in your terms of business or management agreement
12. Reconcile client accounts together with bank and cash balances at regular intervals in order to demonstrate control over the accuracy and completeness of accounting records
13. Ensure there are sufficient funds in the client account to pay amounts owing to clients as they fall due under the members' terms and conditions of engagement with the client
14. Repay any client money, including where feasible any interest earned, without delay if there is no longer any requirement to retain that money or the client requests it
15. The scheme reserves the right to request evidence of compliance with these client money handling procedures.

Section D: Audit, breach of scheme rules and cancellation/expiry of membership

Membership audit/risk assessment

1. We may undertake a membership risk assessment at any time to ensure a member's compliance with the scheme rules
2. The member agrees to comply with all reasonable requests from the scheme in relation to a risk assessment
3. The risk assessment will involve, at the least, the scheme undertaking a credit reference (with further monitoring) and request evidence that the client money accounts are maintained
4. The risk assessment may also include an unannounced visit to the member's trading address to obtain the required information.

Breach of scheme rules and cancellation of membership by the scheme

We may serve a 14 calendar day written notice to suspend membership, which may lead to membership cancellation, in the event of any of the following occurring, which we consider to be breaches of the member's obligations of the scheme:

1. Non-payment of any fees or other money requested and due to us
2. Any statement made by the member or information given which we discover to be a misrepresentation or fraudulent relating to the member's membership
3. A member's failure to comply with an audit or pass a risk assessment carried out by the scheme
4. Where the member acts in an aggressive or abusive manner to any of our officers or staff
5. If a member, if subject to a financial judgement, or the appointment of a liquidator or (LPA) receiver over properties protected.
6. If a company, being subject to a petition to wind up, an administrator, an administrative receiver, a proposal to strike off or if the member ceases to carry on business or under the name he has registered with us.
7. If an individual, becoming or being declared bankrupt, insolvent, or convening a meeting of or making or proposing to make any arrangement with creditors.

Membership cancellation/expiry

When a membership is cancelled/expired by the scheme or the member, the scheme will inform trading standards, authorised redress schemes, authorised deposit protection schemes, property portals and any other relevant government body including other approved client money protection schemes.

By the member:

1. A member may cancel membership at any time by providing us with 14 calendar days' prior written notice providing no compensation claims have been received and they can provide proof that client money is no longer held or that they have joined another approved client money protection scheme
2. The member will not be entitled to a refund of any membership fees following cancellation of membership, unless the membership is cancelled within 14 calendar days from inception of membership.

By the scheme:

The scheme may cancel a member's membership for any material non-disclosure, misrepresentations by the member or an adverse audit result by giving the member 14 calendar days' notice explaining the breach and reasons for membership cancellation. Should the breach be remedied within this time period the scheme may agree to continue the member's membership. The decision of the scheme as to continuation of membership will be final and will not be able to be challenged by the member.

Where the scheme cancels or removes a member from the scheme for breaching the scheme rules or an adverse audit result then the scheme may display the member's firm on the scheme's cancelled agents list which is a public page on the scheme's website.

Section E: Consumer compensation claims

How does it work?

Client money protection insurance is a distinct insurance that protects the money of landlords and tenants against theft or misappropriation by the owners of the business whilst it is in their custody or control. These monies are frequently landlords' rental payments and tenants' deposits but can also include monies held for repairs and maintenance to the property.

CMP does not act on behalf of the agent, the scheme is an independent membership body that provides the protection of client money whilst held by its members' to which the scheme insures its liability for the payment of any claims.

In the event that the owners of the business misappropriate any of the client money the agent's clients can contact the scheme and make a compensation claim against the agent. If a genuine claim is accepted by the scheme, the scheme will recompense the landlord and/or tenant and seek recovery from the agent or its owners.

Claim limits/conditions

1. The scheme provides a maximum of three months' compensation for rent to member clients
2. The scheme will only honour claims in regard to tenant(s) deposits if the deposit was never protected in an authorised tenancy deposit protection scheme
3. The agent must be a member of the scheme and/or the misappropriation must have occurred during the member's membership period
4. The claimant has informed the police of the theft and has a crime reference number.

How to make a claim for compensation

In the first instance if you have concerns then please raise them with the agent first. If you are unhappy or do not get a response, then please contact us.

If a compensation claim is to be made then you will need to provide the following:

1. Completed compensation claim form which is downloadable at www.clientmoneyprotect.co.uk
2. Provide relevant evidence (such as)
 - A copy of your tenancy agreement
 - A copy of the terms of business with the agent
 - A copy of the bank statements demonstrating payments coming into your account and then no longer being made
 - A copy of the tenant's bank statements or evidence from the tenant showing the missed rental payments have been made
 - Evidence of deposit being paid and re-protected (if applicable).

Please visit the tenants and landlords section of our website <https://www.clientmoneyprotect.co.uk/> to check if your agent is a member of Client Money Protect, and for more information on how to raise a claim including our guide to making a claim.

Section E: Consumer compensation claims

Important information

1. The scheme will only investigate complaints relating to theft of your money. All other complaints must be directed to the consumer redress scheme of which your agent is a member
2. Where client money disputes relate to deposits protected by an authorised tenancy deposit protection scheme, you should firstly direct your complaint to such scheme for resolution of the dispute. Disputes will only be accepted by the scheme once the tenancy deposit scheme rules and relevant complaints procedure have been exhausted
3. CMP will not accept complaints or disputes relating to theft of your money by employees of the member. You should settle the matter directly with your agent.

You must make your application for compensation to the scheme within 12 months of the date the scheme was first notified of the member's misappropriation of client money and within 12 months of you discovering that the misappropriation of your client money has occurred. The length of time that an application takes to be completed will depend on the information provided to us. As the claim is relating to a criminal offence there are additional processes that need to be undertaken and in some instances are out of our control.

Mitigate your loss

As a landlord you should regularly check your bank statements to ensure rental payments are received from your agent in line with your contract agreement. If rental payments are missed you should make immediate contact with your agent to resolve the matter. If no contact can be made with the agent and you suspect they have ceased trading you should report the theft to the local police and arrange for the tenant to pay future rents directly to you.

Section F: Exclusions

The scheme will:

1. Decline a claim when the landlord has entered into a guaranteed rent or rent to rent type arrangement. This is a commercial arrangement between the parties and the rent which should be paid to the landlord is not client money
2. Only investigate claims/complaints relating to the misappropriation of client money and reserves the right to pass all other claims/complaints to the relevant redress scheme or advise the consumer to go to court
3. Decline claims relating to a client money dispute where such monies continue to be held securely by the member or have been returned to the client
4. Decline client money claims which relate to deposits taken on assured shorthold tenancies that have been protected by an authorised tenancy deposit protection scheme ("security deposits") unless that scheme cannot pay the consumer the due amount because of restrictions on their scheme rules, or if the authorised tenancy deposit protection scheme insurance cover has been exhausted
5. Decline a claim which is relating to misappropriation/theft of client money by employees of the member's firm as this should be covered by the member's professional indemnity policy, unless that professional indemnity policy limit has been exhausted or the insurers of that policy refuse to settle a claim
6. Decline a claim which is received after the 365 days' time-frame has passed after the scheme's notification of misappropriation by a member
7. Decline a claim where the misappropriation occurred outside of the agent's subscription period
8. Decline a claim arising from war, terrorism, confiscation or nuclear risks.

Section G: Subrogation and recoveries

1. On payment of a loss, the consumer shall subrogate to the scheme all rights of recovery against the member and its officers so that the scheme can pursue the member and any relevant person or entity. The consumer also agrees to co-operate with any legal process that the scheme engages in, including providing a witness statement and evidence of the loss
2. As well as holding adequate professional indemnity insurance the scheme also recommends members purchase adequate employer's liability, public liability, cyber and directors/officers insurance to cover the business from losses occurring as a result of employee or other external factors causing loss or the business to fail
3. In the event that a member has joined more than one approved client money protection scheme, the scheme reserves the right to subrogate any losses in full or in part against the other licensed client money protection scheme.

Section H: Miscellaneous rules and provisions

The following miscellaneous provisions apply:

1. These scheme rules may need to be updated from time to time. Notices of any significant changes will be posted on our website, in newsletters and by email where the member has provided us with an email address
2. The member agrees to abide by the latest version of the scheme rules notwithstanding any earlier version which was in force when joining the scheme
3. The scheme will take appropriate action if we have any concerns about a member's compliance with these scheme rules, their identity or any fraud or money laundering
4. The scheme cannot be held responsible for intervening events beyond our control which prevent, delay or impede our ability to operate the scheme or scheme rules
5. The scheme is not responsible for the member missing a scheme email when the message was received into the member's spam email inbox. The member is responsible for adding the scheme email address to their 'safe sender' list if necessary
6. The member agrees to receive newsletters from the scheme informing them of relevant industry activity.

Section I: confidentiality and use of data

1. The scheme, Hamilton Fraser and its insurers may use any information provided by the consumer or member in its consideration of a potential claim, provided it is for the express purpose of dealing with that claim
2. The scheme may refuse to disclose information to either the consumer or the member if in its reasonable opinion, it is not relevant to the consideration of the claim
3. The scheme will always consider any specific request for disclosure of information received from third parties such as the police or trading standards
4. The scheme processes data in accordance with our privacy policy which can be found on our website
5. The scheme may share data with HFIS plc trading as Hamilton Fraser in order to offer the member additional insurance related products that will help the member comply with both the client money protection regulations and these scheme rules such as employer's liability, public liability, cyber and directors/officers insurance and other related products. The scheme or HFIS plc trading as Hamilton Fraser shall only use such data in compliance with the current relevant legislation.

Section J: Service complaints procedure

1. Our aim is to provide a first class service to all members and consumers and do everything we can to ensure that you are satisfied. However, if you feel that we have fallen short of this standard and you wish to complain, you should do so in writing to:

info@clientmoneyprotect.co.uk or by post to:

Client Money Protect
First Floor | Premiere House
Elstree Way
Borehamwood
WD6 1JH

2. The scheme will acknowledge receipt of the complaint within three business days and try and resolve to the complainant's satisfaction
3. If the complaint cannot be resolved within three business days we will provide a substantive response within five business days
4. If we expect it to take longer than five business days to provide a full response then we will write to the complainant and explain why and confirm when they can expect to receive the final response
5. After sending the final response we may deem the complaint closed. If we deem the matter closed then we reserve the right not to enter into any further correspondence.

The scheme is authorised by The Ministry of Housing, Communities & Local Government (MHCLG) who have a responsibility for monitoring all client money protection schemes but do not have a role in individual complaints.

Definitions

Consumer	A client of the member who raises a claim for compensation under the scheme rules.
Client	Any person or body for whom the member firm or client accounting service provider holds or receives client money (which may include a landlord or tenant, purchaser, vendor or contractor); including past, present and prospective clients.
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.
Client Money Account	A segregated and ring-fenced client money account with a UK clearing bank or building society which is free of lien, charge or adverse claim and is retained for the specific purpose of holding client money only.
Credit Check	An examination of a firm's credit history using an approved credit referencing agency authorised and regulated by the Financial Conduct Authority.
Member	A property agent who is an active member of the scheme.
Misappropriation	The taking of money that does not belong to you, without permission, to use for your own purposes.
Redress Scheme	A UK government approved consumer redress scheme for property agents and professionals.
Deposit	Any money intended to be held on behalf of a landlord or otherwise as security for the performance of any obligations of the tenant or the discharge of any liability of his arising under or in connection with the tenancy.
Scheme	CM Protect limited trading as Client Money Protect and/or HFIS Plc trading as Hamilton Fraser as appointed scheme administrator.
Tenancy Deposit Scheme	A government authorised scheme in place to protect tenant's security deposits.
We/Us/Our	The Scheme – CM Protect limited trading as Client Money Protect and/or HFIS Plc trading as Hamilton Fraser as appointed scheme administrator.