



A guide to holding
client money

All Client Money Protect (CMP) members are required to handle client money in line with section F of our Membership Rules. The standards for holding and accounting for client money are what the industry views as best practice.

This guide aims to:

- provide advice to our members who hold or intend to hold client money and to help identify areas of vulnerability in their process and controls
- help you understand what client money is and best practice for holding it correctly

You can also pass this guide on to your clients so they feel secure in knowing that their money is being handled correctly.

Our aim

We are here to check that the clients' money being held can be reconciled to the client it belongs to, that it is secure at all times and available for returning to the client when required. If we consider that you are not complying with these practices when holding client money, we reserves the right to reject any membership application.

What is client money

Client money is money (of any currency) that a business holds or receives on behalf of a client. This may be in the form of cash, draft, cheque or electronic transfer and includes money held by the business as stakeholder. This is money which is not immediately due or payable on demand to the business for its own account, such as rent and/or deposits.

Setting up client money accounts

A separate bank account(s) for handling your clients' money should be set up. Best practice is to have a separate client account for deposits and another for rents which make it easy to confirm which is deposit money and which is rent money.

Your bank should provide you with written confirmation that it has no right to exercise any right of set off or counterclaim in relation to any amount owing to the bank by your business on any other account, or any of your subsidiary companies. The title of your client account must be distinguishable from your other business accounts, for example, by using the words 'client' or 'client money' to show the difference between accounts.

We may request written confirmation from your bank which proves all money is held by your business, as an agent, and your account conditions.

Client money transactions

Your business should:

- pay all client money directly into the client account or alternatively within 3 business days of your business receiving it
- pay any mixed payments (such as payments for rents or deposits or money for some other service or goods) into a client bank account
- check that any money received by automated transfer is clearly recorded
- keep precise records of all cash transactions

- be transparent with your client in relation to your commission, fees and deadlines and that you remove any money for other goods or services and in relation to money owed to your business (i.e. fees) at least once a month, or as soon as possible
- treat any unidentifiable transactions as client money until you can identify them
- repay all money to your clients in a timely manner, when due
- implement a good code of conduct and be constantly up to date on relevant legislation

To comply with HM Revenue and Customs (HMRC) guidelines, if you act on behalf of a landlord who does not reside in the United Kingdom, you must register with the HMRC Non-Resident Landlord Scheme - <https://www.gov.uk/government/collections/non-resident-landlords-forms>

Systems & controls

Your business should make sure:

- all procedures for handling client money are clearly written down and provided to your client, preferably in your Terms of Business or Management Agreement
- 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
- the business's systems are able to identify all payments and receipts relating to a particular client i.e. clients' name, property address and reference number where relevant
- 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

We strongly advise you to establish securely controlled and protected client data and accounting systems and make sure that all your computer systems are adequately protected for access, by implementing a disaster recovery process and arrange for regular backups and firewall updates.

From a people perspective, it is important and best practice for your business 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
- must make sure that adequate procedures are put in place to monitor staff
- carry out training for all staff involved in the business's client money handling arrangements so they are fully aware of these procedures and understand their responsibilities. This will guarantee your business' employees competence to perform their roles adequately
- establish if your principals can override controls surrounding the accounting system, and make sure that all departments and branches administer the same level of controls in relation to the client accounting function
- make sure that there is sufficient holiday and long term absence cover to allow the company to continue to function appropriately in relation to handling all client money.

Keeping clients informed

It is good practice to make sure 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 should be 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 Client Money Protect Membership certificate and window sticker. You are also required to apply the Client Money Protect logo on your business's website and all your literature, to advertise that your business holds client money protection; this provides peace of mind to your clients and demonstrates that you are a reputable company.

For example, currently, if you take a security deposit from your tenants, you must make sure that, where required, it is protected in a government authorised tenancy deposit protection scheme and the tenant is correctly sent the prescribed information.

www.clientmoneyprotect.co.uk

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