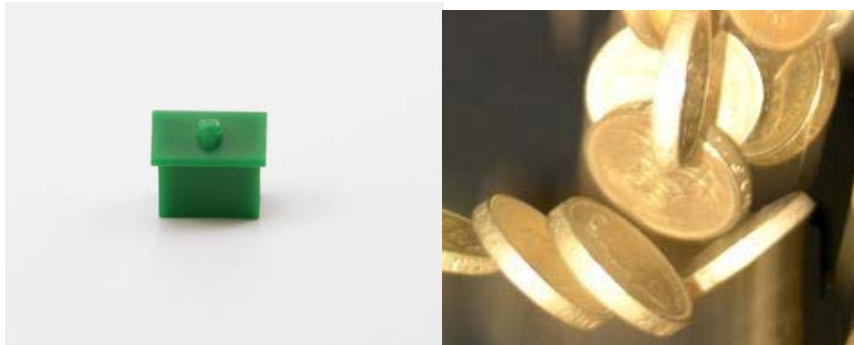


Estate Agents - Identifying Risks to your Business and Reporting Suspicious Activity



OFFICE OF FAIR TRADING

Overview

This is a United Kingdom Financial Intelligence Unit (UKFIU) document that supports the key SOCA objective of sharing information and intelligence based around the Suspicious Activity Report (SAR) Regime. This product can be used to raise awareness, increase knowledge, develop understanding, support training and underpin joint working programs.

The impact of crime and the Estate Agency sector

The Home Office estimates that serious organised crime in the UK generates approximately £20 billion a year. Purchasing property in the UK and overseas continues to be a common method used by serious organised criminals to launder the proceeds of criminal activity. The advantage of doing so is that large amounts of criminal funds can be 'cleaned' in a single transaction.

Due to the scale of the problem and the apparent need of criminals for property, the potential damage to an Estate Agents' credibility and livelihood is considerable, even more so if the Agent in question is not aware of the risks posed by serious organised criminals.

This document is intended to help the Estate Agency sector to:

- Understand some of those issues
- Identify some of the techniques used by criminals
- Provide practical guidance on reporting suspicious activity to SOCA under the regulations



Vulnerability of the Estate Agency sector

Estate Agents that do not implement adequate procedures to safeguard against the risks leave themselves open to exploitation by serious organised criminals. These criminals routinely seek out useful people they can exploit along with new opportunities to advance their growing criminal interests. If necessary, they use criminal methods (e.g. bribery, coercion) to elicit co-operation.

Estate Agents with inadequate procedures are also vulnerable to prosecution by the Office of Fair Trading (OFT) for non-compliance with anti-money laundering regulations.

How the Estate Agency sector is misused and abused

A high proportion of serious organised criminals invest criminal proceeds in private and commercial property. It is reasonable to assume that Estate Agents are involved in the transactions at some point. The following observations may be noted:

- Some criminals set up Estate Agent businesses as money laundering vehicles
- Some criminals buy and sell property using unwitting Estate Agents, perhaps confident that they can complete transactions without raising suspicion;
- Criminals often buy properties in the names of relatives, associates, or specialist financial service providers that act as the entry point into the financial sector ('gatekeepers');
- Criminals are using increasingly complex techniques to launder the proceeds of crime, for example, chain transactions in real estate and the use of false identities when buying and selling property;
- Some criminals use Estate Agents to enable them to launder money through property purchases, carry out fraud and/or identify suitable properties for criminal purposes. These may include acquiring a property for:
 - Firearms
 - Prostitution
 - Energy theft
 - Illegal working
 - Mortgage fraud
 - Property takeover
 - Illegal waste disposal
 - Counterfeiting operations
 - Drug production equipment
 - Safe houses for terrorist activity



Why serious organised criminals seek the acquisition of property

The risk posed to Estate Agents from serious organised criminals in the UK is considerable. Whether that risk comes from being exploited in order to launder drug money, buying a residence to be used for human trafficking, or simply as a method of appearing to be a legitimate business representative, the Estate Agency sector can be undermined by a lack of knowledge of how criminal groups and individuals operate.

It is believed that a significant proportion of serious organised criminals purchase private property (often in the guise of residential homes) through Estate Agents, in an attempt to conceal the proceeds of their crime.

Take steps to safeguard yourself, your business and your employees



Identifying the risks

The ways to identify risks are covered in the joint **Royal Institute of Chartered Surveyors (RICS)** and **National Association of Estate Agents (NAEA)** paper '**Protecting against money laundering: a guide for members**'. These focus on the key elements of knowing your business, customer, responsibilities and limits. All these factors should be considered in complying with the regulations. Each section has been detailed below in brief for your convenience. More information is available from www.ofc.gov.uk/mlr



Knowing your business

By understanding normal business patterns, you can identify the unusual or unexpected.

Examples include:

- Immediate resale of the property
- Unusual involvement of third parties
- Use of cash coupled with a speedy sale
- Inconsistent or weak reasons for paying cash
- Using estate agents who are not local to the area
- A purchase made without the property being viewed*
- Poor explanation for the early redemption of mortgages
- Property prices that do not correspond with market value
- Other activity which does not make professional or commercial sense
- Offering large amounts of cash as the means of payment for property purchases, deposits, rent, interest or fees

Note: *It is accepted this may be normal practice in the instance of property auctions.

Knowing your customer

By exercising due diligence in taking steps to inspect and verify client identity documents, you may identify anomalies.

Examples include:

- Use of false documentation
- Reluctance to provide personal details
- Doubts about the source of client funds
- Refusal to provide the requisite proof of identification or residence
- Inconsistencies in documentation such as anomalies in dates photographs or signatures

Knowing your responsibilities

As part of the regulated sector, estate agents are required to conduct their business in accordance with the necessary defined standards. The OFT, RICS and NAEA provide clear working guidance on these standards, and government papers such as the Joint Money Laundering Steering Group (JMLSG) Guidelines give more detail on the regulatory commitments. These regulations carry criminal, in addition to regulatory, sanctions. By following the advice in these papers and establishing appropriate procedures, you can minimise the criminal risk to yourself, your business and your employees.



Knowing your limits

By taking into account the above, you can determine how risk aware your business should be, given the range and nature of its activities. As you conduct business, consider the risks and ask yourself: Is this a risk I am willing to take?

The above examples should not be construed as a checklist of suspicious activity. They are for illustrative purposes only and are by no means exhaustive.

Reporting Suspicious Activity to Law Enforcement

A SAR is a piece of information that alerts Law Enforcement that a certain client/customer activity is in some way suspicious and may indicate money laundering or terrorist financing. A SAR should be submitted as soon as you **'know'** or **'suspect'** a person is engaged in money laundering or dealing in criminal property.

The SOCA electronic SAR Online system will allow your business to submit SARs in a secure and efficient manner and to receive a prompt acknowledgement. The SAR Online system is accessible through a link on the SOCA website (www.soca.gov.uk).

Further help or guidance is available on the website. SOCA has a dedicated support team that provides a helpdesk facility to address any obstacles encountered with SAR Online. The support team is available 9am to 5pm Monday to Friday (excluding Bank Holidays). Please telephone 020 7238 8282 and select option '3' from the menu.

Useful links

Serious Organised Crime Agency (SOCA)
Joint Money Laundering Steering Group (JMLSG)
National Association of Estate Agents (NAEA)
Office of Fair Trading (OFT)
Royal Institute of Chartered Surveyors (RICS)

www.soca.gov.uk
www.jmlsg.org.uk
www.naea.co.uk
www.oft.gov.uk
www.rics.org



Comments and feedback

This document provides the perspective of SOCA on the risks of money laundering faced by estate agents. It describes how the sector is abused by serious organised criminals, explains why estate agents are vulnerable, and offers a number of points in terms of mitigating and managing such risks.

In order to assist SOCA UKFIU in improving this service, we welcome any feedback you may have on this particular product and the information provided. Please email the UKFIU Dialogue Team Inbox at: fiudialogue@soca.x.gsi.gov.uk