

## Client Money Handling Policy

### 1. Introduction

- 1.1. In accordance with the RICS (Royal Institution of Chartered Surveyors) Client Money Protection Scheme, ERMCLtd has a duty to ensure that clients' money can be clearly linked to the clients to whom it belongs and is used for appropriate purposes only and is protected on behalf of our clients.
- 1.2. Should clients' money be misappropriated, ERMCLtd will inform our governing body, RICS, where appropriate, the police and our insurers.
- 1.3. ERMCLtd complies with all anti-money laundering legislation, rules, and regulations for all receipts of client money and with the mandatory requirements of the RICS professional statement countering bribery and corruption, money laundering and terrorist financing.

### 2. Scope and Responsibilities

- 2.1. The RICS Rules of Conduct for Firms states: "A firm shall preserve the security of clients' money entrusted to its care in the course of its practice or business."
- 2.2. The objective of this policy is to ensure:
  - a) client money is kept safe;
  - b) client money accounts are used for appropriate purposes only; and
  - c) that we have the appropriate controls and procedures to safeguard client money.
- 2.3. RICS members and RICS regulated firms must demonstrate compliance with the following mandatory requirements relating to holding client money.

### 3. Requirements for RICS firms:

#### 3.1. General

- a) employees have clear understanding of duties and responsibilities and that a director or appropriately qualified individual oversees the client accounting function.
- b) that we employ competent and knowledgeable staff who are responsible for processing clients' money.
- c) that our accounting systems and client data are securely controlled and protected.
- d) that our computer systems are adequately protected for access, firewalls, backups, and disaster recovery.
- e) that there is adequate cover for annual leave and long-term absence.
- f) directors and staff cannot and do not override controls surrounding the accounting systems.

#### 3.2. Holding client money

##### 3.2.1. In relation to holding client money, we will:

- a) hold all client money in a client money account, over which we have exclusive control, at a bank or building society authorised by the relevant banking regulatory body for the jurisdiction.
- b) ensure that our client money account does not contain any sums other than the whole or any part of client money paid into it. We will also ensure that we replace any money that has been withdrawn from the account by error, with accrued interest on such amounts.
- c) any interest accrued by the client account will remain in the account as a benefit to the client.
- d) not hold office money in a client money account unless it is a receipt of mixed monies where

the office money is awaiting transfer.

- e) ensure that all client money accounts include the word 'client' (written in full) and the name of the firm in the title of the account, and that discrete client money accounts include an identifier (e.g. the client or property name) in the title of the account to easily distinguish it from other accounts of the RICS-regulated firm.
  - f) ensure that money held in a client account is immediately available even at the sacrifice of interest, unless other arrangements are in the best interests of the client and the client has given express instructions in writing.
  - g) ensure that where the client has given instructions to hold monies in a high interest account with penalties for instant access, penalties are only paid out of the client account if the client has provided specific informed consent and this will not result in an overdrawn balance – otherwise the bank must be instructed that penalties are to be applied to the office account.
  - h) confirm the bank operating conditions in writing with the bank that holds the client money account, including acknowledgment from the bank that monies in the client money account will not be combined with or transferred to any other account maintained by the firm – the bank is not entitled to exercise any set-off or counterclaim against money in that client money account for any sum owed to it for any other account of the firm.
  - i) ensure that where a client requests that money is held in an account to which it and the firm has access, this is a bank account set up by the client, not a firm bank account.
- 3.2.2. ERM Ltd holds its client accounts with Lloyds Bank in designated client account products. Access to client funds is restricted to principals or senior employees of the business.

### 3.3. Information to clients

#### 3.3.1. We will provide the following information to clients in writing:

- a) confirmation that client money is held in a client money account including bank account details, that the RICS-regulated firm has exclusive control over the client money and whether the account is in the name of the regulated firm, a wholly owned subsidiary or an appropriately contracted third-party transaction service provider.
- b) advice to clients who pay fees in advance for surveying services (but not property agent services in England) that this money is not covered by the Client Money Protection scheme.
- c) disclosure of all commissions earned by the firm while managing their property.
- d) how unidentified funds are dealt with.
- e) reports such as debt position, budget vs actuals and bank balance will be issued as frequently as agreed in the management agreement.
- f) a copy of the firm's written procedures for handling client money.

### 3.4. Receipts of client money

#### 3.4.1. In relation to receipts of client money, we will:

- a) ensure all client money received is paid into a client money account promptly.
- b) ensure that when mixed monies are received the receipt is paid into a client money account and the office money is transferred into the office account promptly.
- c) ensure that where client instructions are to hold only part of a payment the whole payment is placed into a client money account before transferring the relevant part out promptly.
- d) account for interest or other benefits accruing from client money to the client, unless otherwise agreed with the client in writing.
- e) take prompt action to attempt to identify the owner of any unidentified client money received and pay this from a client money account to a registered charity where the owner cannot be identified after three years from receipt and all avenues of investigation have been exhausted.
- f) obtain a receipt and an indemnity for all client money paid to a registered charity that would

reimburse the firm for payment of the monies if a beneficiary were subsequently identified.

- g) where staff are asked by a client to accept cash on-site, cash must not be accepted under any circumstances. The staff member must politely refuse, explain that ERMCLtd does not permit cash collections, and direct the client to the approved payment methods or to the office so that an appropriate alternative arrangement can be made. Any such request must be reported to the relevant manager or the finance team as soon as reasonably practicable.

### 3.5. Payments from client accounts

#### 3.5.1. In relation to payments from the client accounts, we will:

- a) use each client's money only for that client's matters.
- b) ensure that client money is returned to the client immediately as soon as there is no longer any reason to retain those funds, and any further payments received (e.g. by refund) are paid to the client immediately.
- c) ensure all payments from client money accounts are made to or on behalf of a client and on that client's written instructions or up to the value as agreed in the management agreement.
- d) when fees are due and payable, unless the client has given written authorisation for deduction of agreed fees without prior notification, send an invoice or other written notification of the costs incurred to the client before withdrawing money from a client money account for payment of the firm's fees, and then transfer those monies out of the client account promptly.
- e) check that sufficient funds are held for the relevant client before making any payments on their behalf.
- f) obtain written permission from clients for any direct debits and standing orders on general and discrete client bank accounts.
- g) obtain written agreement from the client before bank costs are recharged to client bank accounts.

### 3.6. Accounting records and controls

#### 3.6.1. In relation to accounting records and controls, we will:

- a) keep records and accounts that show all dealings with the client money and demonstrate that all client money held by the firm is held in a client money account.
- b) have appropriate systems, procedures and controls to ensure payments into and transfers or withdrawals from a client account are in accordance with instructions agreed with the client.
- c) complete regular client bank account reconciliations.
- d) publish written procedures for handling client money on our website and provide a copy of these to RICS or to any person who may reasonably require a copy free of charge.
- e) ensure that overdrawn balances are prevented by the firm's systems and controls, and if these do occur investigate and rectify them immediately.
- f) control and protect accounting systems and client data and adequately protect computer systems for access, firewalls, back-ups, and disaster recovery.

3.6.2. Our accounting records and systems are appropriate to the nature and volume of client account transactions.

3.6.3. Our records also include a client ledger detailing all receipts and payments held for each specific client.

3.6.4. All ledgers include the client's name and an appropriate description, e.g. the property address.

3.6.5. Current balances at the total and individual client levels are always to be available. We retain copies of client money account bank statements, copies of reconciliations and supporting

documents relevant to the transactions in the client money accounts.

### 3.7. Retaining records

- 3.7.1. These records are retained for twelve years as required by our professional indemnity insurance and the RICS code of practice.

### 3.8. Compliance

- 3.8.1. In relation to compliance, we will:

- a) ensure compliance with all anti-money laundering legislation, rules, and regulations for all receipts of client money.
- b) ensure compliance with the mandatory requirements of the latest edition of the RICS professional statement countering bribery and corruption, money laundering and terrorist financing.
- c) obtain any certification required under legislation currently in force and follow any requirements in the legislation for display or publication.
- d) ensure that any breach of these requirements is investigated and remedied promptly on discovery, including the replacement of any money improperly withheld or withdrawn from a client account.
- e) record any breach of the mandatory requirements of this professional statement in writing in sufficient detail including any consideration of whether to inform RICS and any client affected by the breach.
- f) inform RICS, the client and the insurers of the RICS-regulated firm immediately if client money is misappropriated by any person.

### 3.9. Unidentified funds

- 3.9.1. Where we receive client money but cannot identify the client, we will ensure unidentified funds are reviewed as soon as possible and no later than one month from receipt. If the client money remains unidentified after three months, we will reconcile the funds to a nominal code named 'unidentified funds'.

- 3.9.2. We will keep detailed listing of unidentified funds that includes:

- a) the date the monies were received.
- b) how they were received, i.e. cheque or direct banking.
- c) the reference on the bank statement regarding the payer and the amount.

- 3.9.3. We will carry out an investigation into the unidentified funds, which should include:

- a) checking the accounting records to see whether they have outstanding service charges/ ground rents and checking to see whether any of the unidentified funds tie up with outstanding debts and target those property holders.
- b) writing to the last known address of the property holders or engaging a firm to follow-up the addresses to find the property holders, and
- c) trying to repay the funds through the banking system wherever possible.

- 3.9.4. We will keep a record of our investigation including evidence of the steps above and, if relevant, evidence that the funds were banked directly into the client account without any details. We will take all reasonable steps to identify the owner or payee of the funds as soon as possible. If identification or repayment has not been possible within three years of receipt and the firm has paid the money to a charity, we will remain responsible for ensuring that client money is repaid but can use the indemnity to seek reimbursement from the charity.

### 3.10. Banking controls

- 3.10.1. We can provide evidence that the client bank account is under the exclusive control of the firm and of who can authorise transactions on the account. We aim to update the mandate

whenever there is a change to signatories or every three years, whichever is sooner.

- 3.10.2. A withdrawal from a client account will only be made after a specific authority for that withdrawal has been signed by a signatory in accordance with the RICS regulated firm's procedures and systems. An authority for withdrawals from the client account can be signed electronically.
- 3.11. Controls on the receipt of client money
  - 3.11.1. Client money can usually be identified and distinguished between client and office money, in terms of cheques by whom the payee is. A senior employee will also recognise the names of clients, leaseholders and tenants who will be responsible for payment of service charges or rent into the client account. A senior employee will also be aware if a fee account is payable and by whom. This will identify if the money is office money.
  - 3.11.2. All cheques received by post will be logged to check that all funds received are banked. It is our policy not to accept cash and all cheques should be banked promptly.
- 3.12. Payment controls
  - 3.12.1. All payment requests will have supported evidence that has been checked and authorised. This is to ensure an adequate segregation of duties in the client accounting function to prevent data tampering with the payments process.
  - 3.12.2. Any new supplier requests or requests for a change to payee details requires dual authorisation if possible.
  - 3.12.3. At ERMCLtd there is a dual signatory system to the client money accounts, each payment is signed off by two senior employees.
- 3.13. Reconciliations
  - 3.13.1. Reconciliations are carried out regularly, once per calendar month and no later than six weeks after the date of the previous reconciliation. The reconciliation shows the ledger and bank statement balances with any reconciling items clearly explained. Any errors identified are rectified immediately.
- 3.14. General controls
  - 3.14.1. The principal of the firm who oversees the client accounting function is competent and knowledgeable in terms of handling client money.
  - 3.14.2. Regular training in handling client money is provided.
  - 3.14.3. If any member of staff has concerns about client money security this will be reported to a principal.

Our Client Money Protection Certificate can be found on our website: [ermcestates.co.uk/residents](http://ermcestates.co.uk/residents)

Signature: 

Name: Sarah Chatwin, MRICS

Position: Managing Director

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