

'Source of Funds' - Client Guide

Why do we need to know? | Gifts | Anti-Money Laundering

Gifts

If some of the money is coming from parents or relatives (or anyone else), we will need them to sign a declaration confirming how much they have given you.

They will also need to confirm to us in writing that this is an outright gift (and not a contribution towards a share in the property), and that you will not be expected to hold the property (or any part of it) on trust for them. We will contact them direct to get these confirmations.

We will also need to check:

- Their identity,
- How they came to have the money they are giving you,
- Why they are giving you the money.

Money from other sources

We cannot accept money from anyone except you and your mortgage lender. We might need to see bank statements to see where the money came from.

Winnings & windfalls

We will need to see proof of any winnings on premium bonds, lotteries or windfalls, bonuses or significant sums of money that are being used to buy the property.

Wills & Inheritances

If you have received money from the will or estate of a relative, for example, we will need confirmation in writing from the solicitors that dealt with the estate of the deceased.

Savings

If you are using money saved up over a long time we will need to see bank statements to show the balance building up over that period.



Why am I being asked about this?

We are required by the Anti-Money Laundering legislation to check where the money is coming from to buy the property, such as from savings, mortgages and gifts from relatives, inheritances etc. This is called a 'Source of Funds' check.

We are also required to check that your general income and wealth is consistent with your lifestyle and the value of the property you are buying. This is called a 'Source of Wealth' check. We will need to see confirmation of your salary, bank statements, gifts, and details of any family inheritances.

Please do not think that this is an invasion of your privacy, as all conveyancers have to do this. How much information we need to look at depends on things like the amount of money involved and the value of the property. Also (where appropriate) the position in society or business of you, your associates, or any member of your close family. Not all situations will need us to examine all these things in detail.

Linked to this, we will need to understand what your business, job or profession is, and that it is a legitimate business or commercial activity. Also we will need to understand what loans, debts and obligations you have - to assess your net wealth. In some cases we might need to ask for accounts, trust deeds, and so on.

We will also make cross checks with online databases, identity checking companies and credit reference agencies, for example.

Your mortgage lender will also expect us to check some details, to make sure that what you told them on your mortgage application is accurate. For example your lender will need to be told if you aren't providing all the money yourself.

It is important that you tell us about this in plenty of time before we start work, so that we have time to get the confirmation and documents that are needed.

First things first...

We have to check all of this before we get started on your house move. It might be frustrating for you to have to deal with our questions, but we have no choice in the matter. All conveyancers are required to make these queries.

The Anti-Money Laundering legislation imposes very strict obligations on us, and we can be fined if we do not comply with them thoroughly.





Compensation money

We will need proof of any compensation money or insurance payouts that are being used to pay for the property. This would include compensation payments or damages claims for injuries, accidents or court cases.

We will need to see bank statements showing the money going into your account, and letters from the solicitors who dealt with your claim.

Loans from friends

If you are getting a loan from friends or relatives to help you buy the house, we will need confirmation of the details and conditions for repayment of the money from the person lending you the money. We will also need to verify their identity.

We will need to share this information with your mortgage lender, to make sure they are happy with the situation.

Money from abroad?

If some of the money you are using to buy the property is coming from a foreign country or foreign banks you must tell us immediately, as we have to make further checks in such cases



We have to check how you are going to pay for your house purchase because:

Firstly we are required by Anti-Money Laundering legislation to check where you are getting the money from to buy your new home. This is usually a combination of a mortgage, savings, gifts from relatives and the money from selling your old house.

Secondly our mortgage lender will also want us to check that what you told them when you applied for a mortgage is correct, and that there are no other loans being used to buy the property.

Thirdly, we need to make sure you will have enough money available on completion to pay for all the taxes, searches, and costs of moving home. Once you have exchanged contracts to buy your new property there is no going back. If you find out that you haven't got enough money to complete the purchase, you could be sued by the seller for all the costs, losses and expenses resulting from the sale falling through. Worse still, you could find yourself homeless.

'Gifted deposits' or reductions in the price.

If the seller is agreeing to accept less money than the sale price, such as a 'gifted deposit', this is really a reduction in the purchase price. We will need confirmation from the seller's conveyancer (and possibly in the contract) that the seller will never expect payment of the unpaid amount in the future. The legal transfer of the land will need to state the actual price paid. Your mortgage lender will need to be told about the situation, and they need to be happy with it.

Money from the sale of other property?

There is no problem if some of the money comes from the sale of a property where we dealt with the sale of the property for you. If another conveyancer dealt with the sale of the property then we will need to contact them to make sure we are happy with the circumstances generally, and that it was a property that you owned, not someone else's property.

No payments direct to the seller, or cash.

All money for the property has to be paid through us. You cannot pay any part of the purchase money for the property direct to the seller, nor can you pay us money in cash towards the purchase price or any of the costs involved.

You cannot give part of the purchase price or a deposit to the estate agents dealing with the sale either. Small 'Reservation Deposits' on a new house purchase are permitted, provided they are not a substantial amount of money.

Special cases

There are also additional rules we need to follow if you or any member of your close family or business associates fall into the category known as 'Politically Exposed Persons'.

This includes people who are government ministers, MPs, senior politicians, senior executives of state corporations, senior military figures, senior judges, directors of large international companies, and so on.

Please tell us if this might apply to you, so we can decide whether we need to make further enquiries.

Money laundering is a dirty business

flagitup.campaign.gov.uk

FLAG
IT UP

HM Government

