

COMPLIANCE CAFÉ GUIDANCE

Anti-Money Laundering (Part 2)



A focus on Customer Due Diligence (CDD) performance against the Money Laundering Regulations, using results obtained from Propertymark's audit programme of regulated companies during 2025.

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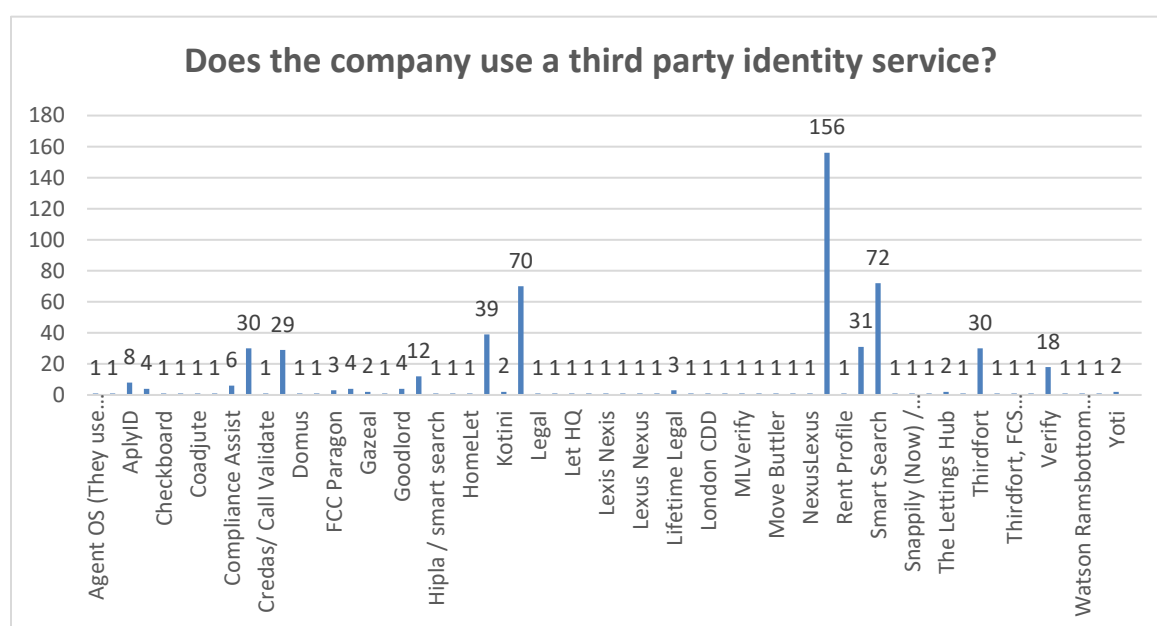


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APPLIES TO: UK

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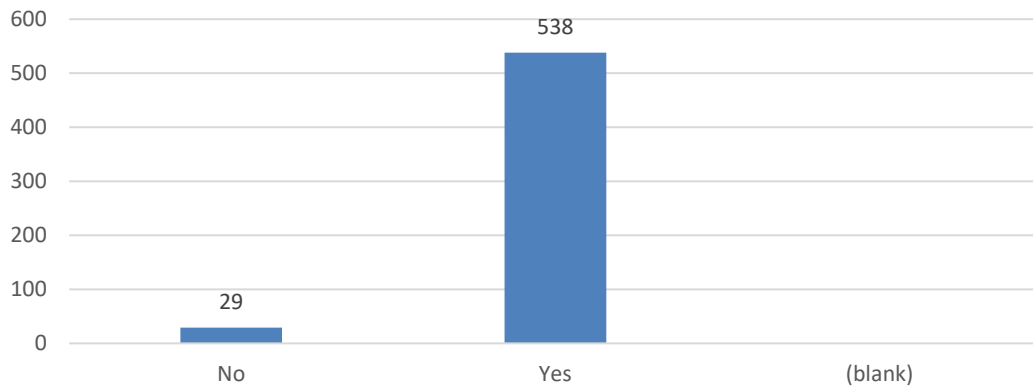
The graphs below highlight key areas of strength and common gaps identified through file review and are followed by practical best-practice guidance to support consistent, risk-based compliance.



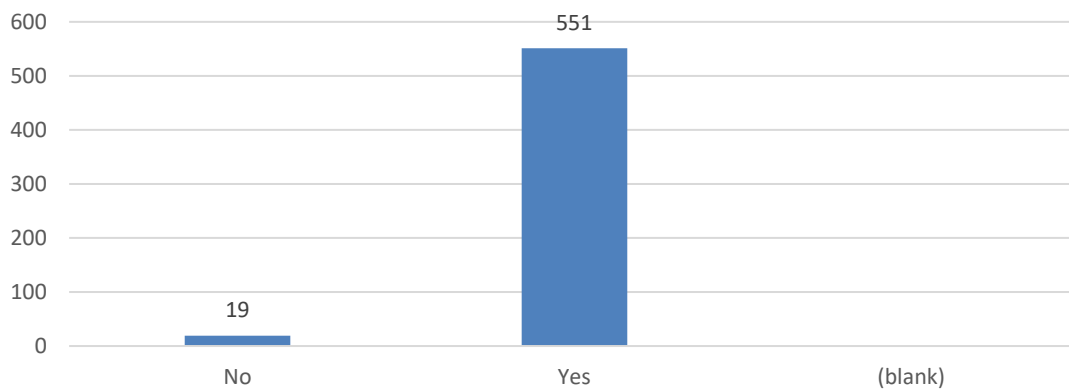
The most common methods of obtaining CDD information used by members are:

- **Electronic identity verification (eIDV)** via a third-party provider (often with document upload and biometric/liveness checks).
- **Manual document checks** (certified/uncertified copies or originals) for photo ID and proof of address, recorded on file.
- **Company registry lookups** (e.g., corporate register extracts) to obtain entity details, directors, and ownership information.
- **Customer information forms/questionnaires** to capture purpose and intended nature, occupation/business activities, and transaction context.
- **Sanctions/PEP screening tools** (standalone checks or bundled within eIDV platforms).
- **Source of funds evidence requests** (e.g., bank statements, sale completion statements, inheritance/probate documents) where the risk assessment indicates it is necessary.

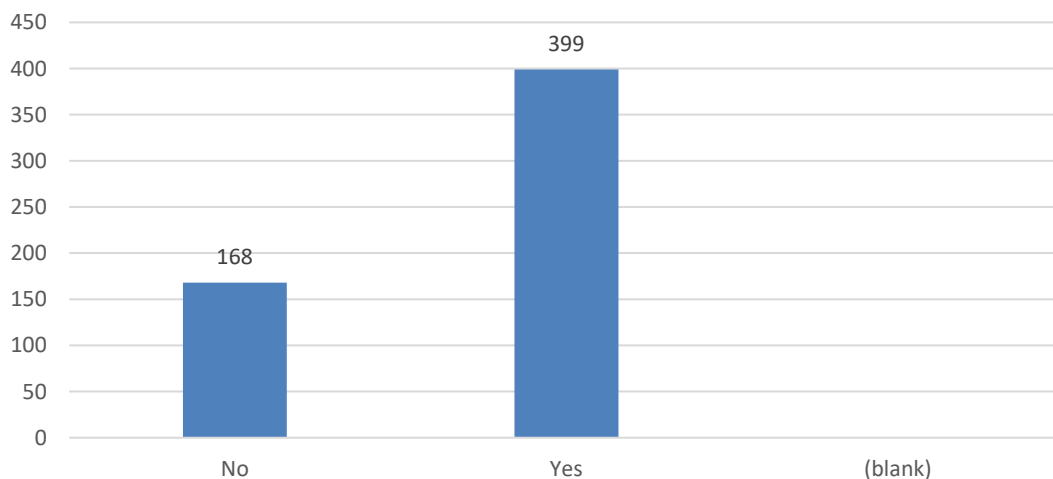
Is the firm carrying out their CDD process on Vendors, Landlords/Seller of High Value Lettings/Items at a suitable time?

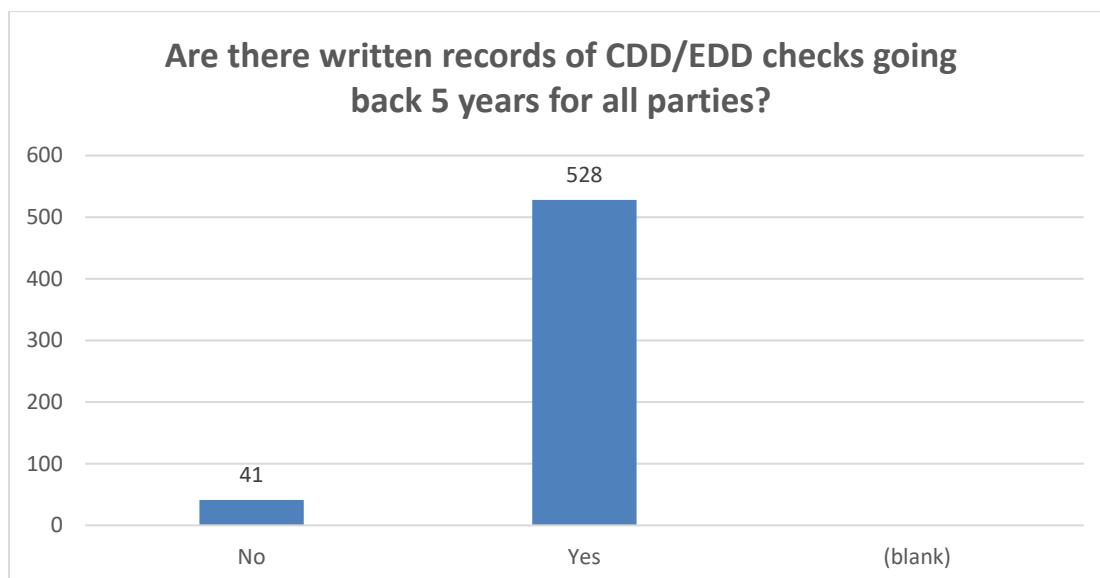


Is the firm carrying out their CDD process on Purchasers, Tenants/Buyer of High Value Lettings/Items at a suitable time?



Are CDD/EDD checks being reviewed appropriately.





Customer Due Diligence (CDD) – member adherence to the requirements of the Money Laundering Regulations

Overall, the graphs indicate that member practice is mixed: a core group appears to be applying CDD consistently, but a material minority are either completing checks late, applying them inconsistently across parties to the transaction, or relying on insufficient evidence. Where CDD is not completed at the right point in the instruction, the business is exposed to avoidable risks: onboarding high-risk customers without appropriate controls, missing beneficial ownership red flags, and being unable to evidence compliance if challenged by a supervisor.

A recurring theme in the results is that ‘identity checks’ are often treated as the whole of CDD. Under the UK framework, CDD is broader than ID&V: it includes understanding who the customer is, confirming (where relevant) who ultimately owns or controls the customer, and assessing the purpose and intended nature of the business relationship. In practice, weaker adherence typically shows up as: incomplete verification for one side of a transaction, limited evidence that the purpose/intended nature was assessed, and inconsistent documentation of why a case was rated low/medium/high risk.

The graphs also suggest uneven application of checks where companies, trusts, family members, or other third parties are involved. This is a key vulnerability for the property sector. If agents identify only the ‘contact person’ and don’t have evidence of who benefits from the transaction (and who controls any corporate vehicle), they can miss the actual risk driver. Stronger adherence is typically characterised by clear file notes mapping: customer → any representative/third party → beneficial owner(s), with supporting evidence retained and a rationale for the risk rating.

Finally, the results point to a common gap around ‘ongoing monitoring’—particularly in longer-running transactions where circumstances change (price changes, new parties introduced, funding structure changes, overseas elements). The Regulations expect firms to keep CDD information up to date and to scrutinise transactions to ensure they remain consistent with what is known about the customer and their risk profile (including, where necessary, the source of funds). Where members have embedded refresh triggers and escalation routes to the nominated officer/MLRO, adherence outcomes appear stronger and more defensible.

What good looks like:

- **Identify the customer** (and any person acting on their behalf) and confirm with whom you are dealing.
- **Verify identity** using reliable, independent evidence (and ensure it is valid, legible, and in-date where applicable).
- **Understand the purpose and intended nature** of the relationship/transaction and document it on file.
- **Identify and verify beneficial ownership** for non-individual customers and complex arrangements, documenting the ownership/control chain.
- **Apply a risk-based approach:** record a customer risk assessment and the rationale for the level of due diligence applied.
- **Ongoing monitoring:** refresh CDD when risk changes; scrutinise the transaction, including source of funds where necessary.
- **Record keeping** – retain evidence and decision-making so a third party (i.e., Propertymark or HMRC) can understand what was done, when, and why.

Best practice guide: how members should meet CDD requirements in day-to-day files

1. When you must complete CDD (timing)

ICDD should be completed early enough so you can refuse to proceed if checks are not satisfactory. As a practical standard for property transactions, members should treat CDD as a condition of progressing an instruction beyond initial marketing/engagement steps (and certainly before issuing a memorandum of sale, accepting an offer, drafting heads of terms, or progressing to contract). CDD must also be repeated/refreshed when you suspect money laundering/terrorist financing or when you have doubts about previously obtained information.

2. Standard CDD checklist (individuals and simple ownership)

- **Identify the customer:** full name, date of birth (where relevant), current address, and contact details; confirm whether they are the buyer/seller/landlord/tenant (as applicable) and who is paying/receiving funds.
- **Verify identity:** obtain and validate evidence from reliable, independent sources (document checks and/or electronic verification) and ensure your file shows the result, date completed, and who completed it.
- **Screening:** check for sanctions/PEP/adverse media risk (whether via an internal process or third-party provider) and document the outcome and any follow-up.
- **Purpose and intended nature:** record a short file note covering the customer's objective (e.g., sale/purchase rationale), occupancy/letting intention, and any key risk factors (e.g., overseas connection, corporate involvement, unusual urgency).
- **Customer risk assessment:** assign low/standard/high risk based on your documented risk factors and align this to the level of due diligence applied.
- **Authority to act:** where an agent/relative/third party is instructing you, record the relationship and verify the identity of the person giving instructions, as well as the underlying customer, as appropriate.

3. Non-individual customers and beneficial ownership (companies, partnerships, trusts)

Where the customer is not an individual, members should evidence (a) the entity exists, (b) who controls it, and (c) who ultimately benefits. Files should clearly show the ownership/control chain and how it was verified.

- **Identify and verify the entity:** legal name, registration number, registered address, and principal place of business (where different).
- **Identify directors/partners/trustees** and verify the identity of those who exercise control (and those giving instructions).
- **Identify beneficial owners:** record the individual(s) who ultimately own or control the entity (directly or indirectly), including through layered structures.
- **Verify beneficial owners:** obtain reliable evidence of ownership/control (for example, corporate registry information and supporting documents) and verify the identities of beneficial owners in line with your risk assessment.
- **Understand the structure:** where ownership is complex, capture a simple ownership chart in the file notes and record why the structure makes sense for the transaction.

4. Enhanced Due Diligence (EDD): when to apply it and what to do

EDD is required where a higher risk is identified. Members should treat EDD as a defined, documented uplift in both information gathered and management oversight—rather than simply ‘doing more ID’.

- **Typical higher-risk triggers:** PEP involvement; sanctions matches (or close matches); unusual third-party funding; complex ownership structures; high-risk jurisdictions; unexplained urgency; inconsistent information; unusually large or unusual transactions; cash-related indicators; adverse media or corruption indicators.
- **EDD actions:** obtain additional evidence to verify identity/ownership/control; increase scrutiny of the relationship/transaction purpose; obtain senior management approval where your policies require; and set more frequent review points.
- **Source of funds/source of wealth:** where needed to understand whether the transaction is consistent with what you know about the customer and their risk profile, request evidence that explains (i) where the money for this transaction is coming from (source of funds) and/or (ii) how the customer acquired their overall wealth (source of wealth). Record your assessment and whether the evidence is consistent and plausible.
- **Escalation:** refer promptly to the nominated officer/MLRO where red flags are present, and ensure staff understand that a refusal/deferral may be required until concerns are resolved.

5. Ongoing monitoring and refreshing CDD

CDD is not a one-off event. Members should build ‘refresh triggers’ into their workflow, so that changes during a transaction automatically prompt a review of risk and, where appropriate, updated CDD/EDD.

- **Refresh triggers:** new party introduced; change in beneficial ownership; change in funding (e.g., third party, overseas account, different lender); significant price change; change in buyer/seller circumstances; extended timescales; new adverse information; unusual payment requests; instructions to route funds via unrelated parties.

- **What to document:** the trigger, updated risk rating, whether additional checks were completed, and any MLRO decision/clearance.

6. Record keeping – build an audit-ready file

- **Keep a clear audit trail:** who completed the check, when it was completed, what evidence was relied on, and what the outcome was.
- **Ensure readability:** copies/scans must be legible; electronic verification outputs should be saved in a way that can be retrieved later.
- **Retain decision-making:** risk assessment rationale, EDD rationale, and MLRO escalations/decisions should be on file, not only in emails or informal notes.
- **Consistency:** file notes should match transaction facts (names, addresses, entity details, ownership structure, and funding narrative).

7. Governance, training, and quality assurance (QA)

- **Clear responsibility:** senior management sets risk appetite; the nominated officer/MLRO owns escalation and reporting; staff must know when they cannot proceed.
- **Training:** provide induction and regular refreshers that are role-specific (front-of-house negotiators, admin, branch managers, compliance).
- **Second-line checks:** implement periodic file reviews focusing on (i) timing of CDD, (ii) beneficial ownership evidence, (iii) EDD application, and (iv) documentation quality.
- **Management information (MI):** track completion rates, late CDD, EDD volumes, escalations, and common failure themes; use MI to target coaching and process fixes.

References (non-exhaustive)

[Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017;](#)

[HMRC Economic Crime Supervision Handbook on CDD measures;](#)

[HMRC risk assessment guidance for estate agency businesses](#)

[HMRC Guidance for Estate Agency Businesses \(EABs\)/Letting Agency Businesses \(LABs\)](#)

[JMLSG guidance](#) (Part 1 - as applicable to risk-based practice expectations).



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