

Press release: New rules to better protect renters' money

- New regulations will protect tenants' and landlords' money from theft or misuse while being held by property agents
- All private sector agents required to join a government-approved scheme by 1 April – or face up to £30,000 fine
- Measures will protect estimated £2.7 billion of client money held by agents

All private rented property agents will have to sign up to a government-backed scheme protecting renters' and landlords' money under new laws unveiled today (7 March 2019).

Housing Minister Heather Wheeler MP has brought forward new legislation to strengthen protections for money held by property agents.

Under the new regulations taking effect from 1 April, all property agents in the private rented sector will be required to join a government-approved scheme to protect their clients' money while it is in their possession – with fines of up to £30,000 if they fail to do so.

In 2017, an estimated £2.7 billion in client funds – such as tenants' deposits and landlords' rental payments – was being held by letting agents. Yet currently, people may not always be able to recover their money if their agent fails to repay it, for example, due to misuse by the agent or bankruptcy.

The new requirement on agents to join an approved client money protection (CMP) scheme will stop tenants and landlords being left out of pocket when uninsured agents unexpectedly go bust or abscond with their money, giving people reassurance that their money is safe while it is with their agent.

Minister for Housing and Homelessness, Heather Wheeler MP, said:

It is not acceptable that some tenants and landlords are being put at risk of losing out financially, simply because their agent had not signed up to a scheme to protect their money.

Whilst the vast majority of agents act responsibly, this new law will prevent people from losing their hard-earned cash through no fault of their own. This will give tenants and landlords confidence and peace of mind that their money is in safe hands whilst with their agent.

Membership of a client money protection scheme is currently voluntary with approximately 60% of agents signed up. Making membership mandatory will ensure every agent is offering the same level of security, giving tenants and

landlords the financial protection they deserve.

So far, 5 schemes have been approved. All private sector property agents who hold clients' money are required to register with one of these schemes ahead of the regulations coming into force on 1 April.

Separately, a working group is also considering a new regulatory framework – including a Code of Practice and a proposed independent regulator – and the introduction of mandatory professional qualifications for all property agents.

This is all part of ongoing government action to crack down on the minority of rogue agents and drive up standards across the property agent sector, so tenants, homebuyers and sellers can be confident they are being charged fairly and getting the professional service they deserve.

These measures relate to England only.

The draft regulations were introduced on 12 June 2018 during a debate in the House of Commons by Minister Wheeler.

Client Money Protection (CMP) schemes ensure that money belonging to tenants and landlords is protected against theft or misuse by their agent and the agent going into administration while it is in their custody or control.

The CMP schemes that have so far received government approval are: CM Protect, UKALA, NALS, ARLA PropertyMark and Money Shield.

We will continue to assess schemes before the 1 April deadline.

In order to join a scheme, agents will need to have a client account and appropriate professional indemnity insurance, and schemes will expect agents to have good client money handling procedures in place. Agents should contact individual schemes for more information about membership requirements.

The Housing and Planning Act 2016 introduced powers to bring in legislation to make membership of an approved or designated CMP scheme mandatory for property agents in the private rented sector.

A working group chaired by colleagues from the House of Lords was established to review how CMP was currently operating and whether to go further by making use of the powers taken through the Housing and Planning Act 2016 to make it mandatory.

Following the final report of the Working Group, the government announced its intention to accept the Group's recommendation to make membership of an approved scheme mandatory.

Legislation to give effect to these changes ([the Client Money Protection Schemes for Property Agents \(Approval and Designation of Schemes\) Regulations 2018](#) and the [Client Money Protection Schemes for Property Agents \(Requirement to Belong to a Scheme etc.\) Regulations 2018](#)) was approved by Parliament on 13 June 2018.

The Client Money Protection Schemes for Property Agents (Requirement to Belong to a Scheme etc.) Regulations 2018 were signed yesterday and will come into force from 1 April 2019.

The Regulation of Property Agents Working Group is chaired by Lord Best and made up of experts from across the property sector. It is considering the entire property agent sector to ensure any new framework is consistent across letting, managing and estate agents. The group will report their findings to the government by summer 2019.