

## **Anti-Money Laundering (AML) regulation of UK relocation: pointless and unfair**

2023 08 16

**Legal and relocation expert Gordon Kerr highlights a damaging case of over-regulation that harms relocation, and the UK's competitiveness as a place to relocate - all for no practical benefit in terms of preventing money laundering.**

It is well known that the property market is one of the most common routes used by criminals to launder money. This includes using illegal funds for the purchase of houses and apartments, selling these properties, and also putting cash into high-end rentals, especially in expensive cities - like London. For this reason, solicitors, estate agents and letting agents are required to carry out identity checks on their clients and to check the source of funds.

The motivation for these requirements is understandable, though the extent to which the regulatory system achieves its objectives is questionable. Perhaps in response to the comparative ineffectiveness of the Government's anti-laundering efforts, bureaucrats then began doing what Government officials often do in these situations— increase the regulatory regime and extend its reach; as if criminals who previously ignored the rules will suddenly decide to obey such regulations if there are enough of them.

This is why, thanks to Whitehall's worries about money laundering, in recent years, British relocation businesses have also been increasingly dragged into the UK's already onerous AML compliance regime. At first, only relocation firms that carried out home finding services for buyers were affected. Then, more recently, rental home searches were included, affecting any firms which – even occasionally – find tenancies with rents exceeding 10,000 euros per month.

As a result of all this bureaucracy, if a UK relocation business falls into either of these categories, then it is, in fact, illegal to carry on business without registering with HMRC for money laundering supervision. The business must also put in place a variety of burdensome processes and documents, all of which are enforced by actual audit visits from HMRC.

To give you an indication of the extent of the administrative headache this causes, this “red tape” includes:

1. Producing a written AML risk assessment for the business;
2. Preparing a written statement of the company's AML policy and procedures, all in compliance with the express HMRC's requirements;
3. Carrying out *customer due diligence checks* and completing these checks **before** starting work for a new client;
4. Training staff on all aspects of AML compliance;
5. Appointing someone in the business with specific responsibility for reporting “suspicious activity” to the UK National Crime Agency;
6. Keeping written records of everything - for 5 years.

As anyone who has laboured their way through these byzantine processes will confirm from first-hand experience, that is a great deal of additional, costly and time-consuming activity. And it's all pointless, because this heavy administrative burden, which has summarily been forced on relocation companies, is:

- a) **Unnecessary**: identical checks on these clients are already carried out by other property professionals, such as solicitors, estate agents and letting agents. So the imposition of the regulatory regime on relocation companies is serving no purpose, because it merely duplicates existing administrative procedures. Rather than filling some imagined compliance gap, it is only adding unnecessary "red tape" to an important UK business sector – and one that is vital to maintaining the competitive attractions of the UK as a destination for inward investment.
- b) **Unfair**: despite the fact that the AML regulations are based on (pre-Brexit) European Union Directives, only the UK Government, of all the countries in the EU has included relocation companies within the full AML compliance regime. Ironically, given the advertised benefits that the UK economy was meant to derive from Brexit, British relocation companies have actually been placed at a competitive disadvantage against their EU-based competitors. This flies totally in the face of the UK Government's stated intention to reduce "red tape" for British businesses.

Adrian Leach, an owner of an employee relocation business and current Chair of the Association of Relocation Professionals has strong views about all this bureaucracy, and another ominous unintended and intrusive consequence of these rules: "as a relocation business shareholder, I am obliged to pass my personal details to Estate Agents, Solicitors and Letting Agents - including copies of my passport and driving licence, proof of address and other personal data. However, we regularly hear of serious data security failures in both the public and private sectors, affecting every area of activity, including Professional Services and Health Services. With so many data breaches occurring, I fear my personal information will soon get into the wrong hands, despite all the precautions I personally take. This means that, precisely because of these rules, the protection of my privacy is placed entirely out of my hand. Worse still, since large relocation companies with in-house lawyers don't have this problem, the Government is basically targeting the small, medium-sized company sector who can't afford this in-house resource."

He also noted that the additional bureaucracy of repeatedly having to supply this data was consuming valuable time when there is already considerable pressure on small businesses being swamped with 'red tape'. He added, "if checks have already been completed by two different groups, agents and lawyers, why on earth does it help to demand it from a third group too?"

For all these reasons, the Association of Relocation Professionals (ARP) is calling upon the Government to remove relocation businesses from the unnecessary burden of full AML regulation as a matter of urgency. It would help immensely if you write to your Member of

Parliament, highlighting these issues, and requesting that they ask the Treasury to exempt the relocation sector from this onerous bureaucracy - which does nothing to reduce the problem of money laundering, but a lot to damage the financial viability of the UK's relocation sector, with all the consequent implications for the long term health of our economy.

If you're willing to share your experiences of the anti-money laundering regulations, please contact us at:

[enquiries@arp-relocation.com](mailto:enquiries@arp-relocation.com)

The more case studies we can share, the more robust we can make our arguments as we negotiate on behalf of the British relocation sector.