

Obtaining Source of Funds from Clients and Third Parties

As a law firm, we must comply with the [Money Laundering Regulations 2017](#); [Proceeds of Crime Act 2002](#) and [Terrorism Act 2000](#) and all amending legislation to date. These impose obligations on us to make enquiries regarding the source of funds and report as required.

As a firm of Solicitors regulated by the Solicitors Regulation Authority (“SRA”) we have strict obligations, which require us to consider the source of any funds that we handle for clients as part of their transaction. The following information is intended to assist you as our client to understand that process at the earliest opportunity to avoid any delays in the conveyancing process.

Q: Why we have to ask for evidence.

A: Our obligation is governed by the [Money Laundering Regulations 2017](#) (“the Regulations”) and in particular, ‘[Regulation 8](#)’ Where there is the obligation to:

‘Scrutinise transactions undertaken throughout the course of the relationship (including where necessary, the source of funds) to ensure the transactions are consistent with the relevant person’s knowledge of the customer, his business and risk profile. It will not be possible to complete your transaction without you providing to us sufficient information as to the source of funds to allow us to discharge our professional and legal obligations’.

Whilst every case is personal and there are many ways that funds being used towards a purchase can be accumulated, the following examples are what we would expect to be provided as a minimum to allow us to carry out an initial review:

○ **Savings**

Where you have accumulated savings over a period of time, we would expect to see bank statements showing the **build-up of the monies** that you will now be using. If you have transferred monies from other accounts in your name to add to this figure, we will need to see evidence of those accounts as well. We will also require an **explanation and evidence of how the savings were accumulated** e.g. if they have been accumulated from earnings/salary or self-employed earnings, we will require copies of recent P60s or tax returns.

○ **Gifted Monies or Loans from a Third Party**

Where someone gives you money towards the purchase this is called a **gifted deposit**. We have an obligation not only to **carry out identity checks** and **check the source of those funds**

but also arrange for a **declaration** to be provided by the third party to confirm that this is a gift. We need to show this to your mortgage provider as well.

If this is a family member or friend, we will need to see a copy of their account, which shows the **transfer taking place** but also sufficient information from the third parties' account to allow us to be satisfied that those monies have **built up over time**.

Please note that we are also under a duty to **report third party gifts to your lender**.

○ Inheritance

For any money which you have inherited we will need to see a **copy of the letter from the Executors** who are acting for the Estate confirming how much you are to receive and a copy of the bank statement showing those monies being paid in.

○ Sale of Previous Property

A copy of the **completion statement** from the sale and also a **bank statement** showing the monies being received.

○ Pension Shares

A copy of the documentation showing that **monies have been released to you** and a copy of the bank statement which received those funds.

○ Sale of Shares, Crypto or Release of Bonds

Any monies relating to the sale of shares, cryptocurrency and other forms of electronic tender and/or release of bonds will need to be accompanied with copies of the **most recent investment statement** that you have and a **copy of the bank statement showing the monies being received** after those investments have been cashed in.

○ Dividends from a UK Company

A copy of your **dividend certificate**, a copy of the **company's accounts** and a copy of your bank statement showing the **money being received from the Company**.

○ Compensation Award/Court Settlement

A copy of your **letter confirming your compensation settlement** from a Solicitor and/or Court and a **copy of your bank statement showing the money being received** from a third party/Court/Solicitor.

○ Gambling Winnings

A copy of your **receipt proving your winnings and a copy of your bank statement** showing the money being received.

Q: Why do we need to do this even if the bank has already completed the checks?

A: It is a **common misconception** that if money is being sent to us from a UK bank, then we do not need to raise any enquiries about a client's source of funds, because this will already have been done by the bank. However, banks do not investigate every single transaction as to the source of funds and as such we must still raise enquiries and obtain evidence even when money is coming to us from a UK bank.

The enquiries that we are required to make of our clients are now a standard part of the conveyancing process and are made of every client without exception.

Unfortunately, the obligations upon a firm of Solicitors are quite strict and this can mean that establishing proof of funds can be a lengthy process. In order to keep your transaction moving forward **please provide us with as much information regarding the source of funds and an explanation about any transfers or transactions that have taken place at the earliest opportunity.**

Please do not be offended if we subsequently ask you more questions regarding the source of funds, we hope you appreciate that we are obliged to do this and the sooner we are able to establish the source of funds the less chance of this causing a delay as we approach completion.

Advice to You:

- If you are uncertain about what evidence you can provide us with to prove the source of your funds, please do not hesitate to contact us and we will be more than happy to discuss this with you however please see the list below for further information.
- Please provide information and documentation to us regarding your source of funds as soon as possible to prevent it causing any delays to the transaction.
- We are unable to accept any money from you until we have received satisfactory evidence of your source of funds.
- We cannot exchange contracts until we are fully satisfied as to your source of funds.