
STATUTORY INSTRUMENTS

2018 No. 751

**The Client Money Protection Schemes for Property Agents
(Approval and Designation of Schemes) Regulations 2018**

Conditions which must be satisfied before approval may be given

5.—(1) The conditions are that—

(a) the rules of the scheme—

- (i) make satisfactory provision for the manner of becoming and of ceasing to be a scheme member;
- (ii) require scheme members to meet the conditions for the handling of client money in paragraph (2);
- (iii) require the scheme administrator, in the event that a scheme member (M) fails to account for client money to the person (P) entitled to it, to make good M's liability to P as soon as reasonably practicable [^{F1}, subject to paragraph (1A)]; and
- (iv) require the scheme administrator to accept claims for compensation under the scheme for at least twelve months after the date on which the circumstances giving rise to a claim occurred;
- (v) if the scheme administrator receives a scheme closure notice, require the scheme administrator to—
 - (aa) give written notice to each scheme member of the matters mentioned in regulation 9(3) as soon as reasonably practicable;
 - (bb) facilitate the transfer of the scheme's members to an alternative designated or approved scheme at no additional cost to scheme members before the scheme closure date; and
 - (cc) cease accepting any new member or any membership renewal;

(b) arrangements have been made for the appointment of a scheme administrator who is independent from the scheme members;

(c) arrangements have been made to secure insurance that—

- (i) covers any foreseeable liability which may arise in connection with the [^{F2}failure of scheme members to account for client money to persons entitled to that money]; and
- (ii) is appropriate with regard to the size and number of scheme members and the amount of client money held by scheme members; and

(d) the scheme specifies—

- (i) the process for making claims for compensation under the scheme; and
- (ii) the procedures that will apply in relation to the investigation and determination of such claims and any complaints under the scheme.

[^{F3}(1A) The Secretary of State may determine that the condition in paragraph (1)(a)(iii) is satisfied where the rules of the scheme have the effect that the scheme administrator is required to make good M's liability—

- (a) only up to such amount as the Secretary of State considers appropriate,
 - (b) only if or to the extent that M's liability can be made good without exceeding such aggregate limit on the liability of the scheme as a whole as the Secretary of State considers appropriate, or
 - (c) only if M's liability arises in relation to a risk that the Secretary of State considers it is appropriate for the scheme to insure against.]
- (2) The conditions for the handling of client money are that scheme members must—
- (a) have and comply with written procedures for handling client money;
 - (b) publish their procedures for handling client money on their website (if any);
 - (c) provide a copy of their procedures for handling client money to any person who may reasonably require a copy, free of charge;
 - (d) keep records and accounts that show all dealings with client money;
 - (e) repay any client money, including where feasible any interest earned, without delay if there is no longer any requirement to retain that money or the client requests it;
 - (f) hold client money in a client money account with a bank or building society authorised by the Financial Conduct Authority; and
 - (g) hold and maintain professional indemnity insurance cover that is appropriate for the member's size, income, type of work and the amount of client money held.

[^{F4}(2A) The rules of the scheme are to be treated as complying with paragraph (2)(f) if they provide that, until 1 April [^{F5}2021], they have effect as if they required scheme members to make all reasonable efforts to hold client money in a client money account with a bank or building society authorised by the Financial Conduct Authority.]

- (3) In this regulation—
- “client money account” means an account which—
- (a) does not contain any sums other than the whole or any part of client money paid into it, or such sums of money as may be necessary to replace any sum which by error has been withdrawn from the account, together with accrued interest on such amounts; and
 - (b) includes in its title the word “client” or an appropriate abbreviation of that word;
- “scheme closure date” has the meaning given in regulation 9(3)(c); and
- “scheme closure notice” has the meaning given in regulation 9(2).

Textual Amendments

- F1** Words in reg. 5(1)(a)(iii) substituted (14.2.2019) by [Tenant Fees Act 2019 \(c. 4\), ss. 22\(4\)\(a\)](#), 34(1) (with [s. 22\(6\)](#)); [S.I. 2019/260, reg. 2](#)
- F2** Words in reg. 5(1)(c)(i) substituted (14.2.2019) by [Tenant Fees Act 2019 \(c. 4\), ss. 22\(4\)\(b\)](#), 34(1) (with [s. 22\(6\)](#)); [S.I. 2019/260, reg. 2](#)
- F3** Reg. 5(1A) inserted (14.2.2019) by [Tenant Fees Act 2019 \(c. 4\), ss. 22\(4\)\(c\)](#), 34(1) (with [s. 22\(6\)](#)); [S.I. 2019/260, reg. 2](#)
- F4** Reg. 5(2A) inserted (14.2.2019) by [Tenant Fees Act 2019 \(c. 4\), ss. 22\(4\)\(d\)](#), 34(1) (with [s. 22\(6\)](#)); [S.I. 2019/260, reg. 2](#)
- F5** Word in reg. 5(2A) substituted (24.3.2020) by [The Client Money Protection Schemes for Property Agents \(Approval and Designation of Schemes\) \(Amendment\) Regulations 2020 \(S.I. 2020/331\)](#), regs. 1(2), 2

Changes to legislation: There are currently no known outstanding effects for the The Client Money Protection Schemes for Property Agents (Approval and Designation of Schemes) Regulations 2018, Section 5. (See end of Document for details)

Commencement Information

II Reg. 5 in force at 21.6.2018, see reg. 1(2)

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There are currently no known outstanding effects for the The Client Money Protection Schemes for Property Agents (Approval and Designation of Schemes) Regulations 2018, Section 5.