

Proof of Funds

When acting on the purchase of a home, we are obligated to identify how funds introduced by you have been generated as part of our anti-money laundering compliance.

Legal and Regulatory Requirements

Proving source of funds is a regulatory requirement because conveyancing is susceptible to money laundering activities due to the large sums of money which change hands. If the source of the funds you are using for your purchase cannot be proven, your purchase will not be able to proceed.

Please be aware, if we suspect all or part of your funds are proceeds of crime, we are legally obligated to report this to the relevant police body.

We take our obligations regarding source of funds extremely seriously. We require proof of source of funds from all clients in respect of each transaction. It is our clients' responsibility to prove the source of any funds they wish to use towards their purchase.

Proving source of funds can be complex, so we require you to provide us with as much evidence and information as you possibly can.

This will ensure we are satisfied our proof of fund requirements have been met, and your transaction can proceed.

Sources of Capital

There are a variety of sources of capital, each with specific proof requirements. Below, we explain the proof we require for the most frequently utilised source of funds.

Sale of another property

If we are acting on both your sale and purchase, we will receive the proceeds of sale from your purchaser's solicitor and hold this money on account to put towards your purchase. This reduces the number of times the money will change hands, reducing the risk of any fraudulent transactions. You will still be asked to provide details of the source of funds introduced, including stamp duty on your related purchase.

If you have instructed a different firm of solicitors for your sale and purchase, we will require a copy of the completion statement from the conveyancer acting on your sale and a copy of your bank account statement evidencing receipt of the funds following completion.

Savings

Savings are usually made up of regular small payments of salary or other investment income. As proof of savings, we require a minimum of 6 months' bank statements, showing the incoming salary. Often, savings are moved into a separate bank account from the one that the salary is paid into. In this case, we would also need at least 6 months of bank statements from any accounts your savings are transferred into.

Gifted deposits

A gifted deposit is most commonly a lump sum gifted by a family member. Gifted deposits are used frequently by first time buyers.

We require a declaration from the gift provider confirming the sum they are gifting and any conditions under which it is given. A copy of this must also be provided to the mortgage lender.

Additionally, we must receive identity documentation from the gift provider. Our anti-money laundering procedures require us to verify the identity of anyone we will be receiving funds from. We require a copy of their passport or photo card driving licence and a recent bank statement or utility bill which clearly states their address, not more than 3 months old.

Finally, gifted deposits are subject to the same proof of fund requirements as any other funds we receive. Therefore, the requisite evidence from the source of the funds prior to it being gifted must be provided, as set out above and below.

Some mortgage providers have different requirements for gifted deposits, please ensure your familiar with your lender's requirements and that all of them are met.

Please note, we cannot advise on the Inheritance Tax implications of receiving a gifted deposit. We request you seek independent tax advice in this regard.

Inheritance

If you wish to use inherited funds, we will require a copy of the letter from the executors confirming your entitlement and a copy of your bank account statement evidencing receipt of the funds from the solicitor or executor's bank account.

Release of Pension

In order to use funds from a release of pension, we require a copy of your pension statement as well as a copy of your bank statement evidencing receipt of the funds. We will also require confirmation you have sought independent financial advice in respect of the financial and taxation consequences of releasing your pension.

Sale of Shares / or Assets

In order to use funds made through the sale of shares or assets, we will require a certified copy of the share release schedule/auctioneer's or seller's invoice and a copy of your bank account statement evidencing receipt of the funds. We will not give advice on the Capital Gains Tax implications of such sale, but you should ask your financial advisor or accountant to fully advise you on the taxation implications, so that you are satisfied you have complied with your obligations and have sufficient funds after the deduction of Capital Gains Tax. We may ask for proof of this if the Capital Gains Tax obligation has already fallen due.

Dividends from a UK company

If you wish to use dividends from a UK company, we require a certified copy of your dividend certificate, a copy of the company's accounts showing the company is profitable and has cash reserves to enable it to make a dividend payment in accordance with Company Law and a copy of your bank statement evidencing receipt of the funds.

Please note, if you wish to use dividends from a company based outside the UK, different requirements may apply. Please see the below section on international funds.

Gambling winnings

If you wish to use gambling winnings as all or part of your deposit, we will require a copy of your receipt proving your winnings and copy of your bank statement evidencing receipt of the funds.

Compensation award / Litigation Damages / Matrimonial Settlement

You may have received a lump sum as compensation following a dispute or claim you have brought. If you wish to use these funds, we require a letter confirming the agreed amount from a solicitor or court and a copy of your bank account statement evidencing receipt of the funds from the court, solicitor or third party, unless we have acted for you in the litigation and therefore, have direct knowledge.

Cash

We are unable to accept cash as all or part of your deposit. It is almost impossible to prove the source of cash funds.

International funds

We must assess the country of origin of all funds. If your funds are from or connected to a sanctioned country we cannot act. If funds are from a high-risk country, we may have to decline to act on your purchase. If we do choose to act, we will operate an enhanced level of due diligence, which will require you to provide further clarification than would otherwise be required. The list of countries changes regularly. We will inform you if you fall into the high risk category.

You should be aware that our regulatory obligations require we continue to monitor the source of funds. If you choose to change the same during the transaction, you will need to provide the appropriate proof for the new source.

If you would like further information on any of the above please refer to the relevant UK Government Website.