ThurstanHoskin SOLICITORS

Mortgage & Property Fraud Policy

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Our ref: Mortgage & Property Fraud Policy 2023 Update

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Introduction

When we assist clients with any form of conveyancing, whether domestic or commercial we assume a central role in the transfer of a property. It is possible that we may unwittingly assist in mortgage or property fraud.

Mortgage Fraud:

- Can be perpetrated by one or more parties in a mortgage loan transaction working dishonestly to obtain funds or property. It is a criminal offence.
- Fraud can appear innocent enough such as parties misrepresenting income, not declaring other debt or not advising of gifted deposits.
- Fraud can also be perpetuated by fraud rings by organised crime syndicates.
- There are other elements to mortgage fraud that need to be considered such as:
  - Fake Id documents
  - Under or over valuations of property
  - Illegitimate source of funds

Property Fraud:

- Can be perpetrated by one or more parties pertaining to be the owner of a property and attempting to sell the property
- Payment diversion fraud – can occur when the net proceeds of a sale or mortgage are diverted by fraudsters

The Land Registry has a property alter register - which means clients can register their details against their own property and receive alters monitoring activity at the Land Registry and can protect the property and the true owners.

Diversion fraud can be harder to monitor. Often fraudsters will hack and intercept client emails and alter bank details. This can be mitigated by ensuring no bank details are accepted via email. All details must be passed to us in person or via post.

The firm has procedures in place to mitigate the risk of mortgage and property fraud and these include the following:

- Identify all clients in accordance with our AML guidance policy
- We ensure staff are fit and proper for the roles they undertake
- We train all staff at regular intervals to be aware of potential fraud issues
- We ensure we conduct appropriate client due diligence on all files to include source of funds and source of wealth
- Staff are vigilant about the nature of the transaction and/or the behaviour of the clients
- Any suspicions are discussed directly with the SRO/HOC/MLRO and the practice manager and appropriate action is agreed
- All bank details received from clients are in writing, and sent to us via post of hand delivered – we do not accept bank details by email
- We advise clients to sign up to the Land Registry property alters scheme

As a consequence of the introduction of lender portals the delivery of mortgage instructions and the provision of information to lenders is constantly changing and therefore the manner in which particular issues should be reported to the lender can change and will change regularly.

All of the conveyancing team are aware of the need to report to the lender if issues arise which the UKFML handbook states require further instructions from the lender.

1. Specified lender reporting procedure – we act for clients whom use a myriad of lenders from some of the larger entities such as Barclays to

smaller niche Building Societies. There are several common reporting requirements which are as standard reported to lenders and all our staff will be mindful of matters arising which may need to be reported. Anything we consider is out of the ordinary is raised with the SRO and HOC for agreement of action. When a mortgage offer is received, we will review the offer for any matters which will need to be raised with the lender should they arise so that we are aware of matters to look out for. We will not simply ignore other risk areas should they arise but as stated they will be discussed with the HOC and action agreed.

2. When and if we have identified a matter that need to be brought to the attention of the lender – we will use their specific reporting procedure. If this is not apparent, we will check the relevant lender portal for guidance, if it is still not available we will write to the lender ensuring all accurate references are included to enable them to identify the client and explain in detail what and why we are reporting to them.

3. As a firm we are mindful of risk of mortgage fraud. We are fairly small practice with a known client base and feel that our exposure to fraud and other issues is minimal. This does not mean that we do not give due consideration to reporting matters to lenders. Our HOC reviews each file before exchange and will ensure that any items of concern that have not already been addressed are dealt with prior to exchange of contracts. All our staff are trained and experienced in conveyancing and are aware of matters that need to be raise with the HOC.

1) <u>Mortgage Fraud</u>

1. Conveyancer checks – if the firm on the other side of a transaction is not one with whom we regularly deal we check the office and address on the law society website, we will also use Account checker available on Lender exchange portal and the Account Checker facility om LMS Conveyancer Zone.
2. All staff are trained in the provisions set out in the Law Society notices for mortgage fraud and will assess each file individually.
3. Procedure for ID risk – all transactions have a client Due Diligence form which must be signed off by the head of department prior to completion. The due diligence form provides guidance to the circumstances in which Enhanced Due Diligence might be required.
4. Enhanced CDD – should Enhances Due Diligence be required the fee earner is obliged to consult with the head of department. Once established that Enhanced Due Diligence is required each matter is considered individually and action agreed, be that obtaining further financial information, further address ID, or supplementary information about a gift towards a purchase.
5. Buying from a high-risk seller, if we determine that there is a considerable risk of a fraudulent seller then the fee earner should consult with the head of department to agree whether we can proceed to act in the transaction or whether we should advise the client not to proceed.
6. Staff training- regular training is provided to the department, whether through CQS training modules or such additional training as may be further required. Any items of current interest that come about are discussed with the team and awareness of potential pit falls is raised.