

**Application form for approval as a client money protection scheme (draft)**

Notes on completing this form

This form is for applicants seeking approval from the Secretary of State to become an approved client money protection scheme.

The Client Money Protection Schemes for Property Agents (Approval and Designation of Schemes) Regulations 2018 (referred to in this document as the ‘Approval Regulations’)[[1]](#footnote-2) sets out the conditions for approval and on-going requirements for approved schemes and should be used in conjunction with the ‘Guidance for prospective schemes’ when completing this form.

The first version of this application form was published in July 2018. An updated version of this application form is being published in draft to support client money protection scheme providers looking to demonstrate that they will be able to meet the recent proposed amendments to client money protection legislation as it applies to client money protection schemes and property agents in the private rented sector through the Tenant Fees Bill. [[2]](#footnote-3)

Although these amendments were approved by the House of Lords on 11 December, they are still subject to consideration by the House of Commons, final parliamentary approval and Royal Assent. They are therefore subject to change. Where questions in this application form relate to areas of the guidance that are still the subject of parliamentary approval and open to change, the text is italicised.

This form is spilt into six sections. The first section asks for the details of applicant firm and contact information. The following four sections ask specific questions on the conditions that applicants must demonstrate they are able to meet. The sixth section asks the applicant to confirm they will meet the on-going requirements in the Approval Regulations.

In sections two – five you should seek to explain how you meet the conditions for approval and refer to the specific parts of the supporting documentation which are relevant to each question (where supporting documentation is necessary). In the Annex to this application there is a checklist of the types of supporting documents that are likely to be relevant, as set out in the guidance for prospective schemes.

If you are not able to fit your answer into the box provided, you should attach additional sheets of paper to your application.

It is important that you provide accurate and complete information and disclose all relevant information.

Please keep a copy of the forms you complete and the supporting documents that you include with this application pack for your future reference.

You should submit this application form and any supporting documentation to [CMPschemes@communities.gov.uk](mailto:CMPschemes@communities.gov.uk).

Please also contact us at the above email address if you have any question about completing this application form.

**SECTION 1 – Contact for this application**

**Details of the applicant firm**

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| **1.1 Name of applicant firm** |  | | | | | | | | | | | |
| **1.2 Business address of applicant firm** |  | | | | | | | | | | | |
| **1.3 Postcode** |  | | | | | | | | | | | |
| **1.4 Company registration number of the applicant firm** |  |  |  |  |  |  |  |  |  |  |  |  |

**Details of the contact for the purpose of this application**

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| **1.5 Name of individual submitting the application** | **First names:** | **Surname:** |
| **1.6 Job title** |  | |
| **1.7 Contact details for the individual handling the application** | **Address:** | |
| **Email:** | |
| **Telephone:** | |
| **Mobile (optional):** | |

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| **Declaration & Signature** |
| I declare that I have the authority to represent [*insert name of organisation*] in making this application.  I understand that acceptance of this application does not in any way signify that the scheme has been approved by the Secretary of State.  On behalf of [*insert name of organisation*] and having carried out full and proper inquiry, I confirm to the Department:   * [*insert name of organisation*] has the legal authority to act as an approved client money protection scheme * That the information provided in this application is accurate. * I am not aware of any relevant information, which has not been included in the application, but which if included is likely to affect the decision of the Secretary of State whether to approve the scheme.   I confirm that:   * I have informed all persons in relation to whom I have provided personal information of the details of the personal information I have provided to you and of the purposes for which this information will be used and that I have the consent of the individuals concerned to pass this information to you for these purposes. * That I shall inform the Department if, in the course of theapplication being considered*,* I become aware of any further information which might reasonably be considered as material to the Secretary of State in reaching a decision on whether to approve the scheme, pursuant to Regulation 3 of the Approval Regulations. * I am aware that if the information given in this application turns out to be false or misleading, any approval notified by the Secretary of State may be revoked.  |  |  |  |  | | --- | --- | --- | --- | | Signed (on behalf of the applicant organisation) |  | | | | Name (Print) |  | | | | Position |  | Date |  | |

**SECTION 2 – Condition 1: Scheme membership requirements [5(1)(a) (i-ii) and 5(2) of the Approval Regulations]**

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| **2.1 Please provide summary details of your scheme, highlighting your scope, coverage (including any restrictions that apply to membership) and size of the scheme.** |
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| **2.2 Please provide details of your scheme rules, highlighting where in your rules you have included the requirements relating to the handling of client money in 5(2) of the Approval Regulations. Please ensure that you address each requirement 5(2) a) to g) in turn.** |
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| **2.3 Please provide details of the provision the scheme has made for members joining the scheme and for the renewal and cancellation of membership.** |
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| **2.4 What checks does your scheme undertake on prospective members? This should include details of the checks that are completed on the member’s professional indemnity insurance, checks on the existence of client accounts, and any financial due diligence undertaken on prospective members.** |
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| **2.5a How is your scheme able to satisfy itself that members will meet its rules on an on-going basis? Please provide details of monitoring checks undertaken along with the frequency and coverage across your scheme’s membership population.** |
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| **2.5b How have you determined that the level of the monitoring is adequate?** |
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**2.6 Supporting information**

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| **Number of additional sheets used** |  |
| **List of supporting documents attached** |  |

**SECTION 3 – Condition 2: Scheme administrator arrangements [5(1)(a)(v) and 5(1)(b)] of the Approval Regulations]**

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| **3.1a Please detail how you are able to ensure the independence of the scheme administrator from members. Please set out how conflicts of interest are mitigated.** |
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| **3.1b Please detail any financial arrangements shared between your firm and members, detailing the potential for influence that members could exert over the payment of claims.** |
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| **3.2 Please detail the process for appointing, renewing and removing the scheme administrator and its Directors.** |
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| **3.3 How is the scheme able to satisfy itself that the individuals responsible for overseeing it are fit and proper and competent to fulfil their functions?** |
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| **3.4 What arrangements have been put in place for the potential closure of the scheme with regards to:**  **a) Giving members written notice (including anticipated notice period)**  **b) Facilitating the transfer of members to an alternative scheme**  **c) Ceasing to accept new members or renewals of existing members**  **Please also set out what level of resources you will maintain to** f**acilitate this transfer and to ensure that claims and complaints can still be handled effectively.** |
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**3.5 Supporting information**

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| **Number of additional sheets used** |  |
| **List of supporting documents attached** |  |

**SECTION 4 – Condition 3: Determining and making claims [5(1)(a)(iii-iv) and 5(1)(d) of the Approval Regulations]**

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| **4.1a Please detail the process for consumers making claims for compensation, including how claims can be submitted, and the information required from consumers.** |
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| **4.1b Please outline how consumers can identify your scheme members.** |
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| **4.1c Please provide summary statistics of claims and complaints received to date, compensation paid and response times (if your scheme is already operating).** |
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| **4.2a What are your procedures for investigating and determining claims? Please include any details of how you determine whether a claim is valid.** |
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| **4.2b Please detail your policy for determining the level of compensation to be paid.** |
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| **4.2c Please set out any time limits that you impose on consumers making claims.** |
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| **4.2d What is your process for handing and determining complaints, including any proposed response times? What appeals process is in place for consumers who have claims declined in part or in full?** |
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| **4.3 Do you intend to handle claims and complaints with your own staff or use a third party to handle them? If you intend to use a third party to handle claims or complaints, what arrangements are in place to ensure that you retain accountability and governance over the process? What due diligence have you conducted on this third party?** |
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| **4.4 What infrastructure is in place to handle claims? This should include details of the following:**   * **Number of trained staff in post** * **Plan for increasing resources should claims be higher than expected** * **IT and data facilities** * **Contingency arrangements for service outage** |
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| ***4.5 Do you propose to apply any individual limits on awards for landlord/tenant claimants)? If yes, please detail what limits will be applied. What measures do you have in place to mitigate the risk of loss per consumer exceeding this limit?*** |
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| ***4.6a Do you propose to apply an aggregate limit on claims in a particular year? If yes, please detail what limit will be applied, and demonstrate that this is appropriate and exceeds the maximum probable loss calculation set out in section 5 of this form.*** |
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| ***4.6b Please confirm that the proposed aggregate limit can be changed as appropriate, including where the scheme determines it needs to increase its insurance cover to pay out claims.*** |
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| ***4.6c If you have any member with client money holdings above this aggregate limit, please detail the internal controls imposed by that member and any additional controls you have put in place so that you can demonstrate the risk of that member losing client money in excess of that limit is unforeseeable.*** |
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| ***4.7 If you propose any individual or aggregate limits, how are you able to demonstrate that these take a form that can be easily understood by consumers? How will you explain these limits on the scheme’s website and in certificates provided to members?*** |
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| ***4.8 Please detail any exclusions in your policy for dealing with claims and justify these, demonstrating that they do not impact on your ability to pay out on valid claims in normal times. Please provide evidence that any exclusion is a genuinely uninsurable risk.*** |
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**4.9 Supporting information**

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| **Number of additional sheets used** |  |
| **List of supporting documents attached** |  |

**SECTION 5 – Condition 4: Appropriate insurance cover [5(1)(c) of the Approval Regulations]**

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| **5.1 Please confirm the total amount of client money your scheme protects.** | **£** |

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| **5.2 Taking into account your foreseeable liability and the factors set out in the guidance for prospective schemes, what is your maximum probable loss in the coming year?** | **£** |

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| **5.3a With reference to the guidance, please set out the factors you took into account in determining the maximum probable loss, outlining robust calculations.** |
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| **5.3b Please summarise any challenge process that was followed to validate the calculations.** |
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| **5.4a Please demonstrate that your scheme’s insurance cover alongside available cash reserves, sureties or equivalent is adequate to allow for valid claims to be paid out in the coming year. Please demonstrate that this is at least equivalent to your maximum probable loss.** |
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| **5.4b Please provide a copy of a broker’s certificate and policy wording for each client money protection insurance policy held by the scheme and set out the coverage of any insurance and any limitations.** |
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| **5.5a What mechanisms are in place to reassess the appropriate level of cover required where the scheme’s membership grows, there is a material increase in the amount of client money protected, or the risk of lost client money is deemed to be higher? What plans does the scheme have to recalculate its maximum probable loss when renewing or arranging new cover?** |
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| **5.5b How would your scheme obtain additional cover as needed, including during the period of the current insurance policy if necessary?** |
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| **5.6 *Please demonstrate that the scheme has considered other risks to its operations other than those directly arising from the obligation to pay client money protection claims and that it has adequate insurance and risk mitigation measures in place to mitigate those.*** |
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**5.7 Supporting information**

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| **Number of additional sheets used** |  |
| **List of supporting documents attached** |  |

**SECTION 6 – On-going requirements (Regulation 8 of the Approval Regulations)**

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| **6.1 Please certify that you will be able to:** | |
| ***Maintain an appropriate level of insurance on an ongoing basis.*** |  |
| **Adhere to the ongoing monitoring as set out in Regulation 8 of the Approval Regulations and provide the Department with outlined data submissions in the guidance on a quarterly basis.** |  |
| **Comply with the ongoing requirements set out in Regulation 8 of the Approval Regulations** |  |

**Annex 1 – checklist of supporting documents**

The below checklist includes the types of supporting documents that are most likely to be relevant to the application, as set out in the guidance for prospective schemes. However, your supporting documentation need not be limited to this and should include other documents you consider are relevant. If you do not deem that one of the suggested documents in the checklist is relevant, then please state why, otherwise your application will be deemed incomplete.

| **Document** | **Attached? (Y/N)** | **Comments (if you have not attached, please state why not relevant)** |
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| Scheme rules and how members agree to these |  |  |
| Procedures for accepting new members, renewing membership, and removing membership |  |  |
| Example membership application form |  |  |
| Monitoring plans for checking members adherence to scheme rules |  |  |
| Escalation plans for dealing with non-compliance |  |  |
| Ownership structure |  |  |
| Governance structure |  |  |
| CVs of those administering the scheme and suitability checks |  |  |
| Conflicts of interest policy |  |  |
| Rules for the appointment, renewal and dismissal of the scheme administrator |  |  |
| Exit plan for the scheme |  |  |
| Example application form for consumer claims |  |  |
| Procedures for making compensation claims |  |  |
| Procedures for investigating claims and the assessment framework for determining claims |  |  |
| *Website literature and certificates relating to any limits imposed or limits in cover* |  |  |
| *Documentation from insurer attesting that certain risks are deemed uninsurable* |  |  |
| Procedures for handling complaints |  |  |
| Performance data on claims handling to date |  |  |
| Performance data on complaints handling to date |  |  |
| Assessment of maximum probable loss |  |  |
| Procedures for regularly assessing the appropriate level of insurance cover |  |  |
| Insurance policy documentation |  |  |
| Evidence of any other (non-insurance) means of cover for the payment of claims |  |  |

**END OF APPLICATION**

1. [S.I. 2018 No.751](http://www.legislation.gov.uk/uksi/2018/751/contents/made) [↑](#footnote-ref-2)
2. The amendments to the Tenant Fees Bill that would alter the client money protection requirements can be found here: <https://publications.parliament.uk/pa/bills/lbill/2017-2019/0129/18129-RL.pdf> [↑](#footnote-ref-3)