FIRST-TIER TRIBUNAL
PROPERTY CHAMBER (RESIDENTIAL PROPERTY)

Case reference	**:**	**LON/00AW/CMP/2025/0005** **LON/00AW/HLP/2025/0003**
Applicant	**:**	**Karim El Khoury**
Representative	**:**	**In Person**
Respondent	**:**	**Royal Borough of Kensington and Chelsea**
Representative	**:**	**Alexander Bunzl (Counsel)**
Type of application	**:**	**Appeals against a "financial" and a "monetary" penalty**
Tribunal member	**:**	**Judge Robert Latham** **Carolyn Barton MRICS**
Date and Venue of Hearing	**:**	**1 April 2026** **10 Alfred Place, London WC1E 7LR**
Date of Determination	**:**	**14 April 2026**

DECISION

Decisions of the Tribunal

The Tribunal quashes both Final Notices on the basis that they are fatally flawed and are nullities. There is a fundamental ambiguity in both Notices as to whether the penalty was imposed on the Company or on the Applicant, as a director of the Company. Any notice must be clear as to the intended recipient.

The Application

1. On 5 June 2025, the Applicant issued an appeal against two penalties imposed by the Respondent on "Karim El Khoury, Company Director of Kensington Property Services Ltd":

   (i) a **financial penalty** of £15,000 for breach of Regulation 3 of The Client Money Protection Schemes for Property Agents (Requirement to belong to a Scheme etc.) Regulations 2019 (SI 2019 No.386) ("the CMP Regulations"), the offence being not being a member of an approved or designated client money protection scheme.

   (ii) a **monetary penalty** of £5,000 for a breach of Article 5 of The Redress Schemes for Lettings Agency Work and Property Management Work (Requirement to belong to a Scheme etc) (England) Order 2014 (SI 2014 No.2359) ("the Redress Schemes Order"), the offence of not being a member of a Redress Schemes.

2. On 17 October 2025, the Tribunal gave Directions pursuant to which:

   (i) The Applicant has filed a Bundle of Documents (56 pages), reference to which will be prefixed by "A.__";

   (ii) The Respondent has filed a Bundle of Documents (188 pages), reference to which will be prefixed by "R.__". The Tribunal uses the electronic pagination as the numbering in the bundle is not entirely consistent.

The Hearing

3. The Applicant, Mr Karim El Khoury, appeared in person. He was accompanied by Mr John Shakour who assisted him in presenting his case.

4. The Respondent was represented by Mr Alexander Bunzl (Counsel), instructed by the Respondent's legal department. He was accompanied by Ms Amanda Butler who is a Trading Standards Officer who dealt with the CMP penalty and Ms Samantha Cowell who is Head of Redress who dealt with the Redress Schemes penalty.

5. Both Mr El Khoury and Mr Bunzl provided Skeleton Arguments.

The Preliminary Issue

6. At the commencement of the hearing, the Tribunal asked the Respondent to clarify against whom the Final Notices had been issued. In each case, the Respondent had issued both Notices of Intent and Final Notices directed to "Karim El Khoury, Company Director of Kensington Property Services Ltd". Had these Notices imposed penalties on:

   (i) Mr Karim El Khoury ("the Applicant") in his capacity as a director of Kensington Property Services Ltd ("the Company"); or

(ii) The Company, the Applicant being named for reference purposes as the sole director of the Company?

All the Notices had been served on the Company's registered office.

7. This ambiguity was only too apparent from the written submission filed by the parties:

(i) In his application, dated 5 June 2025 (at A.11-16), the Applicant appealed against the Notices on the basis that they had been wrongly served on him personally, whereas they should have been served on the Company. In his Skeleton, the Applicant states: "The central issue in this appeal is whether the Respondent lawfully imposed financial penalties totalling £20,000 on the Applicant personally where the relevant activities were carried out by a separate legal entity, Kensington Property Services Ltd ("KPS")"

(ii) In his Skeleton Argument, Mr Bunzl responded in robust terms (at [14]): "It must have been clear from the fixed penalty notices that the Company was the intended recipient". The Notice had been addressed to the Applicant as the appropriate point of contact for the Company.

8. Mr Bunzl, at [14] of his Skeleton, added that there had been no prejudice to the Company and the substance of the notice was sound. It would be open to the Tribunal to join the Company as a party. The Tribunal questioned whether this was possible, given that the time for appealing in respect of the CPM penalty had expired. Further, it was not our role to determine the intended recipient of the Notices on the balance of probabilities. These are quasi criminal penalties. It was a basic requirement that the Notices be drafted with sufficient clarity so that any recipient should have no reasonable doubt as to whom the Notices were directed.

9. It is not unusual for the Housing Acts to impose liability on both a body corporate and a director (or, indeed, some other person involved with the body corporate). Thus, section 251 of the Housing Act 2004, provides that where an offence is committed by a body corporate which is proved to have been committed "with the consent or connivance of, or to be attributable to any neglect on the part of a director", the director as well as the body corporate commits the offence and is liable to be proceeded against and punished accordingly.

10. However, neither of these statutory regimes create offences under the 2004 Act:

(i) The CMP Regulations are made pursuant to the Housing and Planning Act 2016. Section 135 permits the Secretary of State to make regulations requiring "a property agent" who fails to join a "client money protection scheme" to pay a financial penalty. Section 56 defines "property agent" as a "letting agent or property manager".

(ii) The Redress Schemes Order is made pursuant to the Enterprise and Regulatory Reform Act 2013. Sections 83 and 84 respectively permit the Secretary of State to make an order requiring persons who engage in "lettings agency work" or "property management work" to be members of a Redress Schemes. Section 85 provides that any such order may make provision for "civil penalties" to be imposed in respect of any breach. Appeals were initially made to the General Regulatory Chamber, rather than to this Tribunal.

11. The Tribunal adjourned the case on two occasions to allow the parties to review their positions and for the Respondent to take instructions. Having reviewed the situation, both parties agreed that any Notice must be drafted with sufficient clarity so that any recipient had no reasonable doubt as to the identity of the legal entity to which the Notice was directed.

12. The position of the Respondent was:

(i) There was no ambiguity in the Notices. These had been imposed on the Applicant in his capacity a director of the Company.

(ii) Mr Bunzl conceded that this directly contradicted the position that he had taken in his Skeleton Argument.

(iii) The Notices had been served on the Applicant because he had been engaged in "property management work" as opposed to "letting agency work".

13. The Respondent conceded that the Notices had not addressed:

(i) the grounds upon which it was contended that the Applicant was liable as director.

(ii) the financial circumstances of the Applicant as opposed to those of the Company.

14. The position of the Applicant was:

(i) The Notices are ambiguous.

(ii) He had brought the appeal as he considered that the appeal should have been brought against the Company and not himself. His complaint was that the Respondent was wrongly trying to "pierce the corporate veil".

(iii) As a result of this, he had only appealed on the grounds that the decision was "wrong in law". He had not raised other grounds, such as his financial circumstances, as he did not understand the basis on which he was being made liable as director.

(iv) Whilst the Applicant was the sole director of the Company, he does not have a controlling interest. He is rather employed by the Company under a contract of employment. The Respondent had no evidence to contradict this.

The Law

The CMP Regulations

15. The CMP Regulations came into effect on 1 April 2019. The Secretary of State has made these regulations in exercise of the powers conferred by section 133, 135 and 214(6) of the Housing and Planning Act 2016.

16. Regulation 3 provides that

> "a property agent who holds client money must be a member of an approved or designated client money protection scheme".

17. Regulation 5(2) provides that

> "a breach of regulation 3 or 4 by a property agent is taken to have occurred in each local authority area in England in which—
>
> (a) the agent has premises; or
>
> (b) housing is situated in relation to which the property agent's English letting agency work or English property management work is undertaken.

18. Regulation 6 provides that (emphasis added):

> "(1) Where a local authority in England is satisfied beyond reasonable doubt that a property agent has breached regulation 3, the authority may impose a financial penalty in respect of the breach.
>
> (2) The financial penalty—
>
> (a) may be of such amount as the authority imposing it determines; but
>
> (b) must not exceed £30,000."

19. Paragraph 5 of the Schedule provides for a right of appeal to this tribunal against (a) the decision to impose the penalty or (b) the amount of the penalty. An appeal is to be a re-hearing of the local housing authority's decision but may be determined having regard to matters of which the authority was unaware. The Tribunal may quash, confirm or vary the final notice.

20. An appeal must be brought within the period of 28 days beginning with the day after that on which the final notice was served. There is no provision for extending time.

21. Section 56 of the 2016 Act defines "property agent" as "a letting agent or property manager". Section 55 defines "property manager" as:

"(1) In this Part "property manager" means a person who engages in English property management work.

(2) But a person is not a property manager for the purposes of this Part if the person engages in English property management work in the course of that person's employment under a contract of employment."

The Redress Schemes Order

22. The Redress Schemes Order came into effect on 1 October 2024. The Secretary of State has made the order pursuant to powers conferred by sections 83(1), (5), and (9)(b), 84(1) and (7)(b), 85(1)(a), (2)(a), (3) and (4) and 88(1) of the Enterprise and Regulatory Reform Act 2013.

23. Article 5 provides that:

"A person who engages in property management work must be a member of a Redress Schemes for dealing with complaints in connection with that work.

(2) The Redress Schemes must be one that is—

(a) approved by the Secretary of State; or

(b) designated by the Secretary of State as a government administered Redress Schemes."

24. Article 8 provides:

"(1) Where an enforcement authority is satisfied on the balance of probabilities that a person has failed to comply with the requirement to belong to a Redress Schemes under article 3 (requirement to belong to a Redress Schemes: lettings agency work) or article 5 (requirement to belong to a Redress Schemes: property management work), the authority may by notice require the person to pay the authority a monetary penalty (a "monetary penalty") of such amount as the authority may determine.

(2) The amount of the monetary penalty must not exceed £5,000.

(3) The Schedule provides for the procedure relating to the imposition of a monetary penalty."

25. Article 9 provides that a person may appeal against a notice imposing a monetary penalty to this Tribunal. The grounds of appeal are that:

"(a) the decision to impose a monetary penalty was based on an error of fact;

(b) the decision was wrong in law;

(c) the amount of the monetary penalty is unreasonable;

(d) the decision was unreasonable for any other reason."

26. The Tribunal may: (a) quash the final notice; (b) confirm the final notice; or (c) vary the final notice.

27. The Order makes no provision for the time within which an appeal must be brought. Regard must therefore be had to the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013. Rule 52 provides that an appeal must be brought with 28 days, but the Tribunal may extend time.

28. Section 84(6) of the 2013 Act defines "property management work":

> "(6) In this section, "property management work" means things done by any person ("A") in the course of a business in response to instructions received from another person ("C") where—
>
> (a) C wishes A to arrange services, repairs, maintenance, improvements or insurance or to deal with any other aspect of the management of premises in England on C's behalf, and
>
> (b) the premises consist of or include a dwelling—house let under a relevant tenancy."

The Appeal against the Financial Penalty of £15,000 (The CMP Regulations)

29. On 14 March 2025 (A.17-22), the Respondent served a Notice of Intent proposing to impose a monetary penalty of £20,000. The Tribunal notes the following:

(i) The accompanying letter (A.17) is addressed to "Karim El Khoury Company Director of Kensington Property Services Ltd"; whilst the Notice of Intent (A.20) are addressed to "Karim El Khoury**,** Company Director of Kensington Property Services Ltd" (i.e. a comma is added).

(ii) The accompanying letter (A.17) starts: "Dear Karim El Khoury, Company Director of Kensington Property Services Ltd".

(iii) The Notice of Intent (A.20) states that the Respondent intends to impose a financial penalty of £20,000". It does not specify the person on whom the penalty is to be imposed. However, it does refer to "your conduct".

30. On 31 March 2025 (A.26-27), the Applicant made representations against the proposed financial penalty:

“I write regarding the recent correspondence issued to Kensington Property Services (KPS) concerning Client Money Protection (CMP) scheme membership. When the CMP requirements were introduced, KPS contacted several council-listed agencies to seek membership. However, we were advised that due to the nature and scale of our operations, KPS did not meet their eligibility criteria. Following receipt of the recent notice from RBKC, we have again reached out to multiple CMP schemes. While the majority still deemed KPS ineligible, Money Shield has indicated a willingness to consider our application, and we have now commenced the process.

We would like to highlight that KPS operates under a business model that differs significantly from conventional letting agencies:

- KPS does not handle or collect rent—tenants pay rent directly to the landlord.
- KPS does not hold tenancy deposits—all deposits are paid directly into the Deposit Protection Service (DPS) without being retained by KPS.
- KPS charges a commission fee to the landlord, which is paid directly by the landlord and does not constitute client money.
- In rare cases, a holding deposit may have been received at a tenant’s request to secure a property temporarily. This was solely to facilitate a potential refund during a cooling-off period, and in such instances, the deposit was transferred to the DPS upon final tenancy confirmation’.

Since the DPS scheme has been in place, all tenant deposits have been held directly by the Deposit Protection Service, and at no point is KPS holding client money. The only area of potential misunderstanding appears to relate to the instances where a short-term holding deposit was temporarily received before confirmation of a tenancy.

Given these factors, we respectfully seek clarification on whether KPS is strictly required to be a member of a CMP scheme, as we do not operate a client account or handle client money in the conventional sense. Specifically, if deposits are paid to the landlord and subsequently transferred to the DPS, would KPS still be classified as handling client money and therefore required to hold CMP membership’?

We have already started the process of joining a CMP scheme (see attached) and will proceed unless it is confirmed that we are exempt. In the meantime, to avoid any further ambiguity, any new tenants will pay deposits directly to the landlord. We would also request additional time to complete the registration process if required. In light of the above, we respectfully request that the council reconsider the penalty, taking into account:

1. KPS’s unique operational structure,

2. Our previous and ongoing efforts to comply with the requirements,

3. The minimal risk posed to clients, and

4. The significant financial hardship the penalty would impose on a small business.

Additionally, KPS is a small operation managing properties for a single landlord within one building, primarily providing affordable housing to students, with rental rates consistently below the prevailing Kensington market".

31. On 13 May 2025 (A.28-34), the Respondent served a Final Notice reducing the financial penalty to £15,000. The Tribunal notes the following

(i) Both the accompanying letter (A.28) and the Final Notice (A.32) are addressed to "Karim El Khoury, Company Director of Kensington Property Services Ltd"

(ii) The accompanying letter starts: "Dear Karim El Khoury".

(iii) The Final Notice reads: "The Council is now issuing <u>you</u> with a Final Notice". The "you" on whom the penalty is imposed is not identified.

32. The letter concludes (emphasis added):

"I have considered the following factors: -

• You/Kensington Property Services Ltd (since the issuing of the Notice of Intent) have registered membership with Money Shield (an accredited client money protection scheme) and have noted the difficulty experienced in joining a client money protection scheme in accordance with your usual business model.

• Kensington Property Services Ltd's annual financial turnover when deciding the penalty threshold outlined within the relevant enforcement policies.

• You/Kensington Property Services Ltd rarely hold client money from your tenants.

• It's the responsibility of the property management agent to ensure reasonable precautions and due diligence are conducted to avoid breaches of consumer protection legislation such as The Client Money Protection Schemes for Property Agents (Requirement to Belong to a Scheme etc.) Regulations 2019.

• Ignorance is no defence."

33. The Tribunal is satisfied that the Final Notice is fatally flawed and is a nullity. There is a fundamental ambiguity in the Notice as to whether it is directed to the Company or to the Applicant, as a director of the Company. Any notice must be clear as to the intended recipient.

34. The Tribunal reaches this decision for the following reasons:

(i) The Respondent should have stated unambiguously whether the penalty was imposed on the Company or the Applicant. It failed to do so.

(ii) The references to "You/Kensington Property Services Ltd" demonstrate the fundamental ambiguity in the Notice. It is apparent that the decision-maker considered that the Applicant and the Company could be treated as a single entity. In law, they have separate legal personalities.

(iii) The Applicant issued this appeal in the belief that it had been wrongly imposed on him personally. A reasonable person could have reached the same conclusion. Both the letter and the Notice had been directed to him.

(iv) The CMP Regulations required the Respondent to be satisfied beyond reasonable doubt that the relevant person had breached the regulation. There was therefore a greater onus to clearly identify who that relevant person was.

(v) The business was being conducted in the name of the Company. This would have been the primary entity which was required to be a member of an approved or designated client money protection scheme.

(vi) The Applicant was employed by the Company under a contract of employment. He is not therefore a person who could be treated under the CMP Regulations as a "property manager".

(vii) Because the Applicant believed that the Final Notice had been wrongly served on him, rather than the Company, he had only appealed on the ground that the decision was wrong in law. He had not considered it necessary to address the other grounds, such that the amount of the monetary penalty was unreasonable.

(viii) The decision-maker did not consider the financial circumstances of the Applicant, as opposed to those of the Company. This would have been a most relevant factor had the relevant person been the Applicant.

(ix) It would not have been open to the Tribunal to join the Company as a party to the appeal as the time for appealing had expired and there is no provision to extend time (see *Gurusinghe v Dramlin Ltd* [2021] UKUT 268 (LC).

(x) The Tribunal notes that any appeal under the CPR Regulations is a re-hearing. The Tribunal would be entitled to have regard to matters of

which the authority was unaware (see [19] above). However, the Tribunal is satisfied that this wide scope of the appeal cannot cure a defect so fundamental as the identity of the recipient of the Notice.

(xi) A reasonable person in the position of the recipient of the Notice would have concluded that the Notice is ambiguous.

The Appeal against the Monetary Penalty of £5,000 (The Redress Schemes Order)

35. On 14 March 2025 (A.23-25), the Respondent served a Notice of Intent proposing to impose a monetary penalty of £5,000. The Tribunal notes the following:

(i) Both the accompanying letter (A.23) and the Notice of Intent (A.24) are addressed to "Karim El Khoury, Company Director of Kensington Property Services Ltd".

(ii) The accompanying letter starts: "Dear Karim El Khoury - Company Director of Kensington Property Services Ltd".

(iii) Section 1 of the Notice of Intent specifies the reasons for imposing the monetary penalty. This reads: "As a property management agent, a failure to comply with the duty to belong to an approved Redress Schemes". The relevant property management agent is not identified.

(iv) Section 2 of the Notice of Intent specifies the amount of the penalty. This reads: "We intend to impose a monetary penalty of £5,000". It does not specify the person on whom the penalty is imposed.

36. The Applicant did not make any separate response to this Notice of Intent. However, at the hearing, he stated that his letter, dated 31 March 2025 (see [30] above) was also intended to relate to this Notice.

37. On 13 May 2025 (A.35-39), the Respondent served a Final Notice confirming the monetary penalty of £5,000 for non-membership of a Redress Schemes between 15 July 2023 and 21 September 2024. On 14 May 2024 (R.66), the Company became a member of the Property Redress Schemes.

38. The Tribunal notes the following

(i) Both the accompanying letter (A.35) and the Final Notice (A.37) are addressed to "Karim El Khoury, Company Director of Kensington Property Services Ltd"

(ii) The accompanying letter starts: "Dear Karim El Khoury".

(iii) The Final Notice describes the alleged breach as: "As a property management agent, a failure to comply with the duty to belong to an

approved Redress Schemes". The relevant property management agent is not identified.

(iv) The Final Notice further states: "This notice requires that you carry out one of the following actions within the period of 28 days beginning with the day after this Final Notice was served. A. Pay the monetary penalty of £ 5000.00 within 28 days or B. Appeal to a First Tier Tribunal within 28 days". The "you" on whom the penalty is imposed is not specified.

39. The Tribunal is satisfied that the Final Notice is fatally flawed and is a nullity. There is a fundamental ambiguity in the Notice as to whether it is directed to the Company or to the Applicant, as a director of the Company. Any notice must be clear as to the intended recipient.

40. The Tribunal reaches this decision for the following reasons:

(i) The Respondent should have stated unambiguously whether the penalty was imposed on the Company or the Applicant. It failed to do so.

(ii) It is apparent from the two notices that the decision-maker considered that the Applicant and the Company could be treated as a single entity. In law, they have separate legal personalities.

(iii) The Applicant issued this appeal in the belief that it had been wrongly imposed on him personally. A reasonable person could have reached the same conclusion. Both the letter and the Notice had been directed to him.

(iv) The Redress Schemes Order required the Respondent to be satisfied on the balance of probabilities that the relevant person had failed to comply with the requirement to belong to a Redress Schemes. There is an onus to clearly identify who that relevant person was.

(v) The business was being conducted in the name of the Company. This would have been the primary entity which was required to be a member of a Redress Schemes. It is the Company that has now become a member of Property Redress.

(vi) Whilst the Redress Schemes Order imposes an obligation on "a person who engages in property management work" to be a member of a Redress Schemes, the Final Notice should have specified why the Applicant was the relevant person on whom the Notice was to be served.

(vii) Because the Applicant believed that the Final Notice had been wrongly served on him, rather than the Company, he had only appealed on the ground that the decision was wrong in law (see [25(b)] above). He had not considered it necessary to address the other grounds, such that the amount of the monetary penalty was unreasonable.

(viii) The decision-maker did not consider the financial circumstances of the Applicant. This would have been a fatal error had the relevant person been the Applicant.

(ix) Whilst it would have been open to the Tribunal to join the Company as a party to the Appeal, it is not the role of this Tribunal to determine on a balance of convenience the relevant person on whom the monetary penalty imposed. The Final Notice must clearly identify the intended recipient beyond a reasonable doubt.

(x) A reasonable person in the position of the recipient of the Notice would have concluded that the Notice is ambiguous.

Judge Robert Latham
14 April 2026

Rights of Appeal

By rule 36(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, the tribunal is required to notify the parties about any right of appeal they may have.

If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber), then a written application for permission must be made **by e-mail** to the First-tier Tribunal at the regional office which has been dealing with the case.

The application for permission to appeal must arrive at the regional office within 28 days after the tribunal sends written reasons for the decision to the person making the application.

If the application is not made within the 28 day time limit, such application must include a request for an extension of time and the reason for not complying with the 28 day time limit; the tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed, despite not being within the time limit.

The application for permission to appeal must identify the decision of the tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

If the tribunal refuses to grant permission to appeal, a further application for permission may be made to the Upper Tribunal (Lands Chamber).