therightmortgage & protection network

# Suspicious Activity Reporting Procedure

## Overview

The FCA is intensifying its attention on mortgage fraud to tackle what it calls a 'serious and widespread problem'. The regulator states: "*It is essential that, as a mortgage broker, you have sufficient controls in place to prevent your firm being used for committing fraud.*"

As a member of the Network your business operates within FCA requirements and Money Laundering Regulations and you are duty-bound to take steps to identify any activity you suspect may be linked to financial crime.

Such activity can include anything that you suspect is linked to financial crime or terrorist financing, including any transaction where an individual attempts to obtain a financial product or to provide a financial benefit to an individual or organisation through deceptive, or fraudulent means.

<u>Suspicious activity must be reported appropriately.</u>

## What constitutes a suspicious activity?

There are many reasons why you or one of your colleagues might become suspicious about a transaction or activity. Often it's just because it's something unusual for your business. Maybe the customer said they got your number from the website, but you don't have one. Or perhaps a customer has tried to make an unusually large payment in cash (i.e. broker and application fees) but then decides to withdraw soon after. Maybe the customer behaved strangely, found it difficult to answer questions you would expect a genuine individual to be able to answer quite routinely, or they made unusual requests that didn't seem to make sense. Perhaps the transaction just doesn't add up commercially.

You should look carefully at all transactions to consider if there is anything suspicious about them.

There are many situations that could give you a suspicion of a financial crime, in addition to those above. The following should be considered:

- The method and manner in which the customer first contacts you
- Whether the customer is unwilling to meet at their home
- Difficulty in providing evidence of identity or address
- Payments from a foreign bank account or an unusual bank account
- Payments being made in cash or electronically
- Payments made via a third party
- Customer reluctant to provide 'original' documents

- No concern about charges/fees and greater interest in how to cancel
- Surrender or cancellation payments made to a third party
- Payments inconsistent with clients occupation and earnings
- Client not declaring full income to avoid paying tax
- Unusually large transactions on bank statements
- Wanting to use their own solicitor, even where a ‘free legals’ deal are available

## What are your obligations?

If, at any time, you become suspicious of a client or transaction, you must report these suspicions to the Right Mortgage and Protection Network Financial Crime Officer, Ben Allen. This can be done in confidence and, generally, no other person connected with the transaction, especially the customer, should be made aware of your report as this could be construed as “tipping off”.

You must complete in full the ‘Suspicious Activity Report’ form. Care must be taken to ensure that all information recorded is accurate and relevant.

If you fail to report a suspicion when there are reasonable grounds to suggest a report should have been made, you may be liable to disciplinary action by the Network as well as the potential for enforcement by the regulator and prosecution by law enforcement agencies.

If you are in any doubt, report your suspicions to us and we will tell you whether the transaction should continue or not. Your legal requirements will then have been satisfied.

If the Financial Crime Officer agrees with your suspicions, they may inform the National Crime Agency (NCA) and await further instructions from them on how to proceed. The client must not be made aware that their case has been reported for suspicion.

During an investigation, a law enforcement agency may contact us for further information. If you are contacted, you should refer this immediately to The Right Mortgage and Protection Network’s ‘Financial Crime Officer’ or Managing Director (in their absence). You must not try and deal with the query nor ignore the request.

## When to report a suspicious activity?

Anyone in your business must report any suspicious transaction or activity immediately upon becoming aware of it; as previously stated this should be made to the Financial Crime Officer. It’s the responsibility of the Financial Crime Officer to decide whether they need to send a report or ‘disclosure’ about the incident to the NCA. They do this by making a Suspicious Activity Report.

Please ensure that when making a suspicious activity disclosure you make use of the Suspicious Activity Report.

## What steps should be taken to reduce the risk?

**Proof of Identity:** Generally, lenders and insurance providers will have their own rules to establish the identity of customers as well as (for lenders) the accuracy of information in relation to income and outgoings. Normally, there is a requirement for you to identify the customer at the beginning of the business relationship and to identify what type of business activity is expected in relation to your customer so you know what might constitute a suspicious activity. You are also required to validate statements made about employment, income and outgoings and that the details provided are accurate and can be backed up with evidence through genuine documents prior to submission of the application.

You should identify:

- Their name, address and date of birth
- Signatures that match from identity documents to applications
- Where funds (e.g. deposit) are coming from
- The clients correct employment status; employed or self-employed
- The client's existing financial position; income and outgoings
- The genuine purpose of the transaction; residential or buy to let

Detailed guidance regarding necessary client documentary evidence can be found on the Adviser website.

**Introducers:** The easiest way to mitigate risk of you becoming a conduit to financial crime (or an unwitting passenger) is to ensure that all business partners with whom you engage are fit and proper; particular attention needs to be paid regarding introducers. Please ensure that you are familiar with the Network procedures regarding introducers and the associated due diligence.

## Who is responsible for suspicious activity reporting?

There is a statutory requirement for ***anyone*** at your firm to report information which comes to their attention in the course of their business activities which, in their opinion, gives rise to a suspicion of money laundering or fraud.

## Financial Crime Officer Contact Details


**Ben Allen**

**The Right Mortgage and Protection Network**

**St. Johns Court, 70 St Johns Close, West Midlands, B93 0NH**

**T:** 01564 732744; **M:** 07769 353709
**E:** SAR@therightmortgage.co.uk (entitle email 'Suspicious Activity Report')

## Consent to proceed with a transaction.

You shouldn't proceed with a transaction without first getting consent from the Network (who in turn, where necessary, would obtain consent from the National Crime Agency) in the event that a particular transaction or activity raises suspicions of money laundering or terrorist financing. The National Crime Agency will respond to the Network within 7 days of receiving the Suspicious Activity Report.

Throughout the process consideration will be given to avoiding 'tipping off' the client.

## In addition to suspicious activity…

You should also remember you are responsible for reporting any wider suspicions of fraudulent activity, or examples of poor practices resulting in potential fraud you have noticed. This is in addition to your statutory duty to report suspicious activity.

The following are examples of what you should report:

- Instances when it has come to your attention (for example during discussions with clients) that other brokers have been:
  - Encouraging applicants to inflate their income or provide false employment details on mortgage applications; or
  - Offering clients access to false documents (bank statements, utility bills, wage slips, accountant references, passports etc.) to support mortgage applications.
- Concerns about a lender's Business Development Manager (BDM) –such as instances where they might have encouraged you to favour certain products where they may not be suitable, or to manipulate client details to fit criteria.