KRM Property Investments LTD

Unlocking Real Estate Opportunities Together

When Deal Sourcing Is Estate Agency Work

A due-diligence based note for investors and property professionals

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This briefing explains when deal sourcing can move into estate agency work, why that matters to investors, and which compliance checks are worth making before you rely on a sourcer or packager.

General information only. This document is not legal advice.

When Deal Sourcing Is Estate Agency Work

Executive summary

"Deal sourcing" and "deal packaging" are not legal labels that sit outside regulation by default. In the United Kingdom, the key question is what the business actually does. The Estate Agents Act 1979 focuses on activity carried out in the course of business, on a client's instructions, to introduce parties to a land transaction and then help secure the purchase or sale. [1][2]

For investors, the practical point is simple: if a sourcer takes instructions, introduces a buyer or investor to a property opportunity, and stays involved to help the transaction move forward, that business may be carrying out estate agency work. His Majesty's Revenue and Customs (HMRC) now explicitly lists introducing buyers or investors to a "property deal", also known as property sourcing, as activity likely to be estate agency work for anti-money laundering purposes. [1]

If a sourcer is in scope, investors should expect proper anti-money laundering registration and written controls, residential redress membership where relevant, fee and referral transparency, and sound handling of client money where any funds are received. [3][4][5][6][7][8]

Area	What a professional sourcer should be able to show you
Scope of service	Written terms stating who the client is, what the sourcer does, and what is excluded.
Anti-money laundering	Evidence of HMRC registration where required, a written risk assessment, and written policies and controls.
Redress	Membership of an approved redress scheme for residential estate agency work.
Transparency	Clear written disclosure of fees, referral arrangements, and any transaction-linked rewards.
Client money	A separate client account and client money protection where the business model actually holds client money.

1. Why labels do not decide the rules

Section 1 of the Estate Agents Act 1979 looks at what is done in the course of business. The definition focuses on activities carried out on a client's instructions to effect an introduction between a person who wants to buy or sell an interest in land and another party, and on steps taken after that introduction to secure the acquisition or disposal. [2]

That means a business can still fall within estate agency work even if it describes itself as a deal sourcer, buyer's agent, private acquisitions specialist or packager. HMRC's registration guidance reinforces that point by listing relocation agents, property finders and private acquisitions specialists among the businesses that may need anti-money laundering supervision where their activities meet the test. [3]

2. When deal sourcing is likely to be estate agency work

A sourcing business model is more likely to be treated as estate agency work where several features are present together. The higher-risk pattern is not simply finding an opportunity; it is sourcing plus introduction plus progression. [1][2]

- You are acting on instructions from an investor, buyer or seller.
- You introduce the investor or buyer to a seller, selling agent, developer or off-market opportunity.
- You deal with enquiries, pass information between the parties, negotiate, chase paperwork or help remove friction after the introduction.
- Your fee is linked to the buyer proceeding, reserving the property or completing the transaction.

By contrast, a model that is genuinely limited to publishing adverts or sharing information, without introductions, advice, negotiation or progression, is more likely to fall outside the estate agency definition. HMRC makes that distinction expressly in its handbook. [1]

3. The compliance areas investors should expect

Anti-money laundering registration and written controls

If a sourcer is carrying out estate agency work, trading without registration where registration is required is serious. HMRC states that it is a criminal offence to trade as an estate agency business without being registered, or after registration has been cancelled, for money laundering supervision. [3]

Investors should expect more than a registration number. The Money Laundering Regulations 2017 require a written firm-wide risk assessment and written policies, controls and procedures proportionate to the business. Those documents are core due diligence items because they show whether the business understands its own regulatory exposure. [4]

Residential redress membership

For residential estate agency work, membership of an approved redress scheme is a legal requirement across the United Kingdom. The relevant order applies to people engaging in estate agency work in relation to residential property, and the penalty charge for non-membership is set at £1,000. [5][6]

Redress matters because it is one of the clearest signs that a business accepts accountability if a dispute cannot be resolved informally.

Fees and referral transparency

National Trading Standards guidance treats fee and referral transparency as an immediate priority. Investors should expect clear written disclosure of the price of the service, the existence of any referral arrangement, who the referral partner is, and the value or amount of any referral fee or non-cash reward. [7]

Where a sourcer receives third-party rewards from brokers, conveyancers, insurers or other providers, those benefits should be disclosed early and in writing, not left to assumptions.

Client money, separate client accounts and protection

If a sourcing or packaging model receives client money, investors should ask how that money is segregated, protected and documented. A separate client account is the first practical safeguard because it ring-fences client funds from the business's own trading money.

The position on client money protection is not identical in every part of the United Kingdom. In England, letting and property management agents in the private rented sector who hold client money must belong to an approved client money protection scheme. GOV.UK also notes that Wales requires client money protection before an agent licence is obtained through Rent Smart Wales, while Northern Ireland does not require membership of a client money protection scheme. Scotland's letting agent code of practice requires separate dedicated client bank accounts and client money protection insurance or equivalent protection. [8][9][10]

For deal sourcers, the safest investor question is: if you ever hold my money, where is it held, what protects it, and what do your written terms say about when it is received, applied and returned?

4. Does this apply in the same way across the whole United Kingdom?

Broadly, yes for the estate agency analysis itself: the activity-based question under the Estate Agents Act 1979, HMRC's anti-money laundering approach, and residential estate agency redress are United Kingdom-wide points. The main area where the detail changes by nation is client money protection and the rules that sit around letting and property management. [1][3][5][8][9][10]

Nation	What broadly stays the same	Client money / protection note
England	Estate agency work, HMRC supervision and residential redress remain in play where the activities match the legal test.	Client money protection is mandatory for letting and property management agents in the private rented sector who hold client money. [8]
Wales	The same estate agency / anti-money laundering / residential redress analysis broadly applies.	Rent Smart Wales licensing conditions require client money protection where client money is handled. [8][9]
Scotland	Estate agency analysis still matters, although some solicitor-centre work is treated differently in HMRC guidance. [1]	Letting agents must use separate dedicated client bank accounts and client money protection insurance or equivalent protection. [10]
Northern Ireland	The estate agency and anti-money laundering position still matters if the activities meet the test.	GOV.UK says you do not have to join a client money protection scheme there. [8]

5. Reform direction and competence signals

The government's current direction of travel is towards stronger professional standards, but the position is still evolving. The Home buying and selling reform consultation on GOV.UK is closed and, as of 9 March 2026, the page states that the government is analysing feedback. [11]

A House of Lords written answer dated 5 February 2026 repeats that the government has proposed a future consultation on mandatory qualifications for estate and letting agents and a code of practice for residential property agents, but says the full position will be set out in due course. RICS has separately noted that there is currently no planned legislation to support major changes until the roadmap is published. [12][13]

For investors, qualifications remain a practical competence signal even before any new law is introduced. Propertymark's Level 3 Certificate in Property Agency includes learning outcomes on legislation, sales agent duties, marketing particulars, negotiation and sale progression, all of which are directly relevant to professional sourcing practice. [14]

6. Investor due diligence checklist

Before relying on a sourcer or packager, ask the questions below and keep the answers on file.

Question	What you should expect to receive	Done
Who exactly do you act for, and what do you do after the introduction?	Clear written terms with scope, exclusions and fee triggers.	☐
Are you registered with HMRC for anti-money laundering supervision, where required?	Registration evidence and a brief explanation of why the business believes it is in or out of scope.	☐
Do you have a written risk assessment and written policies and controls?	Current documents, or at minimum confirmation they exist and are inspection-ready.	☐
Which redress scheme do you belong to for residential work?	Membership evidence and a complaints route.	☐
What fees do you charge and what referral rewards do you receive?	Written pricing and written referral disclosures.	☐
Will you hold any client money?	A clear yes or no, plus the client money procedure if yes.	☐
If you hold client money, is it ring-fenced and protected?	Client account details, scheme or protection details, and written terms covering release/return of funds.	☐
What evidence supports the deal numbers?	Comparable evidence, assumptions, costings and downside sensitivity.	☐

7. Bottom line

A sourcer does not avoid regulation simply by choosing a different label. In the United Kingdom, the legal and supervisory focus is on activity. Where a business takes instructions, introduces parties to a property transaction, and helps secure the acquisition, investors should treat estate agency compliance as a live issue.

That does not mean every sourcing model is automatically the same. It does mean that serious investors should look for evidence of registration, written controls, redress, transparency, and disciplined handling of any client money. Those checks are not bureaucracy for its own sake; they are practical indicators of whether the operator in front of you is professional, accountable and fit to handle real transactions.

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