

LANDLORDS

PROTECT YOUR PROPERTIES FROM PROPERTY FRAUD

By specialist property accountant **Stephen Fay** ACA

Property fraud is on the increase, and landlords and mortgage-free properties in particular are especially vulnerable, many without even realising it. The consequences of property fraud – given the potential sums involved – can be life-changing. This article highlights an HM Land Registry service that can detect and prevent potential property frauds, and is worth considering for any property owner.

I've never heard of "property fraud" – what is it, exactly?

There are many types of property fraud, the most common being a fraudster impersonating the owner by stealing their identity, then either selling the property or mortgaging the property, and receiving the sale proceeds or mortgage funds released.

Of course, conveyancers and solicitors conduct ID checks on clients. However with the best will in the world these will never be able to completely eliminate fraud risk – and fraudsters are increasingly devious in finding new ways to impersonate a property owner.

According to HM Land Registry, there have been over 400 fraudulent applications made on property valued at more than £200 million, which have been stopped by HM Land Registry.

Which types of properties or people are most at risk?

Property fraud can happen on any property, and to anyone, but the following are high risk factors:

- If your identity has been stolen at any point
- If you live outside the UK
- If the property is rented or is empty
- If the property is mortgage-free
- If the property is not registered with HM Land Registry



Landlords are more at risk than owner-occupiers as they don't live at the property address, and so would not normally be able to access post sent to the address (for empty properties, this is a reason to visit the property often to pick up post).

How can a fraudster "steal" my property?

Having identified a target property that appears vulnerable, fraudsters then may apply for replacement driving licence, passport etc, with a substituted photo of themselves, rather than the genuine property owner, or even have their own name changed by Deed Poll to match the property owner name.

Once the fraudulent ID documents are in place, bank accounts can be opened. A solicitor can be instructed to either sell or mortgage the property, and the funds are then transferred into the fraudulently created bank account. The funds are then moved immediately to a fraudster's "safe" bank account, usually overseas ... and the property owner may be completely unaware of what has happened.

Scary stuff ... I want to check my own properties, how do I do that?

Properties that have been bought, or mortgaged, since 1998, will be registered. However, there is a search facility so that a property owner can check their properties are definitely registered:

<https://www.gov.uk/search-property-information-land-registry>

Using the above link allows you to download a copy of the "Property Summary" and "Title Register" for a property. These are important documents as they show legal ownership of the property, similar to a V5 form for a car, or a share certificate for shares.

PROPERTY SUMMARY:

- The "official" property address held by Royal Mail
- Description of the property, including "tenure" (freehold, leasehold etc)
- Any "Restrictive Covenants" – limits on what can be done on or to the property

- Any "Easements" – the rights of one piece of land over another, such as a right of way

TITLE REGISTER:

- Title number and property owner name
- Price of the last property sale
- Whether the property is mortgaged, and if so, the mortgage lender name
- A Title Plan will also show the property location and general boundaries

The Property Summary is free, while the Title Register and Title Plan documents are £3 each.

Top tip ... Ensure that your contact details are your own home, **NOT** the property address. This is a common mistake and makes it easier for fraudsters to intercept letters as these would be sent to the property without the owner seeing them.

OK, I've checked at HM Land Registry, what's next?

If the property is not registered at HM Land Registry, a "First Registration" application to HM Land Registry should be made immediately, ideally by a solicitor to ensure no mistakes are made, using form "FR1". A fee is payable, and depends on the value of the property.

If the property is registered at HM Land Registry, there are two main ways to protect a property from fraud:

1 Track changes at HM Land Registry using the "Property Alerts" service

The HMLR Property Alerts service is free to use, and alerts the registered owner of certain applications made on a monitored property, such as a new mortgage application or a change of ownership.

Property Alerts won't itself block changes to the register, but sends the property owner an email, so that the owners can take action. The Alert email will signpost you as to who to then contact to check on the Alert.

Up to 10 registered properties in England and Wales can be monitored, and the service can be used on property you don't own – so allowing property owned by elderly or vulnerable people to be monitored, for example.

Top tip ... Make 100% sure that your contact details are up to date. You do not want Property Alerts going to an old email account that you no longer check! Similarly, postal address changes should be updated. The system allows up to three addresses, including an email address and an overseas address.

Sign up for Property Alerts here:

<https://propertyalert.landregistry.gov.uk/>

2 Put a restriction on the property title

A legal restriction can be put on the property, which stops HM Land Registry from registering a sale or a mortgage on a property. The only way the sale or mortgage could proceed would be if a solicitor (or licensed conveyancer) formally certifies that the 'application' (to sell or mortgage the property) was definitely made by you, the property owner.

There are different forms depending on the circumstances:

- Restriction by a **private individual** property owner who **DOES NOT** live at the property (ie landlords mostly) – Form "RQ" – this service is free:

<https://www.gov.uk/government/publications/restriction-by-owner-not-living-at-property-request-registration-rq>

- Restriction by a **private individual** property owner who **DOES** live at the property (ie owner occupiers) – Form "RX1" – this service costs £40:

<https://www.gov.uk/government/publications/enter-a-restriction-registration-rx1>

- Restriction by a **company** property owner – Form "RQ(Co)" – this service is free:

<https://www.gov.uk/government/publications/restriction-by-company-request-registration-rqco>

HM Land Registry will write to confirm when the restriction has been added to the property registration.

Is there any compensation available if I am subject to property fraud?

If you think you have been a victim of property fraud, contact the HM Land Registry "Property Fraud Team":

Email:
reportafraud@landregistry.gov.uk

Telephone:
0300 006 7030

If the worst happens and you are the victim of a property fraud, and suffer a financial loss as a result, you may be compensated if the property was registered at HM Land Registry (but not if it isn't!). HM Land Registry may pay substantial compensation if properly registered properties are subject to fraud that could have been prevented. There may also be redress via insurers, depending on the circumstances and policy details.

Summary

Property fraud is a "high-risk low-likelihood" event, but given the sums involved for the sake of a modest amount of time and trivial cost it really does make sense to ensure that a landlord's properties, whether held personally or in a company, plus their own home, is protected via the HM Land Registry options available. This article is not the most exciting property article ever written ... but acting on it could prevent a catastrophic financial loss!



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