

Podcast Transcript: Safeguarding Transactions and the Unconditional Contract: Why AML Matters

Podcasters:

George Walker, Partner – Allsop Commercial Auction

Richard Adamson, Partner – Allsop Residential Auction

Jim Bridges, Allsop Head of Anti-Money Laundering

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George: Welcome to the latest edition of the Allsop Prop Chat. My name's George Walker and as always, I'm joined by my fellow auctioneer, Richard Adamson.

Today we've got a special guest, Allsop's Head of Risk, Jim Bridges. Jim, welcome to the party.

Jim: Thank you, delighted to be here.

George: So Jim heads a team and really I think it would be very useful for people to hear your background. How did you get to Allsop? Because you started in the army and you did all sorts of other things, which is quite interesting.

So, so talk us through your journey, Jim.

Jim: Yeah, so a very non-traditional route, I think. It's a compliance, risk, anti-financial crime. Um, I joined the army as a very young man.

I spent 20 something years dashing around the world, in operational roles and, left the military and went into the charity sector, worked at the RNLI for, for a while, running the RNLI college, before I went into banking, um, joined a large international bank, and I spent the best part of eight years there finishing up as the head of financial crime in a Middle Eastern country, running their financial crime team.

George: Head of financial crime prevention, we assume.

Jim: Yes, absolutely. Anti financial crime. Um, but it was really interesting because it gave me that, you know, broad insight into sanctions risk, into money laundering fraud, into the relationships between geopolitical spheres, particularly in that region, particularly at that time.

And it just really linked back to what I was doing in the military, which is about bringing the right people together to have really positive outcomes. And I think that bringing that experience into a different sector, you know, it is amazing. I like doing the difficult jobs. I like bringing people together, uh and I really enjoy that challenge. So, so, that's, that's why I'm here. And that's why I'm at Allsop.

George: Okay, I mean, it's a slightly moving feast, isn't it? I mean, Rich and I will remember the end of 19, we first started registering buyers, which is five years ago, and we all thought at that point, oh my goodness, it might actually threaten our business.

But it seems to be, if you do it properly, to have been a real bonus, actually knowing who you're selling for and who you're selling to.

Jim: Yeah, I think you're absolutely right, there's two parts. The first part is that, there's a set of rules everyone has to follow, whether you're in financial services, whether you're in property, accountancy, the legal sector, whatever.

We have to know, who we're dealing with, and if we know who we're dealing with straight off the bat, then it enables us to really transact more swiftly and with more surety. And that benefits both our vendors, because we're able to demonstrate, we know our bidders and buyers, particularly in the auction sector, but equally it..

George: You know quite a lot of them quite well, don't you? We'll come on to that in a minute.

Jim: Yeah. But also it gives our buyers a bit more surety that once they've registered to bid and once they're successful, actually we're kind of hitting the ground running. We're not then going back out and asking additional questions. And some of these questions can be seen as intrusive and some of these questions are unwelcome.

But you know, if we get this done upfront, it makes a much smoother transactional process for everybody.

Richard: So for some of the listeners, I suppose they'll have a sliding scale of familiarity of what we're talking about and what you do.

So can you in a nutshell describe, I mean, Because it's effective for all transactions, all parts of our business.

Probably the easiest way to describe it is what we do from an auction perspective for buyers and for sellers. Buyers are probably easier because it's the same principle, isn't it, for the sellers, ultimately?

Jim: Absolutely. So, taking the sellers first, I think understanding, is that seller the rightful owner of a property or an asset that they're trying to dispose of?

Establishing that fact and making sure that we understand who ultimately benefits from that sale, so who is going to receive the funds from the sale. It's as simple as that. And for our buyers, it's really understanding, you know, who is this buyer? Is there anything around this buyer that might prevent them from completing the transaction?

And in some cases, you know, there's a little bit more delving into sort of the source of funds and stuff, depending upon the kind of the risk that we're looking at.

Richard: Because there's a structure point there, isn't there, in terms of, you've summarised that really well, obviously, in terms of the high level of it all, but in a lot of the occasions where we're going through this process for buyers and for sellers, there are companies and structures involved, rather than it just being Mr. Jones purchasing and Mrs. Smith buying it or whoever it might be, and you go through that process, which we still do anyway for those individuals, but there are companies, there are funds, all sorts of things. So can you sort of elaborate on how that suddenly starts to get quite, Technical.

George: because the vast majority is relatively straightforward, isn't it?

Jim: Yeah, so the vast majority for particularly our residential market is relatively straightforward. Individual buyers, small property companies, small conglomerates of people coming together to affect a purchase. For some of the more complicated and developed entities or companies, you know, they may have complex corporate structures that sit above them.

And so being able to understand where and who has ownership of those structures is the most important part. Ultimately it's about having that, I suppose, transparency around the structure, understanding who benefits from the sale or acquisition. And some of this comes back into the types of clients that we then act for.

You know, understanding and having really good strong processes means that we can work across the market. From individuals looking to transact, invest, buy their first home, whatever it might be, all the way up to our big institutional investors and funds, acting for REITs, and large regulated firms and investment houses as well.

George: And some overseas entities. I mean, by, spreading that wide doesn't actually preclude many people, does it? It just slows the process down in some cases, but most people, vast majority of businesses is rubber stamped at some point, in my experience.

Jim: Yeah. No, and I think we're really fortunate that, we've got a slick and robust set of, procedures that enable us to quite swiftly work through the process, and really avoid snagging up either getting a property to market.

Or, enabling someone to bid or buy in the, in the auction world. And likewise, in the non-auction transactional chains, I think it's that speed to enable the transactions to occur, because the last thing you want is unnecessary delay, because that can sometimes, mean that transaction doesn't happen for a number of reasons.

George: And to give people an idea, I mean, you've got a team of how many, four people?

Jim: Yeah, so there's four of us, and then we have, some of the business that rotate through. So, we're upskilling our graduates.

George: It's interesting, isn't it? 2024, our graduates who rotate around three slots in a business in a two-year period are also now including a spot with you because it's so central.

Jim: Yeah, and it makes for a much better client and customer experience, if the business facing teams and those that are managing those client relationships understand what we

need, when we need it, at which point in time, that makes for a much smoother transactional experience.

George: Interesting, we've had, um, some folks in the auction team been through your gym and it does make it, as you say, when you get to 11 o'clock at the day of the auction and someone hasn't quite, or doesn't know what they want or they need, it's very helpful.

Richard: It's made a big impact on, on our team, and I think that, it's fair to label the point as much as it possibly can, is that, that actually for us as a business upskilling, now, but over the next five, 10 years, if you know, bearing in mind, our retention of graduates is something like 70 percent they'll become partners and stay in the business.

You play that through on that journey in 10 years, you're going to have various people who've got a much better skillset than we do now, because they've gone through that process the whole way through. And I think it's great. And we see it firsthand now with our graduates and apprentices who know the law inside out and what's required because they've been through your team. So, it makes us better at what we do and quicker.

George: So, bear in mind Richard, you sell what, two or three thousand assets a year, we sell about six hundred.

Jim, how many cheques do you do in a year? And you and your team?

Jim: So, so last year we did about 12,000,000. So there's clearly a, you know, there's, there's a commercial impact here.

The cost of, and the resourcing to do, to do that and complete that. To create this environment that, you know, enables those transactions to happen, um, as well as having graduates rotating through the team, you know, outside of what would traditionally be seen as core kind of graduate activities. You know, we've made a decision as a business that this is an important investment and it gives us a commercial advantage.

George: Yeah, and I would say for any graduates listening, clearly you'll have a city office and you'll have valuations, you'll have auctions and transactions to deal with as well in your rotation. You won't be spending, um, nine or 10 months with Jim's team.

Richard: That's an important point though, is that, you know, obviously there's several moving parts to this, you know, there's obligations, we have an obligation to do this.

What we're telling you and talking about right now is nothing particularly new of recent times, but actually what is important is the ability, we talked about it earlier, of going above and beyond what we're required to do. Well, what would you tell me? Why do we go above and beyond, you know, at the moment and how does that affect our clients and reputation?

Jim: What we're trying to do is we're trying to apply a standard, which means firstly that we're market leading, we don't want to come under criticism for failing to do something in the right way or to the correct standard. I think there's a really important part there because reputational risk of getting that wrong.

can be huge, not just the reputational risk, but, you know, the potential financial penalties for doing so - that's the really important part. The second part is that if you start to just embed a culture and everyone knows what is required, it becomes much more simple.

This isn't new across the market. You'd expect. You know, similar conversations to be happening with your solicitors that are acting with any accountants that you have, helping with transactions. And so I think it's just building that awareness and understanding, which does everyone good. It also helps to prevent some of those societal harms that come through financial crime.

George: Because that's why we're doing it. Yeah. One of the main reasons we're doing it.

Jim: What we're trying to do is prevent the proceeds of crime from entering the property sector. They can be large assets and you can move high value, relatively quickly. If you don't, complete these sort of basic checks and understand who your clients are.

Richard: And, the really important part from a business point of view from the auction side of the business is that, and correct me if I'm wrong if I phrase or frame this wrong, is that ultimately it's about interpreting or where a business relationship commences and in the auction world that initially was quite hard to determine but it was determined that that's at the fall of the hammer.

Jim: Yeah.

Richard: you want the fall of the hammer to be a legally binding contract in law, which we protect with our lives because it is our USP. Therefore, what's different from the auction business to the wider transactional market is that we need to go through that process on every single bidder.

George: Yeah. So, we're ready to go when that relationship starts at the fall of the hammer because then we don't need more checks.

Therefore, it's unconditional. I think that's, that's so important isn't it?

Richard: It is, because otherwise you, the other option, which is more cost effective for businesses to have conditional contracts, the hammer falls and a byproduct is then the next step is that you go through the AML checks and a buyer backs out of the AML checks, the contract's not there to be, enforced.

So we've made a commercial decision, which is costly, upfront to ensure the protection of the contracts our clients need and want and desire for unconditional contracts and immediate transactions.

George: Richard, do you think many of your clients pick up on that?

Richard: Initially, it's interesting because you get a lot of our buyers like yours.

Buyers and sellers are both, and there are other operators out there as well. Some of those that are less well informed from a buying perspective would say, well, you make it a bit

harder for us to register to bid compared to others. But when you explain to them why, and they say, well, actually, as a seller, I'd quite like that, that obstacle is quite quick.

I've seen more recently whereby sellers have used other auctioneers and sales are falling through and they can't enforce, and they come back to you because they didn't, to be quite honest, they didn't understand the differences between what you were doing because it's not that transparent.

George: It's one of those things like terms and conditions are quite buried isn't it until you had a bad experience and you ask the question and suddenly because traders are used to going through a market quite quickly and transacting quite quickly.

Richard: I have to say for, well for lots of different sellers, but the receivers, you know, when they are under time pressures and best price and they need to cash flow, the bank wants to know when the money's coming back and all the rest of it.

To do all the hard work, get there and then have to go through that process, which could either take too long, which drags the process out or doesn't end up happening. It doesn't do us any favours. That's, you know, that's our USP - we will transact in these time frames roundabout these sorts of numbers, and that will be the end of that.

You take that away. It becomes quite a difficult sell.

George: Yeah, I think so. I think it does. I mean, anywhere it's affected your market. I mean, you've taken on a lot of lots in big portfolios. I suppose that gives those institutions comfort that there's 80 lots there to be sold in three weeks time. You can do it.

Richard: I think without question there are a lot of, I won't name them, but there are funds and REITs and people that we sold for where they are FSA regulated and have further obligations, which we have been able to assist with, i.e. going above and beyond our own, corporate responsibilities to help them where others probably wouldn't do that. And I think it's, to coin the phrase that's used about AML checks and whatnot, we want to be seen as a safe haven for buyers and sellers to transact safely. And that's what I think we are.

Jim: I agree, sometimes the processes can be a bit clunky and we're working and have worked really hard to make sure that we've simplified this as far as we can so that the client experience is really, really slick.

You know, we've invested in online, systems for, for completing checks. We can still deal with hard copy and paper copy documents so, you know, we can deal with, all types of clients, all types of vendors in all types of scenarios.

It's that time pressure that usually hits us, particularly with our bidders and buyers, as we're just about to go into those auction cycle.

George: It takes six days, doesn't it? Six days before the auction.

Richard: And I think, yes, from our point of view, George is right. You started off George when we introduced everything, is that, you know, four or five years ago when this all started, we thought this is an absolute disaster for our business in terms of the time it's going

to take to register people. That was before COVID and before going on online and streaming.

Once we've got our head around it and you've set up systems and processes and policies in place that we know what we're doing. And more importantly, our sellers and buyers know what they're doing, so it's not ambiguous. The upside to that is we have incredibly rich data. And I think that's where, if you asked the question earlier, George, am I seeing that from vendors?

Yes, I've answered that in part, but the other part is they say, actually, I can tell them day before an auction that we've got the bidder of security from three or four buyers. These are the entities and the people that are buying it. There might be a special purchase...

George: ..and by bidder security you mean money.

Richard: Money. Yeah. So, once they pass that process to bid, they put £10,000 card hold in our system, which means they can bid.

To have that conversation with a vendor who's saying, what's the interest? Five years ago, we'd say 15 downloads. Four viewers had quite a few good phone calls. You might have five, you might have 10, you might have one, you might have none. That was just the nature of how auctions work pretty much. I'm simplifying it, but that was it. Now the conversation is the night before. I've got three registered bidders with their funds that only registered on these lots.

One of them lives here next door. And you're building that picture before we get there, which makes us much, much better at our job, albeit that, that information comes in late. That's one of the real positives. You know, we can forecast, we can prepare ourselves and our clients for what's going to play out.

Push that further down the road and you look at actually, well, we've then got this data of people, George's got someone who wants, I've got 50 buyers, I want a Ladbrokes, only one of them bought it, okay, so when I get a call saying I've got six Ladbrokes, I've got 50 people to call. Makes you better as an agent.

Jim: Yeah, and you've already onboarded them, so you're not going to have to go back through a really laborious process to, you know, you might have to ask some additional questions if the business transaction is slightly different. But essentially, you've done all of the hard work, you've got them on the books, and you're able to enable that transaction.

Richard: George, before we've run out of time. What's new? What's going on in your market? You released a catalogue a week or so ago. We've now got a general election coming up, which we weren't expecting a couple of weeks ago.

How's the market changing? How's it reacting? What's new?

George: Yeah. I mean, I think everyone would agree that the commercial markets had a sort of pillow over its head for 18 months. And I love to think that announcing the election date is going to change.

It's not really. It's all about interest rates. And whilst, you know, our head of research was adamant that it'd be May the ninth, when things would change. along with everybody else, you know, it hasn't happened. So, we're, we're now pretty in a stasis again. Keir Starmer's crowd will get in and they're a pro-growth agenda.

I don't think it changes. I think people just want to see that, those rates fall. Perhaps actually, do you know what? We're in a relatively high interest rate environment. It will be that for some time. So let's just suck it up, get used to it. Certainly the yields being paid, they're very different. A lot of high street shops now 10 percent as opposed to seven percent.

Richard: So what, in terms of the catalogue, have you noticed the most recent release anything different, higher value?

George: I mean, I bang on about the same thing sometimes, but we had a very big run of big lots last year and you mentioned registrations, you know, we had our biggest lot in the February auction.

I think we got 50,000 bidder security off 11 people, you know, for a five and a half million pound lot. Because, the client was a fund. They needed that have 50,000 off 11 people to bid on a lot, which is tremendous, that run of bigger lots is continued. And this time, actually, we've got quite a lot of big hit in the Mayfair, you know, Pall Mall, Farringdon, really big stuff. Will's got a 10 and a half million pound lot for receivers on Pall Mall.

You don't expect that stuff in an auction. But I think I think it's a combination of, obviously we've had a good run, but my partner Nick was saying that average transaction time in the West End is eight months for a deal. We're doing this in, well it's been on the market three weeks, so we're doing six weeks from launch to sale for a ten and a half million pound lot.

And I think it, comes back to the understanding of the data, and it's not all about that, of course. The market's tricky, but those sort of big lots popping up, 20 million in, in very, very central London is great to see. And I think that will continue.

I mean, up to March this year, we did 25 percent of the shopping centres under 10 million pounds in the last 12 months, again, because the speed of certainty of sale, uh, and because the market's quite difficult. So we've gotten to a good place. Auctions are smaller, volumes are down a little bit, but the ability to deliver is still there.

Richard: Think you've got similar themes with us. We released a catalogue on Friday, which is an auction for the 19th and 20th of June. It's just short 350 lots, which is a big two-day sale for us.

George: Just short? You sound like, you know, you're worried about it, which is quite a lot.

Richard: It's just short.

Jim: I know right?

Richard: Give it 24 hours and it will be 350! We've got a few coming in lately. Yeah, my point being, it's a big catalogue, two-day sale. It looks to me, there's more than 16 lots over a

million pounds, which is more than it has been for a while. It's sort of hovering single figures 10 for a while.

Better quality stuff in there. We've got some really nice bits of really nice PD building down a Maidenhead, which, you know, obviously legislations we did a podcast recently has changed. There's more appetite for that. So that's an interesting market to monitor and see how that goes.

George: Maidenhead was one of the first regenerated town centres.

Richard: Yeah, it's a nice spot, nice looking building, not in a retail park.

It's a good spot. We've got a really nice student block in Stoke being sold by a proper student operator that doesn't fit in with their portfolio. So high end student stuff, which is about two and a half, three million pounds, some really nice, interesting bits that maybe people have not been wanting to sell for a while.

And think, actually now let's get on with it. And I think without stating the obvious, everyone else is stating, is that the upside and the positive of the election is that we were all planning for it to be later in the year. And therefore we'd have a grinding slow halt towards that with nothing much going on.

At least we're going to get it out of the way with probably the same outcome. So it speeds up that uncertainty and hopefully things can get back on track. So in terms of our catalogue, it's, I'd like to say it's more interesting than normal, but it's the weird and wonderful. It always, it always is. It's a lot of regional stuff in there. There's 15 to 20 grand, but there's also three and a half, 4 million pound lots in there. It's something there for everybody.

George: And I think that the political change is just going to be very welcome, because it's a clean sheet as needed, really, in Number 10. And go from there.

And whatever Mr Farage wants to say and do. It's going to be a majority. Interesting, I think that the Trump situation is going to have more impact, because if Trump comes in, it could be inflationary, and then all the idea of falling rates may just fall away.

Anyway...

Richard: I am almost tempted to say, the election will be over soon, it can't get any worse. Last time I said that was just after the pandemic, and the interest rates went up, and we went into an economic downturn. So, I won't say that. So, we can edit that out.

George: We sell real estate. That's what we do. We're not, we're not economists and everyone has their own view.

Richard: But before we go, Jim. Where is the journey of AML going to go? What's going to change in the short term? How do you see it playing out? We're all used to it now. And we've as today's podcast is saying how well we do it and better than most and above and beyond.

Jim: Yeah,

Richard: It's not going to stop where it is. Is it? It's going to be progressive.

It's going to increase. It's going to, they're going to be more obligations. Where do you see it in the next few years?

Jim: So, I think if we look just geopolitically, what's going on globally, there's a lot of uncertainty. We've got 56 global general elections this year.

Richard: It's up to 3.1 billion people voting or something ridiculous.

George: Yeah.

Jim: So nearly, you know, nearly half the global population, are voting on their democratic elections. We've then got various touch points around the globe that are, you know, incredibly difficult to understand the direction that they're going. And we have a lot of financial flows coming out of lots of these markets and other places that we kind of need to keep an eye on and understand, what's coming in.

Capital flight has always been a big, issue. We're likely to see more of that as this political uncertainty continues. So, I expect that we'll be doing definitely the same. I don't think that the checks are going to become more intrusive. I think just how we're doing them will become a little bit more scientific and a little bit smarter and better because we understand the data.

We understand our clients. Uh, we have better access to sanctions lists and politically exposed lists and adverse media and these sorts of things. So the stuff that's going on in the background will just help us to smooth the process and hopefully make that, you know, far simpler for everyone.

George: So I mean, interestingly, for every 12,000 buying entities you clear, surely the good news you're making a hole in it. But it seems to me that every year there's another 12,000, which is a joy of what we do.

There's just more people want to have a go. Interesting to see what it is 12 months time.

Jim: Even more interesting is we don't know, you know, kind of who we're keeping out of the market.

So that the risk that we're preventing from getting in in the first place, um, a bit of an open question there.

George: Yeah, but there are some good bits. I mean, there's several countries to come off the list, isn't it? So I mean,

Dubai is one example, which, which is actually very positive. There's a lot of our investors will live out there and certainly trade assets out there. So that's really good.

Look, it's excellent, Jim. Thank you for clearing some of the mist on that. Registration, we talk about it quite a lot, has become a real asset to what we do, and your team are really helping that.

So, for any feedback, um, questions on, on the clearance, jim.bridges@allsop.co.uk, that's how you get a hold of Jim.

Richard and I are on our email as always, richard.adamson@allsop.co.uk or george.walker@allsop.co.uk.

We look forward to your comments, and of course, the next pod. Thank you very much for your time.

Richard: Thanks George.

Jim: Thanks, George.

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*Every effort has been made to ensure the accuracy of the transcription of the podcast “**Safeguarding Transactions and the Unconditional Contract: Why AML Matters**”*

The podcast and its transcript presented here is for general guidance and represents opinions of our teams based on the property market at the time of recording.

All details are correct at time of recording (4th June 2024).