

THE LATEST OFSI PROPERTY AND RELATED SERVICES THREAT ASSESSMENT

Date: 23 April 2025

UK Policy and Regulatory Alert

By: Michael E. Ruck, Rosie Naylor, Petr Bartoš

The United Kingdom's Office of Financial Sanctions Implementation (OFSI) has published a report detailing suspected breaches of UK financial sanctions involving UK property and related services firms since February 2022 and ongoing threats to sanctions compliance (the [Assessment](#)).

WHY DID OFSI FOCUS ON PROPERTY AND RELATED SERVICES?

Under the United Kingdom's financial sanctions regime, property is an “economic resource”. Individuals and entities designated by OFSI (DPs) are prohibited from using UK financial services to execute property transactions and may also be subject to asset freezes, which include economic resources such as property.

Property and related services firms captured in the Assessment include UK firms and sole practitioners involved in the sale, maintenance or upkeep of properties. OFSI's Assessment is a broad cross-sector assessment that considers a range of actors including: estate agents; letting agents; landlords; tenants; property managers; property investors; property developers; UK firms dealing with overseas properties; and overseas firms dealing with UK customers.

OFSI confirmed that almost half of suspected breaches related to UK residential property owned or let by DPs. The remainder of suspected breaches were linked to UK commercial properties, investments into UK properties, the use of UK property firms by DPs to facilitate overseas business interests and client relationships, and the renewal or continuation of property-related contracts (including insurance) on behalf of or for the benefit of DPs.

OFSI'S KEY FINDINGS

The Assessment sets out five key findings relevant to UK property and related services firms from February 2022 to present.

Underreporting of Breaches

OFSI found it was almost certain that UK property and related services firms have underreported suspected breaches of financial sanctions to OFSI. OFSI also observed significant delays in the identification and reporting of suspected breaches.

Noncompliance With Licence Conditions

OFSI stated it was almost certain that DPs have breached UK financial sanctions by making or facilitating transactions for the benefit of their UK properties without or outside the scope of an OFSI licence or applicable exception (further information on OFSI licencing can be found [here](#)).

OFSI found that the vast majority of suspected breaches of licence conditions related to payments made by DPs or connected entities for the maintenance of UK properties.

Russian DPs and Their Enablers

OFSI identified the use of professional and nonprofessional “enablers” who assist DPs in concealing their beneficial ownership or control of UK properties.

OFSI reports it was highly likely that property-related breaches of sanctions have been enabled by UK property firms facilitating the payment of household staff payments, council tax, utility bills, property maintenance services, letting services and more, without an applicable licence. This is particularly the case for small-scale property or related services firms or sole practitioners with high-risk appetites and longstanding relationships with DPs.

Family and Associates

OFSI found it was highly likely that DPs have used nonprofessional enablers, such as family and close associates, to frustrate UK financial sanctions by transferring ownership or control of property assets to family/associates to disguise beneficial ownership. Key giveaways are the use of family members or associates of DPs making payments for services relating to properties owned or controlled by a DP, e.g., through direct debits to settle insurance contracts, or for the maintenance of a property, or to pay for a subscription service at an address linked to a property.

OFSI encourages all UK firms to report any suspicious changes to the ownership or control of property assets linked to a Russian DP, particularly when properties are considered super prime properties, i.e., at the top 5% end of the property market.

Professional Enablers

OFSI considered it was almost certain that UK property and related services firms have acted as professional enablers for DPs, thereby facilitating sanctions breaches. Since February 2022, most professional enabler activity includes concierge and personal security services, other property-management services, or lifestyle-management services. Without a relevant OFSI licence, these payments could breach UK financial sanctions.

OFSI recommends staying alert to changes in ownership or control of a DP's property asset, particularly if it has been recently divested to a percentage below 50% to bypass the basic due diligence checks.

INTERMEDIARY JURISDICTIONS

The Assessment also encouraged vigilance when “red flags” arise in conjunction with an intermediary jurisdiction nexus (i.e., a jurisdiction other than the United Kingdom or the jurisdiction to which UK financial sanctions apply). The Assessment found that Russian DPs structured their financial interests through a number of intermediary jurisdictions, some of which offer greater privacy in legal and financial systems. OFSI reported that since 2022, 22% of suspected breaches involved actors in intermediary jurisdictions including: Austria, Azerbaijan, the British

Virgin Islands, the Republic of Cyprus, Jersey, Guernsey, Luxembourg, Switzerland, Türkiye, the United Arab Emirates and the United States.

REPORTING

Property and related services are obliged to make Suspicious Activity Reports (SARs) to the National Crime Agency under Part 7 of the Proceeds of Crime Act 2002 and the Terrorism Act 2000 if money laundering or terrorist financing activities are known or suspected. Guidance on SARs is available [here](#).

As of 14 May 2025, letting firms will join estate agents and other relevant firms in being required to report to OFSI if they know or have reasonable cause to suspect that a person is a DP or if a person has breached financial sanctions regulations, if the information or other matter on which the knowledge or cause for suspicion is based came to it in the course of carrying on its business. This applies regardless of the rental value of properties handled by letting agents and includes all forms of tenancies.

PRACTICAL STEPS

To ensure compliance with your reporting obligations, the following practical steps are advised:

- Monitor and identify any red flags as indicated in the Assessment.
- Update client due diligence beyond basic ID checks to check beneficial owners and connected parties.
- Remind yourself of your specific reporting obligations under the Sanctions and Anti-Money Laundering Act 2018 by reading the [guidance](#) published by His Majesty's Revenue and Customs.
- Complete a tailored risk assessment incorporating the above findings.
- Identify and comply with any applicable licence requirements.

CONCLUSION

OFSI's Assessment builds on previous and related publications issued by OFSI and UK government partners, including the Financial Services Threat Assessment published by OFSI in February 2025 (see our corresponding alert [here](#)) and the Legal Services Threat Assessment published by OFSI in April 2025 (see our corresponding alert [here](#)).

If you have any questions on the Assessment or want further advice on developing your policies for UK sanctions compliance, please do not hesitate to contact the authors listed above.

KEY CONTACTS



MICHAEL E. RUCK
PARTNER

LONDON
+44.20.7360.6424
MICHAEL.RUCK@KLGATES.COM



ROSIE NAYLOR
SENIOR ASSOCIATE

LONDON
+44.20.7360.8241
ROSIE.NAYLOR@KLGATES.COM



PETR BARTOŠ
SENIOR ASSOCIATE

BRUSSELS
+32.2.336.1922
PETR.BARTOS@KLGATES.COM

This publication/newsletter is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer. Any views expressed herein are those of the author(s) and not necessarily those of the law firm's clients.