Checking your identity – the fight against money laundering, financial crime and terrorism

FSA®
Financial Services Authority

This information is from the Financial Services Authority (FSA), the independent watchdog set up by government to regulate financial services and protect your rights. The reduction of financial crime is one of the objectives given to us by the Financial Services and Markets Act 2000.

This factsheet is for you if:

- you are a customer of a bank, building society, life insurance company, unit trust company, independent financial adviser (IFA), investment manager, stockbroker or any other type of firm we regulate; and
- you have been asked to prove your identity and want to understand why; or
- you are having difficulty proving your identity and want to know what to do.

Having your identity checked:

- protects you and the financial system by helping to prevent and detect crime, which includes terrorism; and
- helps to protect you from identity theft and fraud.

Why do I have to prove my identity?

Checking identity is an important way of fighting money laundering and other criminal activities.

Criminals use false identities and addresses to buy financial products or services or to open bank accounts. Criminals may also try to buy a product or open an account using the stolen identity of an innocent person to launder money ('identity theft'). This makes it difficult to trace the money back to those involved in crime.

So checking a customer's identity:

- makes it more difficult for criminals to use the financial system and to use false names and addresses, or the identities of innocent people;
- makes it less likely that firms will take on new customers involved in criminal activities;
- helps the police and other law enforcement agencies to detect and investigate crime.

This is why the law says that banks and other financial firms in the UK must identify their new customers.

What is money laundering?

Criminals who make money from drug-dealing, smuggling (people, tobacco, alcohol), robbery, prostitution, fraud or other crime need to find ways to make it seem 'clean'. One way of doing this is to place the money with banks or other financial services firms, in a way that hides where it really comes from, so that they can safely get at it later.

Where a criminal succeeds in doing so, this is known as 'money laundering'. It makes it much harder to catch and prosecute criminals. Money laundering may also be used by terrorists.

When do firms check identity?

Financial services firms are required by law to identify **new** customers. A firm may also check the **identity** of existing customers because:

- they were customers before identity checks became law;
- the firm wants to make sure its information is up to date; or
- a firm may want to check identity for its own purposes to guard against fraud.

What is identity theft?

Criminals can sometimes use the name, address and other details about an innocent person to open a bank account or carry out a financial transaction. They may get this information by sorting through your household rubbish for bills, credit card statements and other papers.

This is why you should always tear up or shred papers that contain personal information about you – don't just drop them in the bin.

How do firms check identity?

How firms identify customers is a matter for them. In most cases they will follow Guidance Notes produced by an independent industry body, the Joint Money Laundering Steering Group.

The Guidance Notes recommend that firms seek independent confirmation of a customer's **name** and **address**, using different evidence of identity for each. This makes the check more reliable. The Guidance Notes include the following suggestions on what may be used as evidence:

Checks on **name as proof of identity**

- Passport; driving licence (including the blue disabled pass); benefits book or original letter from a benefits agency (Pensions Service, Jobcentre Plus, Child Benefit Office); Inland Revenue tax notification; EU member state identity card; or residence permit (issued by the Home Office to EU nationals).

Checks on an **address**

- Recent local authority tax bill; recent gas or electricity bill; a recent bank, building society, credit union statement or passbook; recent original mortgage statement; or local council rent card or tenancy agreement.

The list is regularly updated and other types of evidence may be added. Firms should have procedures in place to identify someone if they do not have the types of evidence listed above (e.g. the elderly, students, under 16s, asylum seekers or those in care).

Does this evidence of identity really show who the customer is?

Evidence of identity can be forged or stolen. So firms also look out for forgeries. However, checking evidence of name and address makes it harder for those involved in crime to open accounts and using a combination of evidence makes it harder still.

Firms can also check information through other sources, like a credit reference agency, to ensure that the customer presenting the evidence of identity is genuine. This means that sometimes your identity can be checked without the need to provide documents.

What if I don't have the evidence of identity the firm asks for?

Nobody wants to stop people using the financial system for lawful purposes.

If you have difficulty providing the standard evidence of identity, you should **contact the firm to discuss alternative arrangements.** A letter from someone such as a teacher, doctor or religious leader may be acceptable.

If you are not satisfied with any alternatives offered, you may ask about the firm's complaints procedures.