Solicitors Regulation Authority

Hill Johnson & Leo
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Recognised body
071896

Agreement Date: 4 November 2024

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 4 November 2024

Published date: 12 November 2024

Firm details

No detail provided:

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 Hill Johnson & Leo (the Firm), a recognised body, authorised and regulated by the Solicitors Regulation Authority (SRA) agrees to the following outcome to the investigation:

a. Hill Johnson & Leo will pay a financial penalty in the amount of £18,094, under Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedures Rules,
b. to the publication of this agreement, under Rule 9.2 of the SRA Regulatory and Disciplinary Procedures rules; and
c. Hill Johnson & Leo will pay the costs of the investigation of £600, under Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Rules.

2. Summary of Facts

2.1 We carried out an investigation into the firm following an inspection by our AML Proactive Supervision team.

2.2 Our inspection identified areas of concern in relation to the firm's compliance with the Money Laundering, Terrorist Financing (Information

on the Payer) Regulations 2017 (MLRs 2017), the SRA Principles 2011, the SRA Code of Conduct 2011, the SRA Principles 2019 and the SRA Code of Conduct for Firms 2019.

2.3 During the investigation, historic breaches of the Money Laundering Regulations 2007 (MLRs 2007), for conduct before the MLRs 2017 came into force, were identified too.

Firm-wide risk assessment

2.4 Between 26 June 2017 and July 2023, the firm failed to have in place a documented assessment of the risks of money laundering and terrorist financing to which its business was subject (a firm-wide risk assessment (FWRA)), pursuant to Regulations 18(1) and 18(4) of the MLRs 2017.

Customer due diligence measures and client and matter risk assessments

2.5 Between 6 October 2011 and 25 June 2017, the firm failed to determine the extent of customer due diligence measures on a risk-sensitive basis, or be able to demonstrate to its supervisory authority that the extent of the measures is appropriate in view of the risks of money laundering and terrorist financing, pursuant to Regulation 7(3) of the MLRs 2007, and

2.6 Between 26 June 2017 and 1 July 2023, the firm failed to conduct client and matter risk assessments (CMRAs), pursuant to Regulation 28(12)(a)(ii) and Regulation 28(13) of the MLRs 2017.

3. Admissions

3.1 The firm admits, and the SRA accepts, that by failing to comply with the MLRs 2017, it has breached:

From 6 October 2011 to 25 November 2019 (when the SRA Handbook 2011 was in force) the firm breached:

a. Principle 6 of the SRA Principles 2011 – which states you must behave in a way that maintains the trust the public places in you and in the provisions of legal services.
b. Principle 8 of the SRA Principles 2011 – which states you must run in your business or carry out your role in the business effectively and in accordance with proper governance and sound financial risk management principles.

And the firm failed to achieve:

c. Outcome 7.5 of the SRA Code of Conduct 2011 – which states you comply with legislation applicable to your business, including anti-money laundering and data protection legislation.

And from 25 November 2019 (when the SRA Standards and Regulations came into force) until July 2023, the firm breached:

d. Principle 2 of the SRA Principles 2019 – which states you act in a way that upholds public trust and confidence in the solicitors' profession and in legal services provided by authorised persons.
e. Paragraph 2.1(a) of the SRA Code of Conduct for Firms 2019 – which states you have effective governance structures, arrangements, systems and controls in place that ensure you comply with all the SRA's regulatory arrangements, as well as with other regulatory and legislative requirements, which apply to you.
f. Paragraph 3.1 of the SRA Code of Conduct for Firms 2019 – which states that you keep up to date with and follow the law and regulation governing the way you work.

4. Why a fine is an appropriate outcome

4.1 The conduct showed a disregard for statutory and regulatory obligations and had the potential to cause harm, by facilitating dubious transactions that could have led to money laundering (and/or terrorist financing). This could have been avoided had the firm not failed in having a FWRA in place to safeguard it from money laundering and terrorist financing, and if the firm had conducted appropriate risk assessments on its clients and matters on files in scope of the money laundering regulations.

4.2 It was incumbent on the firm to meet the requirements set out in the MLRs 2007 and MLRs 2017. The firm failed to do so. The public would expect a firm of solicitors to comply with its legal and regulatory obligations, to protect against these risks as a bare minimum.

4.3 The SRA considers that a fine is the appropriate outcome because:

a. The agreed outcome is a proportionate outcome in the public interest because it creates a credible deterrent to others and the issuing of such a sanction signifies the risk to the public, and the legal sector, that arises when solicitors do not comply with anti-money laundering legislation and their professional regulatory rules.
b. There has been no evidence of harm to consumers or third parties and there is a low risk of repetition.
c. The firm has assisted the SRA throughout the investigation and has shown remorse for its actions.
d. The firm did not financially benefit from the misconduct.

4.4 Rule 4.1 of the Regulatory and Disciplinary Procedure Rules states that a financial penalty may be appropriate to maintain professional standards and uphold public confidence in the solicitors' profession and in legal services provided by authorised persons. There is nothing within

this Agreement which conflicts with Rule 4.1 of the Regulatory and Disciplinary Rules and on that basis, a financial penalty is appropriate.

5. Amount of the fine

5.1 The amount of the fine has been calculated in line with the SRA's published guidance on its approach to setting an appropriate financial penalty (the Guidance).

5.2 Having regard to the Guidance, the SRA, we and the firm agree the nature of the misconduct was more serious (score of three). This is because the firm was directly responsible for complying with money laundering regulations, in place at the material time. The firm failed to have in place a FWRA until July 2023. The firm also failed to determine the extent of customer due diligence measures on a risk-sensitive basis on its files between 6 October 2011 and 25 June 2017, in breach of Regulation 7(3) of the MLRs 2007, and it failed to conduct CMRAs on files from 26 June 2017 until July 2023, in breach of Regulation 28 of the MLRs 2017. The breach has arisen as a result of recklessness and a failure to pay sufficient regard to money laundering regulations and published guidance.

5.3 The impact of the harm or risk of harm is assessed as being medium (score of four). This is because the failure to have proper documentation in place, in respect of the firm's FWRA for a period of just over six years, left it vulnerable and exposed to the risks of money laundering, particularly when acting in conveyancing transactions. The nature of conveyancing is considered high-risk, owing to the risk of abuse of the system by criminals. The firm undertakes all of its work in scope of the money laundering regulations, with the majority currently coming from conveyancing. This puts it at a greater risk of being used to launder money. There is no evidence of there being any direct loss to clients or actual harm caused, as a result of the firm's failure to ensure it had proper AML documentation and processes in place.

5.4 The 'nature' of the conduct and the 'impact of harm or risk of harm' added together give a score of seven. This places the penalty in Band 'C', as directed by the Guidance.

5.5 We and the firm agree the financial penalty to be in Band C2, which determines a basic penalty of 2% of annual domestic turnover (firms).

5.6 The latest declared annual domestic turnover, to be used in the calculation of the financial penalty, is £1,064,370.

5.7 The basic penalty is therefore £21,287 (£1,064,370 x 2/100).

5.8 We have also considered mitigating factors and consider that the basic penalty should be discounted by 15%. This is to take account of the following factors as indicated by the Guidance:

a. Remedying harm - the firm took steps to rectify its failures and started documenting appropriate CMRAs on files and, in doing so, is now fully compliant with the MLRs 2017.
b. AML Training – relevant fee earners have been provided training.
c. Cooperating with the investigation - the firm has cooperated with the SRA's AML Proactive Supervision and AML Investigation teams.

5.9 The adjusted penalty is therefore £18,094.

5.10 The firm does not appear to have made any financial gain or received any other benefit as a result of its conduct. Therefore, no adjustment is necessary and the financial penalty is £18,094.

6. Publication

6.1 Rule 9.2 of the SRA Regulatory and Disciplinary Procedure Rules states that any decision under Rule 3.1 or 3.2, including a Financial Penalty, shall be published unless the particular circumstances outweigh the public interest in publication.

6.2 The SRA considers it appropriate that this agreement is published as there are no circumstances that outweigh the public interest in publication and it is in the interest of transparency in the regulatory and disciplinary process.

7. Acting in a way which is inconsistent with this agreement

7.1 The firm agrees that it will not act in any way which is inconsistent with this agreement, such as by denying responsibility for the conduct referred to above. This may result in a further disciplinary sanction.

7.2 Acting in a way which is inconsistent with this agreement may also constitute a separate breach of Principles 1, 2 and 5 of the Principles and paragraph 3.2 of the Code of Conduct for Firms.

8. Costs

8.1 The firm agrees to pay the costs of the SRA's investigation in the sum of £600. Such costs are due within 28 days of a statement of costs due being issued by the SRA.

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