Solicitors Regulation Authority

# Band Hatton Button LLP
## Earlsdon Park, 53-55 Butts Road, Coventry , CV1 3BH
## Licenced body
## 591124

**Agreement Date: 30 July 2024**

## Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 30 July 2024

Published date: 30 July 2024

## Firm details

### Firm or organisation at date of publication

Name: Band Hatton Button LLP

Address(es): Earlsdon Park, 53-55 Butts Road, Coventry, CV1 3BH

Firm ID: 591124

## Outcome details

This outcome was reached by agreement.

#### Decision details

#### 1. Agreed outcome

1.1. Band Hatton Button LLP ('BHB'), a licensed body authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcome to the investigation:

a. BHB will pay a financial penalty in the sum of £46,447, pursuant to Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedure Rules;
b. to the publication of this agreement, pursuant to Rule 9.2 of the SRA Regulatory and Disciplinary Procedure Rules; and
c. BHB will pay the costs of the investigation of £1,350, pursuant to Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Procedure Rules.

#### 2. Summary of Facts

2.1. We carried out an AML inspection at BHB, to assess its compliance with the Money Laundering, Terrorist Financing (Information on the Payer) Regulations 2017 (MLRs 2017).

2.2. This 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. Between 26 June 2017 and 21 February 2018, the firm did not have a firm-wide risk assessment (FWRA), as required by Regulation 18 of the MLRs 2017.

2.4. Between 22 February 2018 and 3 October 2019, the firm had a FWRA in place which was not compliant with Regulation 18 of the MLRs 2017.

2.5. Between 26 June 2017 and 27 February 2018, the firm did not have Policies, controls, and procedures (PCPs) in place, as required by Regulation 19 of the MLRs 2017.

2.6. Between January 2020 and April 2023, the firm had PCPs in place which were not compliant with Regulation 19 of the MLRs 2017.

2.7. Between 26 June 2017 and 7 September 2023, the firm did not have in place an independent audit function, as required where appropriate with regard to the size and nature of its business by Regulation 21(1)(c) of the MLRs 2017.

2.8. A review of specific client files selected during the inspection revealed that:

2.8.1. Five of the files did not contain a client and matter risk assessment (CMRA), as required by Regulation 28 of the MLRs 2017. Therefore, the firm was unable to demonstrate that the extent of the measures it had taken to satisfy the requirements of Regulation 28 was appropriate, as required by Regulation 28(16) of the MLRs 2017.

2.8.2. Two of the files did not contain adequate source of funds checks. Therefore, the firm had failed to scrutinise the source of funds adequately, as required by Regulation 28(11)(a) of the MLRs 2017.

**3. Admissions**

3.1. The firm makes the following admissions, which we accept, that:

- By failing to comply with the MLRs 2017

It has failed to:

From 26 June 2017 to 25 November 2019 (when the SRA Handbook 2011 was in force)

a. achieve Outcome 7.2 of the SRA Code of Conduct 2011, which requires that they have effective systems and controls in place to achieve and comply with all the Principles, rules and outcomes and other requirements of the Handbook, where applicable.
b. achieve Outcome 7.5 of the SRA Code of Conduct 2011 which requires that they comply with legislation applicable to your business, including anti-money laundering and data protection legislation.
c. behave in in a way that maintains the trust the public places in them and in the provision of legal services in breach of Principle 6 of the SRA Principles 2011.
d. run their business effectively and in accordance with proper governance and sound financial and risk management principles in breach of Principle 8 of the SRA Principles 2011.

From 25 November 2019 (when the SRA Standards and Regulations came into force)

e. comply with all of the SRA's regulatory arrangements, as well as with other regulatory and legislative requirements in breach of Paragraph 2.1(a) of the SRA Code of Conduct for Firms.
f. keep up to date with and follow the law and regulation governing the way it works in breach of Paragraph 3.1 of the SRA Code of Conduct for Firms.
g. act in a way that upholds public trust and confidence in the solicitors' profession and in legal services provided by authorised persons in breach of Principle 2 of the SRA Principles.

**4. Why a fine is an appropriate outcome**

4.1. The SRA's Enforcement Strategy sets out its approach to the use of its enforcement powers, where there has been a failure to meet its standards or requirements.

4.2. When considering the appropriate sanctions and controls in this matter, the SRA has taken into account the admissions made by the firm, and the following mitigation put forward:

a. The firm was able to implement a compliant FWRA, PCPs and CMRA process within two months of feedback having been provided by us.
b. The firm has cooperated fully with our AML Proactive Supervision and Investigation teams and sought assistance from them when needed.
c. The firm is now compliant with the MLRs 2017.

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 is no evidence of harm to consumers or third parties.
c. the firm recognises that it failed in its basic duties regarding statutory money laundering regulations and regulatory compliance, as identified during our inspection and subsequent investigation.
d. the firm has cooperated fully with us, admitted the breaches, shown remorse and remedied the breaches, and there is a low risk of repetition.

4.4. A fine is 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 what is stated in Rule 4.1 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 and the firm agree that the nature of the misconduct was more serious (score of three). This is because although there was no direct loss to clients, there was a failure by the firm to ensure it had fully effective AML controls and protective measures in place over time.

5.3. The SRA considers that the impact of the misconduct was medium (score of four) because the failure to ensure it had fully compliant AML controls left the firm exposed to the risks of money laundering, particularly when acting in conveyancing transactions.

5.4. However, a FWRA and PCPs were put in place in February 2018, which gave some mitigation to the risk of harm, and the firm was considering its obligations under the regulations, but the controls in place at that time required development.

5.5. The firm has an annual domestic turnover of £4,838,270. The nature and impact scores add up to seven (three plus four), placing the misconduct in the penalty bracket Band 'C'. Therefore, the Guidance recommends a broad penalty bracket equating to 1.6% to 3.2% of annual domestic turnover respectively.

5.6. The SRA and the firm agree a financial penalty in Band C1. This reflects the seriousness of the misconduct and overall risk of harm of

facilitating money laundering, while taking into consideration the improvements made by the firm.

5.7. Band C1 determines a basic penalty of 1.6% of annual gross income, equating to £77,412.

5.8. The SRA and the firm agree that the basic penalty should be reduced by 40%, arriving at £46,447. This is to take account of the firm's having given consideration to the regulations since 2018, the prompt improvements made by the firm, its cooperation with the Proactive Supervision and Investigation teams, and its appetite to bring the investigation to an end now with full and frank admissions.

5.9. 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 to remove this and the amount of the fine is £46,447.

**6. Publication**

6.1. Rule 9.2 of the SRA Regulatory and Disciplinary Procedure Rules states that any decision under Rule 3.1(a), 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 interests of transparency in the regulatory and disciplinary process to do so.

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

7.1. The firm agrees that it will not deny the admissions made in this agreement or act in any way which is inconsistent with it.

7.2. If the firm denies the admissions or acts in a way which is inconsistent with this agreement, the conduct which is subject to this agreement may be considered further by the SRA. That may result in a disciplinary outcome or a referral to the Solicitors Disciplinary Tribunal on the original facts and allegations.

7.3. Acting in a way which is inconsistent with this agreement may also constitute a separate breach of Principles 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 £1,350. Such costs are due within 28 days of a statement of costs

due being issued by the SRA.
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