Solicitors Regulation Authority

Redfearns Solicitors LLP
Midland Bank Chambers, 68 Market Place, Heckmondwike , WF16 0HZ
Recognised body
515675

Agreement Date: 15 October 2024

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 15 October 2024

Published date: 29 October 2024

Firm details

No detail provided:

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 Redfearns Solicitors LLP (the firm), a recognised body, authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcome to the investigation:

- Redfearns Solicitors LLP will pay a financial penalty in the sum of £2,435, under Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedures Rules,
- to the publication of this agreement, under Rule 9.2 of the SRA Regulatory and Disciplinary Procedure rules; and
- Redfearns Solicitors LLP 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 Our Anti-Money Laundering (AML) Proactive Supervision team carried out an AML inspection at the firm, to assess its compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulation 2017 (MLRs 2017).

2.2 In her letter dated 4 July 2023 AML Team Manager, Kati Kalia-Hona, identified an AML control failing, that being that the firm failed to have in place a documented firm-wide risk assessment from 26 June 2017 until 9 January 2023.

2.3 This resulted in a referral to our AML Investigations team.

Firm-wide risk assessment

2.4 Between 26 June 2017 and January 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.

3. Admissions

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

To the extent the conduct took place before 25 November 2019 (when the SRA Handbook 2011 was in force):

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 provision 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 7.2 of the SRA Code of Conduct 2011 – which states you 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.
d. 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 March 2024, the firm breached:

e. 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.

And the firm failed to achieve:

f. 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.
g. 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 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:

- The firm would annually assess the risks it was subject to at Partners' meetings; however, the assessments were not formally documented.
- The firm had compliant AML policies, controls and procedures (PCPs) in place, as well as consistently risk assessing clients and matters (via client and matter risk assessments).
- The firm introduced a compliant FWRA as soon as it was told that it required one and is now compliant with the MLRs 2017.

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

- 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.
- There is no evidence of harm to consumers or third parties.
- 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.
- The firm has cooperated fully with us, admitted the breaches, shown remorse and remedied the breaches, and there is low risk or 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. A financial penalty therefore meets the requirements of rule 4.1 of the Regulatory and Disciplinary Procedure Rules.

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 [https://www.sra.org.uk/solicitors/guidance/financial-penalties/]).

5.2 Having regard to the Guidance, the SRA and the firm agree that the nature of the misconduct was more serious. This is because the firm's failure to have a FWRA in place arose from a negligence in understanding its obligations under the MLRs 2017. This persisted for a long period of time given that the requirement was introduced in June 2017. The Guidance gives this type of misconduct a score of three.

5.3 The SRA considers that the impact of the misconduct was low, because while the firm did not have in place a FWRA it did have in PCPs (pursuant to Regulation 19 of the MLRs 2017) to manage the firm's risk of money laundering and terrorist financing. Further, it did carry out client and matter risk assessments (pursuant to Regulations 28(12) and 28(13) of the MLRs 2017). The firm did also carry out an annual assessment of the risks the firm was exposed to. However, this assessment was not documented, and it did not meet the criteria of a FWRA, as set out in Regulation 18 of the MLRs 2017. The Guidance gives this level of impact a score of two.

5.4 The nature and impact scores add up to five. The Guidance indicates a broad penalty bracket Band B. Therefore, the Guidance recommends a broad penalty bracket equating to 0.4% to 1.2% of the firm's annual domestic turnover.

5.5 The firm and the SRA agree to a financial penalty in Band B3. 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. Band B3 determines a basic penalty of 1.2% of annual domestic turnover.

5.6 The firm's annual domestic turnover for 2023/2024 is £338,232, this results in a basic penalty of £4,059.

5.7 The SRA considers that the basic penalty should be reduced by 40% to £2,435. This reduction reflects the following factors in the Guidance that apply to this case:

- The firm made an early admission for failing to have a FWRA in place.
- The firm remedied the issue by introducing a FWRA in January 2023.
- The firm has cooperated with our AML Proactive Supervision and AML Investigation teams.

5.8 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 £2,435.

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 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 SRA Principles (2019) 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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