Solicitors Regulation Authority

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Recognised sole practitioner
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Agreement Date: 14 November 2024

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 14 November 2024

Published date: 25 November 2024

Firm details

No detail provided:

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 Wilfred Light & Reid (the Firm), a recognised sole practice agrees to the following outcome to the investigation of its conduct by the Solicitors Regulation Authority (SRA):

a. it is fined £2,566,
b. to the publication of this agreement, and
c. it will pay the costs of the investigation of £600.

2. Summary of Facts

2.1 We carried out an investigation into the firm following a desk-based review by our AML Proactive Supervision team.

2.2 The desk-based review and subsequent investigation identified areas of concern in relation to the firm's compliance with The Money Laundering Regulations 2007 (MLRs 2007), 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.

Policies, Controls and Procedures

2.3 The firm failed to establish policies, controls and procedures (PCPs) to mitigate and effectively manage the risks of money laundering and terrorist financing, identified in any risk assessment (firm-wide risk assessment (FWRA)), pursuant to Regulation 19(1)(a) of the MLRs 2017.

2.4 The firm was required to have PCPs as of 26 June 2017. Under the MLRs 2007 it was required to establish and maintain appropriate and risk-sensitive policies and procedures pursuant to Regulation 20.

2.5 The firm first introduced its PCPs in July 2024 following our desk-based review. They are compliant with Regulation 19 of the MLRs 2017.

Client and Matter Risk Assessments

2.6 Between 26 June 2017 and July 2024, the firm failed to conduct adequate client and matter risk assessments (CMRA), as required by Regulations 28(12)(a)(ii) and 28(13) of the MLRs 2017.

2.7 Based on the desk-based review we conducted, we found that clients and matters were not being risk assessed adequately, as we could not find any documented client and matter risk assessments on the files we reviewed.

2.8 On 29 July 2024 the firm provided documents showing that a new client and matter risk assessment process had been implemented. This process meets the requirements of Regulation 28 of the MLRs 2017, such that client and matter risk is now being assessed and documented.

3. Admissions

3.1 The firm admits, and we accept, that by failing to comply with the MLRs 2007 and MLRs 2017:

From 6 October 2011 to 25 November 2019 (when the SRA Handbook 2011 was in force), the firm has 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 provision of legal services.
b. Principle 8 of the SRA Principles 2011 – which states you must run 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 has failed to achieve:

c. Outcome 7.2 of the SRA Code of Conduct 2011 – which states that 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 July 2024, the firm has 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.
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:

a. The firm acted to rectify the non-compliance and is now fully compliant with the MLRs 2017.
b. The firm has cooperated with the SRA's AML Proactive and Investigations teams.

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

a. 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 established adequate AML documentation and controls.
b. 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.
c. 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.

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 and the firm agree that the nature of the misconduct was more serious because although there was no direct loss to clients, the firm's failure to ensure it had proper documentation in place for over ten years (since when the SRA Handbook came into force in October 2011), shows a persistent disregard of the firm's regulatory obligations. This is more serious given the lack compliance at firm level and file level, given all six of the files we reviewed were found to contain AML failings. The Guidance gives this type of misconduct a score of three.

5.3The SRA considers that the impact of the misconduct was medium. This is because the firm's conduct left it vulnerable 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 left itself without effective arrangements in place to manage compliance with the MLRs 2017 for a period of over seven years, which would diminish the public's trust in the firm and the wider legal profession.The Guidance gives this level of impact a score of four.

6. It is, however, accepted that a FWRA has been in place since 2018 (albeit it needed further adaptation to make it more effective). Given the firm had given some consideration to the risks at firm level at that date, this has given some mitigation to the risk of harm, although not substantial mitigation against the lack of PCPs and CMRAs.

6.1 The nature and impact scores add up to seven and this places the penalty in Band 'C', as directed by the Guidance, which indicates a broad penalty bracket of between 1.6% and 3.2% of the firm's annual domestic turnover.

6.2 The inadequacies have been identified from when the SRA Handbook 2011 came into force on 6 October 2011. Although the MLRs 2007 came

into force on 15 December 2007, and were superseded by the MLRs 2017 on 26 June 2017, for proportionality of pleading we have limited the more historical aspect of the allegations to the start of the SRA Handbook 2011.

6.3 While the inadequacies did persist over a period of over ten years, we do not consider the inadequacies with the AML documents posed a high risk of harm. There is evidence by the firm of attempts to mitigate the risk of money laundering, given that some documents were in place, yet needed adapting to meet the requirements of the regulations. The SRA therefore considers a basic penalty in the middle of the bracket to be appropriate.

6.4 Based on the evidence the firm has provided of its annual domestic turnover (at the time the outcome was agreed), this results in a basic penalty of £2,852.

6.5 The SRA considers that the basic penalty should be reduced to £2,566. This reduction reflects the mitigation at paragraph 4.2 above.

6.6 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 £2,566.

7. Publication

7.1 The SRA considers it appropriate that this agreement is published in the interests of transparency in the regulatory and disciplinary process. The firm agrees to the publication of this agreement.

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

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

8.2 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.

8.3 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.

9. Costs

9.1 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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