Solicitors Regulation Authority

Wolf Law Solicitors LTD
14-16 Balls Road, Birkenhead , CH43 5RE
Recognised body
614749

Agreement Date: 13 March 2025

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 13 March 2025

Published date: 19 March 2025

Firm details

Firm or organisation at time of matters giving rise to outcome

Name: Wolf Law Solicitors LTD

Address(es): 14-16 Balls Road, Birkenhead, CH43 5RE

Firm ID: 614749

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 Wolf Law Solicitors Ltd (the Firm), a recognised body, agrees to the following outcome to the investigation of its conduct by the Solicitors Regulation Authority (SRA):

a. it is fined £5,215.
b. to the publication of this agreement.
c. it will pay the costs of the investigation of £1,350.

2. Summary of Facts

2.1 We carried out an onsite investigation which 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 Accounts Rules, the SRA Principles 2019, and the SRA Code of Conduct for Firms 2019.

2.2 The firm acquired the practice of Blackstone Legal on 7 October 2021. Blackstone offered residential and commercial conveyancing services, which fall within scope of the money laundering regulations, pursuant to Regulation 12(a) of the MLRs 2017. Prior to the acquisition, the firm had not offered these types of services. As a result, the firm was only required to comply with the MLRs 2017 from 7 October 2021 onwards.

2.3 On 24 November 2022, Mrs Lyndsy Sword of the firm, submitted a form to register herself as the MLRO, and as a BOOM of the firm. This was the first attempt to register an MLRO and seek approval as BOOM, since the firm started providing in-scope services over a year earlier. The form also requested approval to conduct in-scope services, despite Blackstone Legal bringing in-scope services to Wolf Law over a year earlier.

2.4 We were also made aware that the firm did not have an AML Firm-Wide Risk Assessment (FWRA) or Policies, Controls and Procedures (PCPs). A FWRA was subsequently provided, dated 22 March 2023. Save for some minor guidance this document met the requirements of Regulation 18 of the MLRs 2017.

2.5 The firm's PCPs are still missing many of the mandatory requirements under Regulation 19 of the MLRs 2017, however, as the firm has reduced the amount of in-scope services it provides until the documents have been updated, the misconduct has been limited to the period in which the firm had no PCPs in place at all. Guidance has been provided to the firm to ensure its PCPs are updated before it takes on more in-scope services.

2.6 As part of the onsite investigation, conducted by an SRA forensic investigation officer, we inspected six client files. Apart from one matter, there was no record that a client and matter risk assessment (CMRA) had been conducted. The fee earner responsible for the six files (Mr Mayoor Parekh) advised that a formal risk assessment document was not in place.

Matter 1

2.7 The firm was instructed by Company A to draft a contract for the shipment of 25,000 metric tons of fertiliser from Peru to New Orleans. The purchaser was an American company based in Kansas (Company B).

2.8 The client file did not show certified copies of proof of ID and residence had been requested from, or obtained for, either director of Company A, as required by Regulations 28(2) and 28(3) and 28(4)(c) of the MLRs 2017.

2.9 The supply, purchase or sale of 'dual use goods' is a potential indicator of Proliferation Financing, which by its nature can present a higher risk of money laundering or terrorist financing. The transaction involved a large consignment of a dual use good, which was then diverted and sold to another buyer. Despite this, there is no record on the file that enhanced customer due diligence and/or ongoing monitoring was conducted throughout the entirety of the transaction, as required by Regulation 28(11)(a) and Regulation 33(1)(g) of the MLRs 2017. Dual-use goods are items that can be used both for civilian and military applications. These types of goods are heavily regulated because they can be classified for civilian use and then transformed for military purposes, or worse, used for terrorism.

2.10 Further, £178,290.40 was received into the firm's client account from Company B without any checks on the source of the funds as required by Regulation 28(11)(a) of the MLRs 2017.

2.11 Company B had alleged that the downpayment of £178,290.40 was to be held in escrow by the firm, and not to be released without its authorisation. The client file did not show that the firm had offered to provide an escrow service, or that such a service had been agreed.

2.12 The firm was engaged to draft and review the contract. There was no justification for the deposit to be paid directly into the firm's client account. The handling of the deposit had no proper connection to the regulated service. The deposit could have been paid to Company A directly, and the firm should have questioned this. The client's convenience is not a legitimate reason for using the firm's client account in this way.

Matter 2

2.13 The firm also acted for Company A which provided a loan, backed standby letter of credit (SBLC), to Company C. The SBLC amount was $10m, and the credit term was one year and one day. The arrangement was documented in a Letter of Intent, signed by both parties, dated 13 January 2023.

2.14 On 13 March and 22 May 2023, funds received from Company C totalling £488,443,72 were paid to Third Party 1 (£221,500.25) and Third Party 2 (£266,943.47).

2.15 The client file did not show compliance with Rule 3.3 of the SRA Accounts Rules. In receiving funds into client account from Company C, and the onward transmission of those funds to Third Party 1 and Third Party 2, the firm provided a banking facility. The client file did not demonstrate that the movement of those funds through client bank account, related to the delivery of a regulated service. Matter 3

2.16 The firm acted for a separate client in the provision of a bridging loan of £8.9m. The ledger shows four payments totalling £244,000, were made to two third parties.

2.17 The client file did not show why payments were made to third parties, or how those third parties were connected to the provision of the £8.9m loan facility. This is in breach of 3.3. of the SRA Accounts Rules which states, "you must not use a client account to provide banking facilities to clients or third parties. Payments into, and transfers or withdrawals from a client account must be in respect of the delivery by you of regulated services."

2.18 No client risk assessment was conducted in this matter. The source of the £8.9m was not checked either. The fee earner with conduct of the file, Mr Parekh, advised, "with regards to the client assessment no new assessment was carried out as the client is known to me and has instructed me previously. In light of the client's net worth and the bank's summary of portfolio and that funds were received from the bank, no further action was taken."

2.19 There is no provision in the Regulations for waiving customer due diligence requirements on the basis of long standing or personal relationships. The firm has failed to meet the requirements of Regulation 28(11), 28(12), 28(13), and 28(16) of the MLRs 2017.

3. Admissions

3.1 The firm makes the following admissions which the SRA accepts: The firm, which is a Recognised Body:

a. failed to nominate a Money Laundering Reporting Officer (MLRO), as required by Regulation 21(3) of the MLRs 2017.
b. failed to seek SRA approval for a beneficial owner, officer or manager (BOOM), as required by Regulation 26 of the MLRs 2017.
c. between 7 October 2021 and 22 March 2023, 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 Regulation 18(1) and 18(4) of the MLRs 2017.
d. between 7 October 2021 and 31 October 2022 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 (FWRA), pursuant to Regulation 19(1)(a) of the MLRs 2017, and regularly review and update them pursuant to Regulation 19(1)(b) of the MLRs 2017.
e. failed to conduct ongoing monitoring including, where necessary, the source of funds as required by Regulation 28(11)(a) of the MLRs 2017.

f. failed to conduct client and matter risk assessments (CMRA) as required by Regulation 28(12)(a)(ii) and Regulation 28(13) of the MLRs 2017.
g. failed to apply customer due diligence measures as required by Regulations 28(2) and 28(3) and 28(4)(c) of the MLRs 2017.
h. failed to apply enhanced customer due diligence measures and enhanced ongoing monitoring as required by Regulation 33(1)(g) of the MLRs 2017.
i. between October 2022 and August 2023, allowed payments into and out of its client account on behalf of two clients, any or all of which did not relate to an underlying legal transaction. This resulted in its client account being used as a banking facility. And in doing so, the firm has breached:
j. Paragraph 2.1(a) of the Code of Conduct for Firms 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.
k. Paragraph 3.1 of the Code of Conduct for Firms which states you keep up to date with and follow the law and regulation governing the way you work.
l. Paragraph 3.3 of the Accounts Rules which states you must not use a client account to provide banking facilities to clients or third parties. Payments into, and transfers or withdrawals from a client account must be in respect of the delivery by you of regulated services.
m. Principle 2 of the SRA Principles 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.

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

- The firm was responsible for ensuring compliance with the MLRs 2017 and the SRA Accounts Rules. Compliance was and is in the firm's control. The role of the MLRO is an important one, responsible for making Suspicious Activity Reports to the NCA.
- A FWRA is central and fundamental to the AML controls implemented across a firm and is an important requirement in protecting a practice from money laundering and terrorist financing.
- All firms within scope of the MLRs 2017 are required to have an appropriate FWRA in place. Between 7 October 2021 and 22 March 2023, the firm did not have a FWRA in place. Failing to have one in place is a serious AML control failing and left the firm at risk of being

used to facilitate money laundering and/or terrorist financing. This left the firm vulnerable to the risks of money laundering, particularly when acting in conveyancing transactions, which have been highlighted as high-risk areas of work in the Government's National Risk Assessments (2017 and 2020) and our Sectoral Risk Assessments (2018 and 2021).

- PCPs are fundamental in setting out a firm's approach to practical AML and Counter Terrorist Financing activities. They should be effective in identifying and mitigating risks within its practice and play an important role in managing the risk of a firm facilitating money laundering and/or terrorist financing.
- Taking a risk-based approach to preventing money laundering is important because it helps firms to direct resources appropriately to the highest risk areas. Firms need to understand and assess the risk posed by each client and matter – then act accordingly.
- CMRAs dictate the level and extent of customer due diligence to be completed on a client or matter. Where the correct customer due diligence has been applied to clients and their matters, the risk of money laundering is reduced.
- The firm facilitated high-risk transactions involving dual use goods, without risk assessing at firm level and/or at file level for proliferation financing. The proliferation of weapons of mass destruction poses a significant threat to international peace and security.
- All the files we reviewed were found to have numerous breaches of the MLRs 2017. The firm did not have effective arrangements in place to manage compliance with the MLRs 2017.
- In Fuglers & Ors v SRA [2014] (which related to the use of a client account as a banking facility) the high court held that "…if there was to be no suspension, a very substantial fine was called for to mark the seriousness of the misconduct and to send a message to the profession in relation to the use of client accounts, which is a matter of central importance in the regulation of solicitors' conduct".
- The firm needed to have been properly satisfied that there was a proper and justifiable reason why the money should pass through the firm's client account. In this case, there is no evidence that the regulated legal services provided had any meaningful connection with the usage made of the client account.
- The client account usage as a banking facility continued over a sustained period for two different clients (three matters) and this therefore formed part of a pattern of misconduct.

4.3 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).

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 the firm failed to comply with its regulatory obligations. Allowing a client account to be used as a banking facility, when there were no underlying legal transactions carries with it significant risks, such as the account being used for money laundering. The client account usage as a banking facility continued over a sustained period for three different matters and this therefore formed part of a pattern of misconduct.

5.3 Although there was no direct loss to clients, the firm's failure to ensure it had approval and/or any documentation in place for over a year put it at greater risk of being used to launder money, particularly considering the nature of work being conducted at the firm. The nature of conveyancing is considered high-risk, owing to the risk of abuse of the system by criminals. This left the firm at risk of being used to launder money and in turn increased the risk of harm.

5.4 The SRA considers that the impact of the misconduct was high (score of six). This is because the risks associated with a failure to comply with money laundering and terrorist financing obligations are serious and has the potential to cause serious loss to both the firm and its clients. None of the files we reviewed met the requirements of the MLRs 2017, suggesting a systemic issue at the firm. Further, the substantial value of the transactions being carried out without the relevant checks increased the risk of harm.

5.5 The nature and impact scores add up to nine. This places the penalty in Band D. The Guidance indicates a broad penalty bracket of between 3.6% and 5% of the firm's annual domestic turnover is appropriate.

5.6 On this basis, the SRA considers that this is aggravated as the firm was offering in-scope services without any of the AML control requirements in place, along with a lack of MLRO and approval from us (the SRA). Therefore, the SRA considers a basic penalty towards the middle of the bracket to be appropriate.

5.7 Based on the evidence the firm has provided of its annual domestic turnover for the most recent tax year, this results in a basic penalty of £5,795.

5.8 The SRA considers that the basic penalty should be reduced to £5,215. This reduction is applicable because the firm cooperated with our investigation.

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 £5,215.

6. Publication

6.1 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.

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.

Search again [https://www.sra.org.uk/consumers/solicitor-check/]