

# Zachariah Reynolds

## Solicitor

### 169892

[Agreement Date: 25 September 2024](#)

## Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 25 September 2024

Published date: 27 September 2024

## Firm details

### Firm or organisation at time of matters giving rise to outcome

Name: Allium Law Ltd

Address(es): 21 Grosvenor Place, London, London, SW1X 7HN

Firm ID: 562170

### Firm or organisation at date of publication

Name: Child & Child Law Ltd

Address(es): One Strand, London, WC2N 5EJ

Firm ID: 667053

## Outcome details

This outcome was reached by agreement.

### Reasons/basis

#### 1. Agreed outcome

1.1 Zachariah Reynolds, a solicitor of Child & Child Law Ltd, agrees to the following outcome to the investigation of his conduct by the Solicitors Regulation Authority (SRA):

- a. he is fined £21,287
- b. to the publication of this agreement
- c. he will pay the costs of the investigation of £600.



## 2. Summary of Facts

2.1 Mr Reynolds was admitted on 15 October 1998. He worked at Child & Child Ltd from 14 March 2016 to 28 June 2019 and at Allium Law Ltd (the firm) from 28 June 2019 until 2 November 2022. Allium Law Ltd was incepted following a management buyout of Child & Child Ltd. The relevant firm for the purpose of the SRA investigation was therefore Allium Law Ltd.

2.2 At the relevant times, Mr Reynolds held various posts and compliance roles including, but not limited to, Designated Partner, Director, Compliance Officer for Legal Practice (COLP) and Compliance Officer for Finance and Administration (COFA).

2.3 On 2 November 2022 Allium Law Ltd closed and was acquired by Child & Child Law Ltd. Mr Reynolds has worked at Child & Child Law Ltd since this date, and was a Director from 18 January 2023 to 6 March 2024. He does not hold any compliance roles at Child & Child Law Ltd.

2.4 At the time of the relevant conduct, Mr Reynolds was a partner at Child & Child Ltd. The conduct relates to two matters involving the following parties:

- Mr A - a property developer and business owner who had been a client of the firm since 2016.
- Mr B and Ms C - an estranged couple. Mr A was married to Mr B's sister.

2.5 In both transactions loans were advanced, secured against Mr B and Ms C's property, which would benefit Mr A and potentially be detrimental to the interests of Mr B and Ms C.

2.6 On 18 January 2022 the SRA received a report from a firm of solicitors acting on behalf of Mr B.

### Matter A

2.7 The firm acted in relation to a loan agreement between Mr B/Ms C and a finance company (D Finance) for a loan of £112,500. This loan was to be secured by way of a second charge against the property which was registered in the names of Mr B and Ms C. Although the property was in their joint names, Ms C is said not to have had a financial interest in the property herself. Although the loan was obtained by Mr B and Ms C, the intention of the agreement was that the loan funds were to be for the benefit of Mr A and his business. While another solicitor was the recorded fee earner, Mr Reynolds was the matter partner and was heavily involved and played a key role in the conduct of this matter.

2.8 Instructions were received by email on 2 August 2018 from a broker. Mr A was copied into this email, but Mr B and Ms C were not. There was



nothing on the client file to confirm that Mr B and/or Ms C had provided authority for this broker or Mr A to provide instructions to the firm on their behalf.

2.9 The charge deed in favour of D Finance included a clause that Mr B and Ms C were entering into the agreement wholly or predominantly for the purpose of a business carried on by them. However, there was no evidence on the client file to indicate that either Mr B or Ms C had connections to, or any financial interest in, Mr A's business, or that the funds were being used for a business carried on or intending to be carried on by Mr B and/or Ms C

2.10 The client file showed a lack of clear instructions from Mr B and Ms C. It also showed a lack of consideration by Mr Reynolds to the risk of a conflict of interest existing between Mr A, Mr B and Ms C including consideration of the fact that Mr B and Ms C were estranged and that their interests may not therefore be aligned. There was also no evidence of a client care letter being sent to Mr B and Ms C which should have clearly set out the scope of their instructions and the work the firm would be undertaking for them

2.11 The matter completed on 11 October 2018 and loan funds were sent to Mr A.

2.12 It appears it was not in the best interests of Mr B and Ms C to agree to place a charge on their property to obtain a loan to benefit Mr A's business, a company they had no interest in themselves. Mr Reynolds failed to act properly in relation to the risk this presented to Mr B and Ms C. The property belonging to Mr B and Ms C could have been at risk if Mr A failed to comply with the terms of the loan agreement.

2.13 While Mr B and Ms C appeared not to have benefitted from the arrangement, both Mr Reynolds and the fee earner for the file subsequently advised that there was an aspect of the transaction that Mr B and Ms C received an extension to the lease of their property as a condition of giving of the loan from D Finance. This extension was given by Mr A's wife (Mr B's sister). This is said to have improved the value of the property and meant that once the loan was repaid Mr B and Ms C would then have gained a benefit from the extended lease. However, there are conflicting views in relation to this and Mr B disputes that he was either aware of this at the time and that it was a benefit to him. The evidence is not conclusive in relation to this point.

#### **Matter B**

2.15 Mr Reynolds was the fee earner for this matter. The firm acted for Mr A in obtaining a £50,000 loan from a finance company (E Finance) which was to be secured by:



- an equitable charge on Mr A's own property
- a personal guarantee from his business
- an option to purchase Mr A's property
- a third party mortgage on Mr B's and Ms C's property (the same property referred to in Matter A).

2.16 The firm arranged for Mr B and Ms C to receive independent legal advice from another solicitor who also worked at the firm. Mr B denies receiving this advice, although evidence on the client file supports that this advice was provided.

2.17 A third party legal mortgage agreement was purportedly signed by Mr B and Ms C on 21 November 2018 although they deny signing this. The matter completed on 21 November 2018.

2.18 Mr B and Ms C were not the clients in this transaction but were third parties who the firm had acted for as clients previously. It was reasonable for Mr Reynolds to take into account the interests of Mr B and Ms C, particularly given that he had acted in the previous loan agreement described in Matter A. Mr Reynolds knew that Matter B meant that they were securing yet more funds against their property to benefit Mr A. Mr Reynolds failed to act in a manner which was consistent with their interests.

2.19 There was again a risk of conflict of interest between the various parties which was not adequately considered.

2.20 Mr Reynolds has acknowledged that it would have been preferable for Mr B and Ms C to have received independent legal advice from a solicitor completely independent of the firm.

### **3. Admissions**

3.1 Mr Reynolds makes the following admissions which the SRA accepts. That he:

#### **Matter A**

- a. Failed to obtain clear instructions from Mr B and Ms C, including failure to provide a client care letter.
- b. Failed to obtain clear authority from Mr B and Ms C in relation to who could communicate with the firm on their behalf.

In respect of admissions (a) and (b) he failed to achieve or breached:

- i. Outcome 1.2 of the Code of Conduct 2011 (the Code) – you provide services to your clients in a manner which protects their interests in the matter, subject to the proper administration of justice.



- ii. Outcome 1.5 of the Code - the service you provide to clients is competent, delivered in a timely manner and takes accounts of your client's needs and circumstances
- iii. Principle 4 of the SRA Principles 2011(the Principles) - you must act in the best interests of each client.
- iv. Principle 6 - you must behave in a way that maintains the trust the public places in you and in the provision of legal services.
- v. Principle 10 - you must protect client money and assets.
- c. Failed to address the existence of a client conflict or significant risk of a client conflict in relation to the interests of Mr A, Mr B and Ms C.
- d. Failed to address any potential conflict which arose from Mr B and Ms C being estranged and that their interests may not have been aligned.

In respect of admissions (c) and (d) he failed to achieve or breached:

- i. Outcome 3.5 of the Code - you do not act if there is a client conflict or a significant risk of a client conflict unless the circumstances set out in Outcomes 3.6 or 3.7 apply.
- ii. Principle 4 of the Principles
- iii. Principle 6 of the Principles
- iv. Principle 10 of the Principles
- e. Failed to take steps to ensure compliance with a condition of the loan agreement. that loan funds were to be used wholly or predominantly for the purpose of a business carried on by Mr B and Ms C and/or to record on the client file what steps had been taken to address this condition. In doing so he failed to achieve or breached:
  - i. Outcome 1.5 of the Code
  - ii. Principle 6 of the Principles
- f. Failed to act in the best interests of Mr B and Ms C by failing to adequately address or discuss with them the risk the transaction posed to their own financial interests and to the security of their property. In doing so he failed to achieve or breached:
  - i. Outcome 1.2 of the Code
  - ii. Outcome 1.5 of the Code
  - iii. Principle 4 of the Principles
  - iv. Principle 6 of the Principles
  - v. Principle 10 of the Principles

#### **Matter B**

- g. Failed to obtain clear instructions from and/or ensure adequate direct communication with Mr B and Ms C to allow him to ensure that it was their genuine instruction that they were agreeable to a third party mortgage being secured against their property as part security for this loan. In doing so, he failed to achieve or breached:
  - i. Outcome 1.5 of the Code
  - ii. Principle 4 of the Principles



- iii. Principle 6 of the Principles
- iv. Principle 10 of the Principles
- h. Failed to address the existence of a client conflict or significant risk of a client conflict in relation to the interests of Mr A, Mr B and Ms C.
  - i. Failed to address any potential conflict which arose from Mr B and Ms C being estranged and that their interests may not have been aligned.

In respect of admissions (h) and (i) he failed to achieve or breached:

- i. Outcome 3.5 of the Code – you do not act if there is a client conflict or a significant risk of a client conflict unless the circumstances set out in Outcomes 3.6 or 3.7 apply.
- ii. Principle 4 of the Principles
- iii. Principle 6 of the Principles
- iv. Principle 10 of the Principles
- i. Failed to account for the interests of Mr B and Ms C as third parties to this transaction, and as his former clients, by failing to adequately address or discuss with them the risk to their own financial interests and to the security of their property, particularly in light of Matter A and the additional financial implications which arose as a result of Matter B.
- j. Failed to advise that independent legal advice be sought from another firm. In respect of admissions (j) and (k) he failed to achieve or breached:
  - i. Outcome 1.5 of the Code
  - ii. Principle 4 of the Principles
  - iii. Principle 6 of the Principles
  - iv. Principle 10 of the 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 Mr Reynolds and the following mitigation which he has put forward:

- a. He has expressed regret and remorse at the failings identified in relation to his conduct.
- b. He has co-operated throughout the investigation.
- c. He does not have any previous regulatory history.
- d. He has explained how improvements have been made to his working practices as a result of the lessons learned from these matters.



- e. In future he will ensure clear instructions and written authority regarding who can provide instructions is obtained from clients and that this is recorded clearly on the client file, including when acting for couples who are estranged.
- f. In future he will ensure that the potential for conflict of interest is considered and that this is clearly recorded on the file.
- g. That improved compliance processes and systems are now adopted by his current firm whereby further review and approval is required from the firm's Risk & Compliance function in any client instruction where there is any risk of potential conflict of interest.
- h. Mr Reynolds accepts upon further reflection and with the benefit of hindsight that it would have been prudent for Mr B and Ms C to have received legal advice from another firm in relation to Matter B and for the firm not to have acted for all parties.

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

- a. Mr Reynolds had direct control and responsibility for his conduct and was an experienced solicitor in a senior position.
- b. The conduct had potential to cause significant harm.
- c. The conduct demonstrates a reckless disregard of the risk of harm and Mr Reynolds' regulatory obligations.

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 because any lesser sanction would not provide a credible deterrent to Mr Reynolds and others. 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 Mr Reynolds agree that the nature of the misconduct was high because, while there appears to have been no wider pattern of conduct, similar concerns still arose on two separate matters. Mr Reynolds' conduct demonstrates a reckless disregard for his obligations and failure to act with appropriate professional judgment. The Guidance gives this type of misconduct a score of three.

5.3 The SRA considers that the impact of the misconduct was medium because there was a failure to ensure that Mr Reynolds acted on the clear instructions of clients or third parties. There was a clear risk to Mr B and Ms C as they were securing charges against their own property for the benefit of Mr A. This meant that there was a risk to their property as



they had no control over repayments being maintained for the loans being secured. The potential impact could be loss of the property or financial impact on Mr B and Ms C. However, it has not been possible to ascertain for certain how far Mr B and Ms C were willing to accept this risk at the time or the extent of their actual knowledge and agreement. There is conflicting evidence regarding this issue. The conduct is therefore considered to have had the potential to cause moderate loss or have a moderate impact. The Guidance gives this level of impact a score of four.

5.4 The nature and impact scores add up to seven. The Guidance indicates a broad penalty bracket of between 16% and 49% of Mr Reynolds' gross annual income is appropriate.

5.5 In deciding the level of fine within this bracket, the SRA has considered the mitigation at paragraph 4.2 above which Mr Reynolds has put forward:

- a. His expressions of regret and remorse
- b. His confirmation that lessons have been learned and that his working practice now includes improved processes and procedures in relation to both ensuring clear instructions are obtained from clients and the identification of potential conflicts of interest.
- c. Ensuring, where independent legal advice is identified as being appropriate, that this is provided by an independent source.
- d. His co-operation and previously good regulatory history.

5.6 On this basis, the SRA considers that Mr Reynolds' acceptance of the failings demonstrated by his conduct indicate a financial penalty at the lower end of the bracket. This has been balanced against Mr Reynolds' level of experience and seniority and that he should have had better knowledge and awareness of his regulatory obligations. The SRA considers a basic penalty at the bottom of the bracket to be appropriate.

5.7 Based on the evidence Mr Reynolds has provided of his gross annual income for the most recent tax year, this results in a basic penalty of £23,653.00.

5.8 The SRA considers that the basic penalty should be reduced to £21,287.00. This reduction reflects Mr Reynolds' early admissions during the investigation in relation to his conduct and the expressions of regret he has made.

5.9 Mr Reynolds does not appear to have made any financial gain or received any other benefit as a result of his conduct. Therefore, no adjustment is necessary to remove this and the amount of the fine is £21,287.00,

## **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. Mr Reynolds agrees to the publication of this agreement.

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

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

7.2 If Mr Reynolds 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 Denying the admissions made or 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 7.3 of the Code of Conduct for Solicitors, RELs and RFLs.

## **8. Costs**

8.1 Mr Reynolds 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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