

## Compli | August update

Welcome to the Compli monthly round-up of developments and updates from the regulatory sector, and an overview of recent disciplinary decisions.

### SRA anti-money laundering and sanctions data collection exercise

The SRA's annual AML and sanctions data collection exercise opened on 7 July and closes on 15 August. Information must be provided by all regulated firms, not just those within scope of the AML regulations, and must be submitted on the SRA's reporting site. It's a regulatory requirement to complete the form and the SRA may take action against firms who fail to respond.

### UK's National Risk Assessment of Money Laundering and Terrorist Financing (NRA)

In the latest NRA report (the first for five years) jointly produced by HM Treasury and the Home Office, solicitors remain at 'high risk' of being exploited by money launderers, although the report acknowledges that AML non-compliance is relatively low and lawyers are low-risk for terrorist financing. Conveyancing, trust and company services remain at the greatest risk of the misuse and exploitation of client accounts but sham litigation, which was identified in 2020 as an emerging risk, is no longer viewed as a widespread problem as there has only been one related prosecution.

Following the publication of the report, the SRA will be updating its sectoral risk assessment, which was last updated 5 March 2024, and we'll cover that when it comes out. Firms will need to review the report and update their FWRA and, if necessary, their PCPs.

The Law Society has raised concerns about the evidence that exists to conclude the legal sector as being high risk when there have been very few convictions relating to money laundering, but there is no doubt that the SRA will continue its investigations of breaches of anti-money laundering regulations, and we can expect to see fines continuing to rise, particularly with the unlimited fines available to it for breaches related to economic crime.

## Increase to Defence Against Money Laundering (DAML) threshold

From 31 July 2025 the thresholds for submitting a DAML Suspicious Activity Report (SAR) rose to £3,000 from £1,000 in line with the Proceeds of Crime (Money Laundering) (Threshold Amount) (Amendment) Order 2025.

Firms can return money to a client to end the business relationship without committing a criminal offence if the value of the suspected criminal property is below £3,000. It is important to note that while the exemption threshold has increased, firms must continue to comply with CDD obligations before transferring money or other property to a client and submit a SAR if there is knowledge or suspicion of criminal property, regardless of value.

## OFSI launches online forms

OFSI has launched new online forms to help users comply with UK financial sanctions, including:

- Financial Sanctions and Counter-terrorism suspected breach reporting
- Licensing applications
- Legal services General Licence reporting
- Designated Persons reporting, and reporting a suspected designated person

## SRA implementation plan following LSB Axiom Ince findings

Following the Legal Services Board sanction, in the form of Directions, on the SRA on 27 May 2025, in respect of its acts and omissions in connection with the findings of the Axiom Ince review report, on 4 July the SRA provided its proposed implementation plan, setting out steps to be taken by the SRA and their respective implementation dates, over the next 12 months, including:

- Putting in place governance changes that deliver improvement in regulatory effectiveness and efficiency
- Strengthening risk functions and market intelligence to ensure a proactive approach to identifying and responding to risk
- Strengthening authorisation controls, including mitigating risks associated with one individual holding multiple roles
- Strengthen the regulation of client money
- Introduce oversight mechanisms for firm consolidation activity
- Improve capacity to intervene early and proportionately to prevent serious regulatory failures

We can expect to see consultations, rule changes, new/updated guidance etc. over the next year, so watch this space. We need to also bear in mind that these steps and the timetable may be affected by the still awaited report into SSB. On the basis the Axiom Ince review was announced in December 2023 and published October 2024, the SSB report announced April 2024 'should' be published soon. As we often say, life in the world of risk and compliance is ever changing and never dull!

In other news relating to Axiom Ince, the SRA has been recognised as an unsecured creditor in the bankruptcy of former Axiom Ince owner, opening the way for it to recover the £5m intervention costs incurred (so far).

## Legal Aid Agency data breach

The effects of the cyberattack on the LAA's digital services on individuals and law firms continues. While outside the control of the providers, e.g. firms and barristers, as pointed out in a recent article by John Kunzler of Marsh and my colleague Thomas Barrett of CyXcel:

- Providers will have to satisfy themselves that they are 'acting compliantly in relation to their various legal obligations, including data protection ones'
- Operating practices should be reviewed together with any data shares with LAA,
- Insurers should be notified of a claim circumstance
- As the data breach was not caused by the firm, the SRA's position was that it did not need to be reported, but the risk for clients will need to be considered and addressed, particularly vulnerable clients

As with most major incidents, there are lessons to learn and processes that can be put in place, even by those not directly affected by the particular event.

## New practice notes and guidance

The Law Society has published the following practice notes since our last update:

- [Solicitors offering legal services to the public from unregulated entities | The Law Society](#)
- [Client information requirements | The Law Society](#)
- [Solicitors Regulation Authority \(SRA\) powers of investigation | The Law Society](#)
- [Handling complaints | The Law Society](#)
- [What to do when a complaint goes to the Legal Ombudsman | The Law Society](#)
- [Supervision | The Law Society](#)

## Disciplinary and regulatory decisions

A number of decisions and judgments have been reported since our last publication, including:

### **AML fine**

A firm, with 80% of its work within scope of MLR, was fined £58000 for AML breaches over 6 years in an agreed outcome with the SRA, approved by the Solicitors Disciplinary Tribunal (SDT), as it exceeded the maximum (present) limit for SRA fines of £25,000.

It did not have a compliant firm-wide risk assessment (FWRA) – the one it had being “deficient” on the geographic risks posed. It lacked detail on the firm’s client base; did not have compliant AML PCPs in place; did not conduct client and matter risk assessments between 2017 and 2022, and from June 2017 until January 2024 failed to have an independent audit.

When the firm was made aware of the SRA’s concerns in December 2022, it did not take any action until contacted again over a year later. The SDT said it was a ‘matter of luck’ that it had not been targeted by criminals. It was also ordered to pay £20,000 costs.

### **Barred from working in regulated firm without SRA permission**

A paralegal who copied and pasted a client’s signature, having realised a letter had not been sent to the client and therefore not signed, was given a section 43 order preventing him from working for any law firm without SRA permission and ordered to pay £300 costs.

In another case, a fee earner who emailed details of clients to both his personal email address and his new work address was given a section 43 notice and must also pay £600 costs. The SRA said he had shown a lack of integrity and failed to understand his duty of client confidentiality.

### **Struck off for trying to prevent complaint to SRA**

A solicitor breached an undertaking in relation to a property sale and then tried to prevent the seller and their solicitors reporting the matter to the SRA, saying his client would agree to a settlement on the basis that there would be no action taken against him or his firm, including reporting it the SRA.

It was reported and the solicitor denied acting recklessly over the breach of undertaking and denied attempting to stop a complaint, claiming he was just putting forward settlement terms. The SDT found all allegations proved, finding there was a serious lack of integrity, a failure to self-report, and he had attempted to persuade a fellow solicitor not to fulfil their own regulatory reporting responsibilities. He was struck off, with no order for costs due to his limited means.

## How Compli can help...

The Compli Solicitor Regulatory and Professional Discipline Team can provide expertise and advice on risk and compliance, AML, disciplinary assistance etc. If we can help in any way, please get in touch at [compli@weightmans.com](mailto:compli@weightmans.com).