

Compli | April update

As we look forward to the Easter break, this is Compli's monthly round up of what's happening in the world of regulatory and disciplinary world.

Rearranging deckchairs on the Titanic

Well, they say things change quickly in the world of regulation, and these last few weeks have been no different.

Having closed the consultation on client money in legal services on 21 February, and received suggestions that rather than introducing swingeing changes the SRA focuses on improving its own internal processes, referencing the conclusions and criticisms of the SRA in the Axiom Ince report, and the report into the SSB debacle still awaited, within days, the news broke of the 'loss' of senior people in both the SRA and LSB. The SRA announced its CEO, Paul Philip, would retire 'towards the end of 2025' (apparently unrelated to Axiom Ince), the SRA Board in September 2024 having extended the Chair's term again until the end of 2026, and the Chair of the LSB announced he was stepping down with immediate effect.

There have been suggestions that the Axiom Ince and SSB report (when it lands), together with the loss of these key people should/may result in a pause on the potential changes to regulations, to allow stability within both the regulatory bodies and the profession as a whole, but at the same time, the LSB declared there is a decline in professional ethical standards, with gaps in understanding and support, and lawyers are unaware of their ethical requirements. The LSB issued a consultation 'Upholding professional ethical duties', which stated 'the evidence of poor ethical conduct indicates that regulators' core rules and regulations dealing with professional ethical duties are nevertheless not always properly understood or applied in practice, or – at worst – they are disregarded altogether'. The Law Society will be responding to the consultation, which closes on 29 May 2025 and, as with all consultations, we would encourage other groups, firms and individuals to respond. The conclusions from the consultation may result in extensive changes to existing regulation, or, possibly, a wholesale change, and perhaps, a return to the rules and principles of professional conduct. For those who qualified some time ago, is it time to dust off your copy of 'The Guide to the Professional Conduct of Solicitors' 1999?

SRA statement SSB and Pure Legal

The SRA has updated its statement, confirming it has completed its SSB investigation, given disciplinary notices to a number of people and it is 'aiming to make decisions' before the summer. Four solicitors have had conditions placed on how they work, pending the final outcome of the investigation. More notices will be issued in due course. The SRA is continuing to review the high-volume consumer claims market generally, including targeted visits to firms working in the area. The updated statement also notes, in reference to the LSB's independent review, 'We welcome the review and we will take on board any feedback it provides to us and consider any recommendations it makes to improve our work.'

FOS charge for compensation claims

From 1 April there will be an application fee of £250 (with £175 refunded if the claim is successful) for compensation claims made through 'professional representatives', with the first 10 cases free per year. Submission of claims by complainants will not incur a fee.

High-Risk Third Countries (HRTC) – Key Changes

The Financial Action Task Force (FATF) has updated its list of high-risk jurisdictions following the February 2025 plenary session. FATF's lists are updated regularly after plenary meetings in February, June, and October. The changes should be considered for your risk assessments and due diligence processes. Firms must apply enhanced due diligence for clients or counterparties established in HRTCs.

Key points to note are that Philippines has been removed and is no longer on the 'grey list' due to improved AML and CTF measures, and Laos and Nepal have been added and are now under increased monitoring ('grey list').

Sanctions

As you are aware, sanctions, unlike AML obligations, apply to all types of legal services.

The Office of Trade Sanctions Implementation (OTSI), under the Department for Business and Trade (DBT), has issued new guidance on its enforcement powers under the Trade, Aircraft and Shipping Sanctions (Civil Enforcement) Regulations 2024.

OTSI can impose monetary penalties of up to £1 million or 50% of the breach's estimated value, whichever is higher. Penalties are applied on a strict liability basis, determined by the balance of probabilities.

Legal professionals must report suspected breaches of trade sanctions to OTSI and non-compliance with reporting requirements is a criminal offence. Firms should review their compliance frameworks, especially regarding mandatory reporting obligations, to avoid potential criminal liability.

The Office of Financial Sanctions Implementation (OFSI) has, for the first time, brought enforcement action against a law firm, for breaking Russia sanctions, resulting in a fine of £465,000 for breaching UK financial sanctions. The SRA have apparently looked into the matter but cannot take action as it is outside its jurisdiction, as it does not regulate the firm, the former Moscow office of HSF, or any lawyers involved in the case.

Law Society Practice Notes

Since our last update, the Law Society have issued the following:

- Freelance solicitors: [Freelance solicitors | The Law Society](#)
- Accredited legal representatives in the Court of Protection: [Accredited legal representatives in the Court of Protection | The Law Society](#)
- Protection for client accounts: [Protection for client accounts | The Law Society](#)

Disciplinary and Regulatory Decisions

AML fines

AML fines continue to be imposed for breaches of AML regulations, the majority under a regulatory settlement agreement, including, in the last month, fines ranging from £2894 to £23,596. Examples include: £23,596 for failing to have a FWRA between 2017 and 2024, no PCPs in place from 2011 to 2024 and no client and matter risk assessments (CMRAs) on 6 files reviewed; £5215 for failing to nominate a MLRO, failing to seek approval for a BOOM, failing to have a FWRA between 2021 and 2023, no PCPs from 2021 – 2022 and failing to conduct CMRAs, and the consultant with conduct of 6 matters inspected being fined £5768; £2894 for failing to carry out CMRAs and failing to have compliant PCPs, and £3,305 for failing to conduct CMRAs between 2017 and October 2024.

Struck off for dishonesty

A partner who provided misleading information on the PII proposal form, breached the Accounts rules, transferred monies from client without authority, and attempted to mislead the SRA during the investigation was found guilty of dishonesty, misuse of

client funds, and misleading the Solicitors Regulation Authority (SRA), was struck off and ordered to pay costs of £26,595.

Fine for failing to register client's interest

A solicitor who failed to register his client's interest following a purchase and failed to perform undertakings has been fined £5500 and ordered to pay costs of £1,350. As a result of the failure he was dismissed and had found it difficult to work as a result of the publication by the SRA of the referral of the matter to SDT.

Fine for breach of undertakings

A solicitor, the owner, COLP, COFA, MLRO and MLCO of the firm, who failed to perform undertakings given to the buyer's solicitor in relation to a conveyancing transaction was fined £17,500 and costs of £5500, together with restrictions on his practice that he cannot practice as a sole practitioner or hold compliance roles for 18 months.

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.

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