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Compli | September update

As we enter the final quarter of 2026, (how did that happen?) regulators are focusing on AI governance, emerging money laundering risks, litigation funding arrangements and compliance oversight, whilst recent disciplinary decisions continue to demonstrate the importance of integrity, transparency and supervision. Recent developments from the Solicitors Regulation Authority (SRA), Legal Services Board (LSB) and Solicitors Disciplinary Tribunal (SDT) suggest a continued shift towards earlier intervention, greater accountability and increased scrutiny. For law firms, the message is straightforward: effective compliance is no longer simply about having policies and procedures in place. The key is to be able to demonstrate that those arrangements are effective in practice.

Compliance Officers under the spotlight

A significant development is the approval by the Legal Services Board of SRA rule changes affecting COLP and COFA arrangements, despite opposition and concerns being raised by practitioners, Law Societies etc in response to the SRA consultation on the proposals. The reforms will require certain firms to separate management and compliance responsibilities where key decision-making powers are concentrated in the same individual. Implementation is expected to be phased from 2027, with larger firms likely to be affected first. Exemptions will apply to firms where the maximum annual turnover is £600,000 or more than £2m client money. In sole owner-manager firms which operate beneath the thresholds, the sole owner-manager can be the COLP but not the COFA.

Although implementation will be phased from 2027, firms should begin considering whether current arrangements provide sufficient independence, authority and challenge. Boards, COLPs and COFAs may wish to consider:

- Reporting lines.
- Escalation procedures.
- Governance frameworks.
- Risk management structures.
- The ability of compliance officers to challenge decisions effectively.

For some firms, this may represent the most significant governance review since the introduction of the COLP and COFA regime.

The LSB also approved new SRA rules requiring law firms to submit annual accountants' reports whether they are qualified or not or face fixed financial penalties.

AI moves up the risk agenda

The SRA has published a warning notice on the use of artificial intelligence **SRA | Misuse of AI – Warning notice | Solicitors Regulation Authority**. It received 42 reports of potential AI-related misconduct between July 2025 and July 2026 and is investigating concerns including fabricated legal authorities, inaccurate legal research, failures of supervision and confidentiality breaches arising from the use of public AI tools.

The SRA has highlighted particular risks arising from fabricated case citations, inaccurate legal analysis, disclosure of confidential information and overreliance on technology without proper human oversight. Crucially, the regulator has emphasised that responsibility always remains with the solicitor. The use of AI does not alter obligations relating to competence, integrity, supervision or confidentiality.

While the SRA has not produced a guidance note alongside the warning notice, firms are referred to resources from other regulators and professional bodies, including the Law Society **Generative AI – the essentials | The Law Society** and the Bar Standards Board **Guidance on the use of Artificial Intelligence and Other Technologies | The Bar Standards Board**.

For many firms, AI governance is rapidly becoming a standing board-level risk issue rather than simply an IT consideration. We suggest that you review AI governance arrangements, update risk assessments to include AI-specific risks, train staff on verification and supervision requirements, review confidentiality and data protection controls and ensure AI usage policies are documented and regularly reviewed.

Emerging AML and sanctions risks

Anti-money laundering compliance remains a core priority for the SRA. The updated Sectoral Risk Assessment **SRA | Sectoral Risk Assessment – Anti-money laundering, terrorist financing, proliferation financing and sanctions | Solicitors Regulation Authority** contains several notable additions reflecting the changing nature of economic crime. Particular emphasis has been placed on AI-enabled fraud, deepfake technology, technology-enabled impersonation, sanctions circumvention, complex ownership structures, company formation activity and increasingly sophisticated attempts to disguise the true source of funds and wealth. The SRA has also highlighted the risks arising from geopolitical instability, capital flight and international sanctions developments.

Firms within scope of MLR should ensure that these emerging risks are reflected within firm-wide risk assessments and matter risk assessment processes.

PC renewal

Practising certificate and registration renewals starts 1 October and closes 31 October 2026. While there are no new questions this year, you can start collating the up to date information that will be required, which is helpfully listed at **SRA | Bulk renewing your practising certificates (2026/27) | Solicitors Regulation Authority**. If you have made any changes to certain manager roles you must let the SRA know before the renewal period starts. **SRA | Tell us about manager changes and notification deadlines | Solicitors Regulation Authority**

Recent disciplinary cases

Fines for breaches of MLR

Decisions reported since our last bulletin included two firms fined £25000 for breaches going back to 2017 relating to PCPs, one fined almost £21,000 for incomplete CMRAs, a firm fined £16000 for acting for a PEP and their associated companies in 14 residential property purchase transactions, and other firms fined up to £6000.

Reprimand for partner for failing to provide adequate information to client

A partner involved in a property transfer was reprimanded after failing to provide sufficient information to the client before a transaction was completed.

The tribunal accepted that the solicitor had not acted dishonestly. However, it concluded that the client had not been given enough information about the nature and implications of the transaction to make properly informed decisions.

Struck off for asking colleague to hide file

A junior solicitor was struck off after asking a colleague to conceal a file to cover up lack of progress. The request was reported and the firm discovered the solicitor had failed to file a first registration application with the Land Registry, and when asked about it, insisted that it had been done, and denied asking the colleague to hide the file. She later admitted that she lied.

She made an agreed outcome with the SRA that she should be struck off.

Struck off for giving client misleading information

A conveyancer was struck off after repeatedly giving misleading information to a client about the status of a transaction. The tribunal found that inaccurate explanations had been provided over an extended period and that the solicitor's communications were designed to conceal delays and other difficulties. The conduct involved repeated dishonesty rather than a single isolated incident, which was a significant factor in the decision to strike off.

Strike off for sending explicit messages to Counsel

A solicitor was struck off after sending explicit and inappropriate messages to a female barrister and to a potential employee and planning to do the same to a third person. He was aware of the SRA investigation into his conduct towards the barrister when he began communicating with the potential employee, and that he had been referred to the SDT over the barrister and was under investigation over the potential employee when he approached the third person.

He was struck off and ordered to pay costs of £75,000, reduced from £100,000 to take into account his means and inability to continue to practise.

Strike off for dishonest insurance claim

A solicitor who had been on the roll for less than two years when he made a dishonest insurance claim for a stolen bike, claiming the bike was covered after amending the policy, was struck off.

The tribunal accepted he was not ‘inherently dishonest’ but ruled out any exceptional circumstances that might have prevented a strike-off, saying his lack of experience was not a material factor. He was also ordered to pay costs of almost £21,000.

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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