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Compli | June update

The areas covered in this month's update won't come as a surprise to regular readers, but the direction of travel is getting sharper. The SRA and Legal Ombudsman are both focusing less on what policies say, and more on how firms actually operate, AML regulations are being amended, requirements for a data protection complaints process introduced and details from the consultation regarding the move to the FCA as sole AML regulator have been released **Anti-Money Laundering and Counter-Terrorist Financing Supervision Reform: Duties, Powers, and Accountability Consultation - GOV.UK**.

Supervision, AML and complaints handling all remain firmly in scope, and firms are increasingly expected to evidence that their frameworks work in practice. Nothing here is entirely new, but expectations are tightening. Firms that rely on historic policies or light-touch oversight may find it harder to justify their position. This is a good moment to step back and make sure your compliance framework reflects reality, not just intention.

Supervision post Mazur

The SRA has issued expanded guidance on supervision following the Court of Appeal's decision in *Mazur*, supported by practical case studies, and it's worth a careful read **SRA | Effective supervision | Solicitors Regulation Authority**

Firms must take a risk-based approach to supervision, considering who supervises, how many people they oversee, the nature of the work, and how oversight is exercised day-to-day.

In practice, firms should now be able to evidence:

- Active and regular file oversight
- Clear supervision structures with accountability
- Supervisor capacity aligned to workload
- Escalation routes that are used in real time

There is no one-size-fits-all model, but the expectation is that firms can demonstrate clear oversight, appropriate supervisor capacity and real-time escalation where needed. Reliance on nominal or overly stretched supervision, particularly in high-volume or heavily delegated work, will be difficult to justify if challenged.

Client money – tighter controls coming

The SRA is continuing to strengthen its approach to client money, including mandatory accountants reports and greater separation between decision-making and compliance roles.

The SRA recently opened another consultation **Client money in legal services: Notifying the SRA of changes to help identify and act on risks**, part of its 'Consumer Protection Review – focused on protecting client money held by solicitors.' The consultation includes proposals to make a rule to require firms to notify it of events that it will prescribe from time to time and give the SRA the option of using fixed financial penalties (FFPs) to help ensure compliance, and it will use the new power in the first instance to require firms to pre-notify of a merger or acquisition that has reached the Heads of Term stage or equivalent and notify when beginning to receive or hold client money, having previously reported that the firm does not do so. The consultation period ends at 9.00 on Monday 17 August 2026.

Some changes may not take effect until 2027 or later, but firms are advised to review their governance, finance, and compliance roles now to ensure readiness.

AML

Action required now

With changes to the Money Laundering Regulations taking effect from 30 June 2026, firms should review and update the FWRA to match your current risk profile and refresh PCPs as required, ensuring updates are documented and shared with staff.

The key point is that regulators expect these documents to drive behaviour, not sit on a shelf. If your FWRA does not reflect how your firm actually operates, it is unlikely to assist if challenged.

Same issues, same outcomes

Recent enforcement shows little change in theme, but continued failures in practice. Common gaps remain:

- Outdated or generic firm-wide risk assessments
- Weak or unused policies and procedures
- Missing or incomplete client/matter risk assessments

Over the last few months, the SRA has fined 59 firms a total of around £600,000 for failing to apply basic AML controls. Firms are, and will continue to be, fined for earlier breaches of MLR that are no longer ongoing, and, while the clock cannot be turned back, all firms should ensure present processes are fully compliant to avoid higher sanctions being imposed. Fines are determined by turnover and SRA banding, so cases will be referred to the SDT if the fines exceed the SRA's £25,000 limit, resulting in extra costs and reputational risks.

Data collection exercise

The annual AML and sanctions data collection exercise will be underway soon, placing further emphasis on firms having accurate, up-to-date records. The form opened on 29 June 2026, and we advise that you don't leave it until the last minute to complete it! Information is required relating to work carried out within scope of MLR, any contact / involvement with the sanctions regime and any persons designated under it and submission of suspicious activity reports to the NCA. There is useful guidance about completing and submitting the form, together with Q & A at [SRA | Firm anti-money laundering and sanctions data requirements | Solicitors Regulation Authority]

Complaints – rising expectations

The Legal Ombudsman has launched a wide-ranging consultation following a 37% increase in complaints. A striking point is that many complaints escalate simply because firms fail to issue a timely final response. Firms should view complaint handling as part of risk management, not just administration.

In addition, from 19 June 2026 all organisations must have a process in place for people to make data protection complaints, which includes acknowledging them within 30 days, investigating without undue delay, keeping complainants informed, and communicating outcomes promptly. The ICO has published guidance **How to deal with data protection complaints | ICO**.

Firms can update existing procedures or, alternatively, create separate ones, which is preferable due to varying time limits and differing responsibilities for data protection complaints.

Disciplinary decisions

12-month suspension, suspended for 2 years (under appeal) for bullying and abuse of position

A law firm owner engaged in sustained bullying, coercion and inappropriate behaviour towards junior staff over several years, with over 40 allegations proved. The tribunal identified a clear imbalance of power and repeated misconduct across multiple individuals. The SRA has confirmed an appeal, indicating the sanction may be insufficient to reflect the seriousness of the conduct.

12-month suspension, suspended for 2 years with restrictions for offensive social media posts

A solicitor posted offensive and discriminatory antisemitic content on social media over an extended period. While insight and remediation were accepted, the tribunal emphasised the reputational damage to the profession and imposed restrictions on future conduct.

Struck off for misuse of client funds and concealment

A criminal solicitor kept a matter outside firm systems and required a client to pay fees into a personal account, concealing the arrangement over a period of months. The conduct was found to be deliberate and dishonest.

Failure to report criminal conduct

A solicitor was fined £15,000 for failing to notify the SRA of multiple drink driving convictions. The Tribunal made clear that prompt self-reporting of criminal matters is a core regulatory obligation. Delay or omission, even where there is no underlying professional wrongdoing connected to client work, will be treated seriously as a failure of transparency and integrity.

Misleading conduct and attempted concealment of errors

A solicitor was struck off after attempting to conceal a missed court deadline, including misleading others about the position. The Tribunal regarded the attempt to cover up the error, rather than the underlying mistake itself, as the most serious aspect of the misconduct.

Improper dealings with clients and third parties

A solicitor was struck off following involvement in property transactions where he agreed to sign leases confirming he'd witnessed a signature as a favour to a client and subsequently provided misleading information to the police. He asked the client to get the leases signed as soon as possible and return them, but they were never received.

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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