

Compli | May update

This is our monthly round up of developments and updates from the regulatory sector, and an overview of recent disciplinary decisions.

LSAG guidance approved by HM Treasury

Approval has finally been received from HM Treasury to the updated Legal Sector Affinity Group (LSAG) AML compliance guidance, effective from 23 April. The April 2025 LSAG guidance (ominously labelled Version 1.1) replaces the March 2023 guidance and the December 2023 addendum [SRA | Your AML obligations | Solicitors Regulation Authority](#).

A full list of the changes can be found within the Schedule of amendments at pages 221 – 228. Amendments include:

- Information on the applicability of the Economic Crime Levy for firms with an annual turnover of more than £10.2 million
- Updated guidance on the receipt of Third Party Source of Funds contributions
- The introduction of a new high-risk third country definition
- Details on the requirement for Overseas Entities wishing to buy, sell or transfer property or land in the UK to register with Companies House

Updated Sanctions guidance

On 1 May 2025 the SRA updated its guidance ‘Complying with the UK Sanctions Regime’ [SRA | Complying with the UK Sanctions Regime | Solicitors Regulation Authority](#)

The guidance includes an updated list of red flags, clarification around reporting requirements and around licensing and includes two new case studies on screening against sanctions lists.

Reporting your firm’s diversity data

All SRA-regulated firms have to collect, report and publish data about the diversity make-up of the firm every two years, and the biennial collection of diversity data by the SRA will be carried out this summer. The date will be published on SRA Update and firms will have four weeks to complete the report. The SRA has updated the information on the website, including the questionnaire and Q&As.

[SRA | Reporting your firm's diversity data | Solicitors Regulation Authority](#). As well as reporting diversity data, there are questions about plans for publishing a summary of the data.

Legal Ombudsman seeks rise of over £2m in budget

On the basis that levels of demand for its services cannot be met, LeO is seeking a budget increase of over 11%, stating that ‘persistently high demand was a clear indicator that consumers are being ‘let down’, with poor complaints handling by firms and issues with the quality and tone of responses’. If approved, LeO says this would allow an increase in investigator resources and reduction in waiting times.

The present backlog of cases to be allocated is similar to that of last July. If the Legal Services Board approves the budget, it would mean an increase of almost £5m since 2022. LeO had previously suggested a case fee increase from £400 to £800 but is not progressing that proposal pending further consultation.

Legal Services Board report criticises regulators

In its recent regulatory performance assessment, the LSB has ‘serious concerns’ about the SRA following the issues surrounding Axiom Ince and SSB, deeming its operational delivery as ‘insufficient’ for authorisation, supervision and enforcement, and raised concerns about communication and accountability between the Board and senior executives. The LSB’s independent review into the SRA’s handling of SSB is still awaited. In addition, the report comments on the SRA’s failure to publish information relating to SQE training providers. The report also criticises the Bar Standards Board for taking too long to authorise.

New practice notes and guidance

SRA guidance/news

- The SRA has published the following since our previous update:
- [SRA | Our approach to SLAPPs cases | Solicitors Regulation Authority](#)
- [SRA | SRA Update 138 prevent fraud crime | Solicitors Regulation Authority](#)
- Can cryptocurrency be used as payment for legal services: [SRA | Compliance with the regulations and preventing money laundering Q&A | Solicitors Regulation Authority](#)
- [SRA | Understanding your continuing competence requirements | Solicitors Regulation Authority](#)

Law Society practice notes

- [Cloud computing | The Law Society](#)
- [Implementing whistleblowing arrangements | The Law Society](#)
- [Raising concerns and whistleblowing: guidance for staff | The Law Society](#)

Disciplinary and regulatory decisions

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

Fines for not complying with AML regulations

A firm which undertakes significant conveyancing work was fined more than £36000 for failing to conduct client and matter risk assessments from February 2019 to November 2024.

Another firm was fined £25,000 in a regulatory settlement agreement with the SRA for failing to obtain adequate evidence of source of funds or source of wealth, failing to conduct EDD when acting for a non-domestic politically exposed person (PEP), and their associated companies in 36 matters.

Suspended for not disclosing conflict

A solicitor who acted for a property development company which failed, and had not disclosed to buyers and investors that his wife and two of the firm's staff were directors of the development company, has been suspended for 6 months and ordered to pay costs of over £40,000. He claimed he was not aware his wife was a director and denied acting without independence, a defence the SDT found to be 'fundamentally flawed'. He was found to have acted without integrity and shown a lack of insight into his regulatory obligations.

Suspended for allowing client account to be used as banking facility

A law firm owner who allowed the client account to be used as a banking facility for over £30m over a period of 3 years for one client, has been suspended for 12 months with an indefinite restriction order on his practising certificate preventing him from practising as a sole practitioner, a freelance solicitor, a solicitor in an unregulated organisation, being a compliance officer or holding client money and being a signatory on any client account.

Rebuked for holding dormant client funds

Three former directors of a firm now in administration have been rebuked for holding over £350,000 in client account with no activity for over 3 years. They were found to have failed to ensure that client money was returned promptly once there was no proper reason to hold it.

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.

Key contact



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