

Compli | June update

This update is being written following the last Bank Holiday until end of August (it would be good if they were spread out more evenly!) which, following weeks of dry, bright weather, was a washout, with more rain to come! The forecast for risk and compliance is also changeable, with the SRA's unlimited fining powers in relation to economic crime coming into play shortly, version 1.1 of the latest LSAG guidance being introduced a few weeks ago, and two questionnaires set to land from the SRA.

Updated LSAG guidance

As we reported last month, the latest version of the LSAG AML compliance guidance (ominously titled version 1.1) was published on 23 April 2025. Helpfully, a full list of the changes is in the Schedule of Amendments at pages 221 – 228 (although not all the amendments appear in the guidance itself!) Firms should review their FWRA and PCPs in light of the new guidance and record the fact they have done so.

We understand there may be a further update later this year to reflect the effect of the Uyghur case on the limits of the 'adequate consideration' exemption from criminal liability for money laundering. The Law Society's view, based on advice, is that the decision does not impose additional suspicious activity reporting (SARs) obligations on solicitors, but discussions are ongoing.

SRA enforcement relating to AML to increase

The SRA has announced that as a result of firms not complying with AML obligations, it will be stepping up its enforcement. According to the SRA, they are still finding fairly basic deficiencies, fines are going up and if firms continue not to comply, the consequences will be increased.

At the end of June, the SRA will carry out a data gathering exercise about AML, Sanctions and suspicious activity reports and the results will help prioritise firms that require inspections and desk-based reviews. The SRA beat its inspections target by 70% for the first quarter of the year, which the SRA put down to streamlined processes, making use of desk-based reviews alongside inspections, retention and development of

staff working within AML teams leading to quicker and more effective inspections. This announcement follows closely on the heels of a large number of recent decisions relating to breaches of AML in the first quarter of this year. Fines for firms ranged from £1600– £300,000, and £3500 to £45,000 for individuals.

If the SRA want to inspect your AML processes you will need to provide the documents within 10 days, so it's a good idea to collate them now and put them in a separate folder, with more than one person being aware of where they are kept, in case the MLRO/MLCO/COLP is away when the request lands!

SRA looks for budget rise

Last month we reported that LeO was seeking a budget increase of over 11%, and this month the SRA is proposing a 25% increase in its budget due to an increase in reports of misconduct, leading to 40% more investigations being opened per month, compared to 12 months ago. According to the SRA, efficiency has improved and 18% more cases are being concluded per month, but the scale and complexity of the caseload has increased. However, the improvement in efficiency has not been noted by practitioners – if the SRA decides to investigate a firm or individual it can take months, and often years, for the process with little/no progress for months at a time.

LSB issues directions to SRA over Axiom Ince failures

The LSB has issued binding directions requiring the SRA to take a number of steps, including improving how it identifies and responds risks, strengthening the regulation of client money, and strengthening controls where one person is the owner, and holds all compliance and management roles. It has 12 months to comply and must provide a report on progress quarterly. The report into the SSB debacle is still awaited.

Reporting your firm's diversity data

We reported last month that the biannual collection of diversity data by the SRA will be carried out this summer, and it appears that summer is almost here, as firms will need to report its diversity data between 9 June and 4 July 2025. As well as reporting diversity data, there are questions about plans for publishing a summary of the data. It is a regulatory requirement to complete the report and if the SRA takes action for failing to comply a firm could be issued with a [fixed penalty fine](#) for non-compliance.

AI

The increase in the use of AI is affecting firms. Policies should be considered, particularly in light of recent cases where, in one case, fake case authorities have been

referred to in court and the judge ordered the defendant to send the transcript of the judgment to the SRA and BSB, and in another, a former solicitor referred to almost 30 false cases in support of his appeal against strike off.

We are seeing more complaints from clients/litigants in person written with 'the assistance' of AI, which makes them more difficult to respond to, replies to responses arrive quicker, and add to the pressure of a stressful workload. We anticipate firms may consider settling spurious complaints in order to deal with the matter quickly and avoid it being escalated to LeO/SRA.

Law Society In-house ethics framework

The Law Society has introduced an ethics framework 'providing practical guidance, tools and resources to assist in-house solicitors uphold their ethical and legal obligations while operating effectively within their organisations', intended to complement the SRA's guidance which covers specific issues such as identifying the client, internal investigations and legal privilege. The Law Society will continue to review and improve the framework based on feedback from putting it into practice.

New practice notes and guidance

The following have been since our previous update:

SRA guidance/news

- Complying with the UK Sanctions regime: [SRA | Complying with the UK Sanctions Regime | Solicitors Regulation Authority](#)

Law Society practice notes

- Climate change and property: [Climate change and property | The Law Society](#)

Recent decisions

Largest ever fine imposed

While the SRA is continuing the discussion about fining powers, (it already has the ability to impose unlimited fines for failure to prevent fraud), it has just reported its largest ever fine of almost £4 million on a former non-solicitor owner of an ABS. The previous largest fine was for £500,000. Investigators found evidence of 310 improper transfers to companies linked to the manager of a now closed firm that were used for loan repayments and to buy assets unrelated to the business, and forged statements

attempting to conceal the transactions. Two other non-lawyers involved in the matter were disqualified from working in a law firm without SRA permission and ordered to pay costs and a solicitor was fined almost £27,000 and costs.

Struck off for falsifying LPA details and fraudulently obtaining confidential medical information

A solicitor has been struck off the roll for misleading the Office of the Public Guardian by indicating that an LPA was signed and dated by her client and attorney, and that she had acted as certificate provider. She had in fact instructed the parties to not date the LPA and had added dates for the signatures which she knew to be false. She also called a hospital to ask for confidential information regarding the client and gave another person's name in order to acquire the information in question, clearly knowing this to be false.

Struck off for not disclosing bankruptcy

A solicitor with over 40 years' experience was struck off for failing to disclose a 2014 bankruptcy and related financial issues to both his firm and the SRA. He had continued to practise as a solicitor, falsely stated in three annual compliance declarations that he had never entered into an IVA, despite doing so in 2009 and was found to have acted dishonestly, with the Tribunal rejecting his explanations of forgetfulness and reliance on advice from a now-deceased accountant.

Suspension for failing to comply with court order

The sole owner of a firm was suspended for 6 months by the SDT, with conditions at the end of the period, including being unable to be a sole practitioner or partner, for failing to ensure his firm complied with a court order to serve and file a witness statement and not responding to an application for wasted costs, and then failing to respond to the SRA and not complying with decisions made by the SRA to pay fines for regulatory breaches. He was also ordered to pay almost £25,000 costs.

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.