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## Compli | April update

March saw a series of developments highlighting increasing regulatory pressure on solicitors, particularly (but not unusually) in relation to anti-money laundering supervision, client accounts and practice authorisation, alongside continued fallout from the Mazur decision on reserved legal activities.

### AML enforcement: tougher treatment of law firms

The enforcement gap between the legal and accountancy sectors continues to widen. A report by the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) shows that law firms are subject to significantly more inspections and materially higher fines than accountancy practices.

For solicitors, the message is clear: AML supervision remains a priority area for the SRA, with increased inspections and enforcement activity likely to continue. We reported extensively last year on the increasing number and level of fines, and there's already been a raft of letters to firms from the SRA in the first 3 months of this year regarding inspections (desk based and in person visits), so it's likely the number of investigations will rise in the run up to the FCA taking over. Firms undertaking higher-risk work, particularly conveyancing and transactional matters, should expect ongoing scrutiny and ensure that risk assessments, policies and controls are demonstrably effective.

If you've not yet had an independent AML audit, or not had one recently, now is the time to get one booked in. While you can't turn the clock back, you can get your firm into the best position possible before an SRA visit and prior to the FCA taking over.

### Client account interest levy: cost risks for the profession

The MoJ consultation on its proposal to introduce an Interest on Lawyers' Client Accounts (ILCA) scheme closed on 9 March 2026, with representative bodies (including the Law Society and regional societies) continuing to oppose the plan, arguing it will increase costs, hit high street firms disproportionately and may push clients to unregulated providers. Without saying whether it was in favour of the scheme or not, in its response to the consultation, the SRA emphasised the operational and financial implications for both the SRA and solicitors, warning that the government proposals could result in higher costs for the regulator and, ultimately, the profession. The SRA highlighted that there may be a need for new IT systems, additional data collection, and ongoing enforcement activity. As the SRA is funded through practising certificate fees, it cautioned that these costs may need to be passed on to firms if the proposals proceed.

## Conveyancing: HMRC tax adviser registration may be deferred

Further regulatory uncertainty emerged for conveyancers following HMRC guidance confirming that firms submitting stamp duty land tax returns will fall within the new mandatory tax adviser registration regime. While the requirement is currently expected to apply from May, there are growing indications that registration for parts of the financial services sector may be deferred, raising hopes that conveyancers could benefit from a similar postponement. The Law Society has warned that imposing registration requirements on conveyancers risks slowing transactions and adding unnecessary complexity to already heavily regulated processes. Firms involved in property work should continue to monitor developments closely.

## Mazur fallout: limits on who can conduct litigation

The professional consequences of the Mazur ruling continue to unfold. In March, a senior and highly experienced family lawyer was prevented from acting in Children Act proceedings after the court refused to grant an exemption allowing her to conduct litigation. The decision reinforces the strict interpretation of reserved legal activities following Mazur even where removal of a practitioner causes practical difficulties for clients. Judgment in the Appeal was reserved, with no date, as at the date of writing, for it to be handed down. Firms must ensure that only properly authorised individuals conduct litigation and that supervision arrangements comply with current regulatory guidance.

## Disciplinary round-up

March also brought a number of significant disciplinary decisions, underlining continued regulatory focus on client money, authorisation and professional integrity.

## Client accounts used as banking facilities

An international firm was fined £18,000 after staff allowed its client account to be used as a banking facility during a commercial property transaction. The SRA found that payments were made from the client account that were not connected to an underlying legal transaction, creating a risk of substantial harm. While the misconduct was not found to be deliberate or reckless, the case serves as a reminder of the strict limits on the use of client accounts.

## Dishonesty and exceptional circumstances

A solicitor who admitted lying during a secretly recorded meeting avoided being struck off after the SDT accepted that he had acted to protect a client under extreme pressure. The tribunal imposed a suspension, stressing that the outcome was based on exceptional circumstances and should not be taken as a signal of greater tolerance for dishonesty.

## Unauthorised practice

A partner was suspended for nine months after running an unauthorised sole practice for more than three years. The tribunal found that clients had been placed at risk as a result

of her practising without authorisation and holding client money when not entitled to do so, emphasising the importance of maintaining proper authorisation at all times.


## Serious client account misuse

A City solicitor who had sole access to one of the firm's accounts to which he transferred funds from the client account, was struck off after falsifying bank statements to conceal a £2.1 million client account shortage and misappropriating almost £1m.

## 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 [compliment@weightmans.com](mailto:compliment@weightmans.com)

## Key contact

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