

Compli | July update

Welcome to the Compli monthly round-up of developments and updates from the regulatory sector, and an overview of recent disciplinary decisions.

SRA First-tier complaints rule changes consultation

Following a thematic review at the start of the year, involving visits to 25 firms and a survey of 750 firms, the SRA has launched a consultation on proposed changes to its rules to assist with firms improving how they define and deal with complaints.

These would include making changes to when complaints information must be provided, including at the conclusion of the matter as well as at the start; the way it is provided, and having a clear definition of what is a complaint.

This will be linked with new guidance and increasing information collected about complaints by the SRA. The responses to the consultation should be submitted by 25 July 2025. Changes are expected later in the year, so watch this space.

Sanctions update:

Improvements to GOV.UK sanctions content

Further to a review and requests for clearer, better structured sanctions content, the following have been introduced:

- A new [sanctions hub page on GOV.UK](#) that signposts essential UK sanctions content
- an expanded [collection of industry guidance for the Russia sanctions regime](#)
- an improved [regimes guidance collection](#) page

Results from multiple jurisdictions can make it difficult to search for sanctions content. To help, a pre-filtered [sanction search of GOV.UK](#) has been created which can be accessed from the hub page, which lets you find all UK sanctions content by keyword, date and content type. New subheadings to all the statutory guidance, making it easier

to find sections of interest. We understand further improvements to content are underway.

OFSI releases Legal Services Threat Assessment

The Office of Financial Sanctions Implementation (OFSI) has released its first Legal Services Threat Assessment, setting out the main sanctions compliance risks facing the legal sector. In the last three years, the legal sector accounted for 16% of suspected sanctions breach reports, (second only to financial services), with a significant number relating to licence conditions, e.g. exceeding value limits or failing to report in time, but the report considers that underreporting is 'highly likely'.

The report also stated that there has been widespread misuse of complex structures and trusts to hide asset ownership by Russian designated persons. The SRA 'strongly encourage' firms to review client files, particularly those involving complex ownership or links to Russian DPs, improve internal controls and awareness around sanctions compliance, and report any suspected breaches promptly to OFSI.

We anticipate this will be an area of interest to the SRA when reviewing files as part of an inspection/investigation.

SRA anti-money laundering and sanctions data collection exercise

The SRA's annual AML and sanctions data collection exercise will open on 9 July and information must be provided by all regulated firms, not just those within scope of the AML regulations.

The link will be sent to Compliance officers, so make sure someone with a mySRA account, a current relevant post and role recorded in mySRA has access if the COLP/MLRO/MLCO/Authorised Signatory are out of the office, or knows to access the link on the [SRA website](#) as it's a regulatory requirement to complete the form. The SRA have helpfully provided a specimen questionnaire, and firms may want to start collating the information before the exercise goes live. Where appropriate, a firm will be able to submit a nil return.

SRA fines increase, interventions remain high while SDT referrals fall

In its recently published financial statement, the SRA revealed that in the year to end October 2024 it issued 173 fines totaling £1.3m, compared to 73 the previous year, totaling around £400,000. As we've reported over the last few months, fines have increased considerably, particularly in relation to breaches of AML, and also a record fine of £4m to a former non-solicitor owner of an ABS, so next year's report will far exceed the 2024 figure. The following year could exceed that, with the introduction of the SRA's unlimited fining powers in cases of economic crime. The report also noted that the number of AML inspections and reviews doubled to 545.

There were fewer cases heard by the SDT, 78 compared to 99 in 2022/23, and this is likely to continue with more firms 'accepting' fines, rather than incurring additional (and usually irrecoverable) costs of defending allegations before the SDT with the risk of a costs order for all or part of the SRA's costs. The SRA closed down 59 firms, a similar number to the previous year.

Axiom Ince update

The latest indications are that the collapse of Axiom Ince may result in payouts of £41m from the SRA Compensation Fund. In total, around £60m went missing from Axiom Ince. As a result of the claims arising from the Axiom Ince debacle, following closely on the back of other interventions, including Metamorph, the SRA tripled the contributions to the fund for solicitors (£30 to £90), and more than tripled the amount from firms (£660 to £2,220) for the current financial year. Present proposals are to reduce contributions for 25/26, but not to the extent they were increased last year (down to £70 and £1,950 respectively).

New practice notes and guidance

SRA guidance

The SRA has published the following since our previous update:

- [SRA | Publishing regulatory and disciplinary decisions | Solicitors Regulation Authority](#)
- [SRA | Mergers, acquisitions and sales of law firms – Warning notice | Solicitors Regulation Authority](#)

Law Society practice notes

- [Climate change and property | The Law Society](#)
- [Implementing whistleblowing arrangements | The Law Society](#)

Disciplinary and regulatory decisions

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

AML fines

One firm has been fined nearly £64,000 for AML breaches, including failing to have PCPs in place or carry out client and matter risk assessments (CMRAs) dating back six years, with another firm fined almost £78,000 for failing to carry out CMRAs, CDD and source of funds checks on files reviewed, and seven other firms (at the date of writing) have been fined a total of £88,000. All fines are paid to HM Treasury.

Struck off for dishonesty

A solicitor who told a client she had been awarded £3,800, rather than the settled figure of £8,500 plus costs, and then transferred monies to a rehab company where his wife was sole signatory on one of the bank accounts, creating false invoices and correspondence, has been struck off and ordered to pay £25,000 costs. The solicitor denied his wife had anything to do with the company, but payments made to the account were transferred the same day into her personal bank account.

Ban for solicitor who worked for three firms at once

A solicitor who claimed to work 100 hours per week, juggling three jobs in doing so, has been struck off. She was employed full time by one firm, contracting to work solely for them, but was also working two other roles as a locum and submitted timesheets claiming payment for the same hours on the same dates from both of those firms.

Suspension for solicitor who acted for both claimant and defendant

A solicitor, owner of a law firm and holder of all compliance roles, who, despite the obvious conflict of interest pointed out by a paralegal, acted for both sides in a litigation dispute over a debt, has received a six-month suspension. The suspension will be followed by a three-year restriction order preventing him from acting as a COLP, COFA, manager or owner of a law firm.

Dishonest solicitor avoids strike-off

A solicitor who deleted five email chains from the case management system which related to matters that led to a client complaint has received a 12-month suspension and £25,000 costs, but avoided a permanent ban, the SDT determining this fell within the limited group of cases where suspension was deemed sufficient sanction, finding that while she had been dishonest and had lacked integrity, she was not a dishonest person, the dishonesty being limited in duration and a 'moment of madness'.

Solicitor suspended for inappropriate touching

The SDT found that a solicitor inappropriately touched two colleagues at separate social events but cleared him of seven other allegations. It rejected his contention that, because the allegations arose outside the workplace, they did not raise a regulatory issue, finding the proved matters of non-consensual touching adversely affected the reputation of profession. He was suspended for 12 months and ordered to pay costs of £95,000.

Banned for faking signatures

A law firm employee has been barred from working for another law firm without SRA permission for forging a client's signature on a form by tracing it from another signed form. Two parcels of land had been sold but only one transfer form had been signed by

the seller. The employee said she panicked as the matter was urgent and the fabricated document was withdrawn, the difference in signatures having been noticed by another fee earner.

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.