

Case No. 12813-2025

BEFORE THE SOLICITORS DISCIPLINARY TRIBUNAL**IN THE MATTER OF THE SOLICITORS ACT 1974 (as amended)****AND IN THE MATTER OF****SOLICITORS REGULATION AUTHORITY LIMITED****Applicant****-and-****ALEXANDER WILLIAM BRUCE LEE****Respondent**

REPLY

- 1 This is the SRA's Reply to the Respondent's Answer. Save to the extent of any admissions in the Respondent's Answer and any admissions below, the SRA joins issue with the Answer. References to paragraph numbers are to paragraphs in the Respondent's Answer, unless stated otherwise.

Preliminary point: Delay

- 2 Paragraph 3 is denied. The Respondent is well aware why there were some delays in the SRA's investigation, including the SFO investigations, the civil proceedings culminating in the Miles J judgment and the impacts of the pandemic. No serious prejudice to the fairness of the substantive trial is alleged or so far as the SRA is aware has arisen. The public interest in the determination of the Allegation given the circumstances affecting LCF's collapse is significant. Any application to seek a stay of these proceedings will be resisted.

The Respondent's Answer to the Allegation

- 3 As regards the nature of GST's powers and duties as security trustee generally:
- 3.1 Paragraph 19.1 of the Rule 12 Statement is repeated, with further particulars supporting the same set out below.
- 3.2 The overriding obligation of a trustee is to preserve and safeguard trust assets properly and to take such precautions as an ordinary prudent person of business would take in managing their own affairs. This overriding duty of care is inherent in GST's appointment at clause 2 of the Security Trust Deeds and/or the facts and matters set out below. Further, paragraph 19.2 of the Rule 12 Statement is repeated, in particular the Respondent's appreciation that GST's role included to "*report to the board of directors on the asset values held as security against an investment*".
- 3.3 This fundamental duty of care of a trustee is not excluded by the Security Trust Deeds, whether at clause 5.3 or otherwise. Given the context and the full terms of the relevant documents, clear and unambiguous words would be required to exclude such an important duty, and the word "generally" in clause 5.3 is anyway inconsistent with an intention to do so.
- 3.4 Further, GST's duty of care as trustee as set out above is confirmed by in particular the following express provisions and purposes of the Security Trust Deeds and Debentures (which also constitute matters "for which express provision is made in this Deed", pursuant to the language of clause 5.3 of the Security Trust Deeds):
- 3.4.1 Clause 3 of the Security Trust Deeds sets out certain obligations of GST upon an "Enforcement Event". Clause 14.1 of the Debentures sets out when an "Enforcement Event" occurs thereunder, and includes (inter alia) at item (b) "any representation or warranty made or repeated by the Borrower [in respect of] the Bonds is or proves to have been incorrect in any material respect when made" and at item (c) "the

Borrower fails to comply with any material provision of the Bonds”. One of the evident purposes of the Debentures’ information provision arrangements at clause 6.13 thereof is to facilitate GST monitoring compliance with such matters insofar as relevant to the Secured Assets. Generally, in order to appreciate whether certain specified powers had become exercisable in the event of an “Enforcement Event”, GST needed to understand whether the same had occurred or was about to. In fact, the conclusions in the Miles J judgment as to the systemic fraudulent trading in which relevant parties engaged, and the Ponzi Scheme arrangements, indicate the likelihood that Enforcement Events had occurred at all times of the Respondent’s involvement with GST.

- 3.4.2 Even in the event of identifying circumstances which did not amount to an actual, imminent or threatened “Enforcement Event”, GST would be able to protect Bondholders’ interests by communicating information and concerns to Bondholders, the FCA, the SFO, LCF and others. Such communications might also protect Bondholders by preventing further lending that would prejudice or further prejudice their interests.
- 3.4.3 Clause 20.1 of the Debentures gave GST the right to be reimbursed “on a full indemnity basis” by LCF in relation to the costs and expenses of (inter alia) “taking, holding, protecting, perfecting, preserving or enforcing (or attempting to do so) any of the Security Trustee’s ... rights under this deed”. Further, clause 21.1 of the Debentures required LCF to take whatever action GST reasonably required for (inter alia) “creating, perfecting or protecting the security intended to be created by this deed”. These provisions, individually and together, further confirm GST’s duty to protect and preserve Bondholders’ interests in relation to “the security intended to be created by this deed”, including the taking of steps “attempting to do so”, all at LCF’s cost.
- 3.4.4 Clause 10 of the Security Trust Deeds states that “the powers conferred on the Security Trustee under this Deed shall be in addition to any

powers which may from time to time be vested in it by general law”. This would include powers to discharge the trustee’s principal duty of care.

3.5 At paragraph 1596(v) of the Miles J judgment, Miles J criticizes Mr Sedgwick (the Respondent’s predecessor at GST) for doing “nothing to monitor LCF’s security”. This assessment is consistent with the SRA’s analysis above and in the Rule 12 Statement.

4 In the premises:

4.1 paragraph 4.3 is unduly narrow;

4.2 paragraph 4.4 is denied;

4.3 paragraph 4.5 and the second sentence of paragraph 4.7 are denied for the reasons set out above;

4.4 the relevance of paragraphs 4.8 and 4.9 is denied;

4.5 save as aforesaid, issue is joined with paragraph 4.

5 As regards paragraph 12:

5.1 Paragraph 12.1 is denied. It is denied that clause 5.3 of the Security Trust Deeds assists the Respondent in answering the straightforward concern at paragraph 17.1 of the Rule 12 Statement.

5.2 In the premises, paragraph 12.2 is denied. It is denied that GST’s duties and powers were constricted to the extent contended by the Respondent.

5.3 Paragraph 12.3 misunderstands the concern at paragraph 17.3 of the Rule 12 Statement, which is a general one. In any event, AT’s unspecified “residual interest” in the entities borrowing from LCF (see paragraph 17.5 of the Rule 12

Statement) is an example of information acquired by the Respondent during his retainer by LCF which would have caused intense concern to Bondholders.

- 5.4 Paragraph 12.4 is denied. There was at all material times a significant risk of the same arising (given the functions of GST once an Enforcement Event had occurred), in particular after LCF's administration commenced (which took place during the period to which Allegation 1 relates). It is irrelevant (even if it were the case) that the Respondent and AT/LCF did not disagree, in the period which initially followed the administration commencing, given the facts and matters at paragraphs 17.1, 17.3 and 17.5 in particular of the Rule 12 Statement. It is apparent from the application to remove GST as security trustee that the administrators took the view that a properly independent GST would operate differently than GST with the Respondent at the helm.
- 5.5 In the premises, paragraph 12.5 is denied.
- 6 Paragraph 14 illustrates the fundamental flaw in the Respondent's contentions and is denied. Paragraph 3 of this Reply is repeated. GST was on any view able to place relevant information secured via exercise of clause 6.13 powers in the hands of Bondholders and others, empowering them to take effective action. Clause 6.13 of the Debentures is not restricted to the period after an "Enforcement Event" has occurred or is known to have occurred. The Respondent's construction and principal submission – that GST is given power to request information regarding the secured assets which it cannot make practical use of for the benefit of Bondholders – is denied.
- 7 In the premises, issue is joined with paragraphs 20-23, 26-27 and 29-30.

Blake Morgan LLP

14 October 2025