

SOLICITORS DISCIPLINARY TRIBUNAL

IN THE MATTER OF THE SOLICITORS ACT 1974

Case No. 11729-2017

BETWEEN:

SOLICITORS REGULATION AUTHORITY

Applicant

and

DONNA TAYLOR

Respondent

Before:

Mr A. Ghosh (in the chair)

Mrs C. Evans

Mr M. R. Hallam

Date of Hearing: 24 April 2018

Appearances

There were no appearances as the matter was dealt with on the papers.

JUDGMENT ON AN AGREED OUTCOME

Allegations

1. The allegations made against the Respondent¹ by the Applicant were set out in a Rule 5 Statement dated 11 October 2017 and were that:

While in practice as a partner at and/or principal of Robinsons Solicitors (“the Firm”), she:

Qualified Accountant’s Report for the period ending 31 March 2012

- 1.1 Between approximately 1 September 2011 and 31 March 2012, failed to produce adequate reconciliation statements, and thereby acted in breach of:
 - 1.1.1 Rule 32(7) of the Solicitors Accounts Rules 1998 (“the 1998 Rules”), (in respect of conduct between approximately 1 September 2011 and 5 October 2011);
 - 1.1.2 Rule 29.12 of the SRA Accounts Rules 2011 (“the Accounts Rules”) (in respect of conduct between approximately 6 October 2011 and 31 March 2012);

Qualified Accountant’s Report for the period ending 31 March 2013

- 1.2 Between approximately 1 April 2012 and 31 March 2013:
 - 1.2.1 caused or allowed client ledgers to become overdrawn and therefore breached Rule 20.6 of the Accounts Rules;
 - 1.2.2 failed to credit interest on designated accounts to the relevant ledgers and therefore breached Rule 29.1 and/or Rule 29.2 of the Accounts Rules;
 - 1.2.3 failed to identify or record the cause of differences appearing when liabilities to clients were compared to available cash held in client account and therefore breached Rule 29.12 of the Accounts Rules.

Qualified Accountant’s Reports for the periods ending 31 March 2014 and 31 March 2015

- 1.3 Between approximately 1 April 2013 and 31 March 2015:
 - 1.3.1 failed promptly to return client money or to inform clients of its retention and therefore breached Rule 14.3 and/or Rule 14.4 of the Accounts Rules;
 - 1.3.2 caused or allowed payments to be made on individual client ledger accounts in excess of money held on behalf of that client and therefore breached Rule 20.6 of the Accounts Rules;

¹ The Respondent was the First Respondent in the Rule 5 Statement. References in this Judgment and the Agreed Outcome Document to the First Respondent are references to the Respondent, Donna Taylor.

- 1.3.3 failed to enter transactions into the Firm's books of account correctly or at all and therefore breached Rule 29.1 and/or 29.2 of the Accounts Rules;
- 1.3.4 failed to keep properly written up accounting records at all times, in that the comparison in each reconciliation was not in agreement without adjusting or balancing entries, and therefore breached any or all of Rules 29.1, 29.2 and 29.12 of the Accounts Rules;
- 1.3.5 failed to keep reconciliations of bank accounts to clients' list of balances in an acceptable format, in that debit balances were included in the lists of client balances, and therefore breached Rule 29.12 of the Accounts Rules;
- 1.3.6 failed to include all client accounts in reconciliation statements and therefore breached Rule 29.12 of the Accounts Rules;
- 1.3.7 failed promptly to investigate and correct debit balances and/or differences and therefore breached Rule 29.12 of the Accounts Rules;

Client Account Reconciliations in 2016

- 1.4 In respect of the Firm's Client Account Reconciliations carried out between January and March 2016:
 - 1.4.1 failed to enter transactions in the Firm's books of account correctly or at all and therefore breached Rule 29.1 and/or 29.2 of the Accounts Rules;
 - 1.4.2 caused or allowed the reconciliations to contain reconciling entries carried forward month after month and therefore breached Rule 29.12 of the Accounts Rules;
 - 1.4.3 failed to carry out comparisons of liabilities to clients and therefore breached Rule 29.12 of the Accounts Rules;
 - 1.4.4 failed to record adequate detail or narrative in respect of reconciling entries and therefore breached any or all of Rules 29.1, 29.2 and 29.12 of the Accounts Rules;
 - 1.4.5 caused or allowed client liabilities to include overdrawn balances on two suspense ledger accounts and therefore breached any or all of Rules 20.6, 29.1, 29.2, 29.12 and 29.14 of the Accounts Rules;
 - 1.4.6 failed to list, investigate and/or promptly rectify debit balances and therefore breached any or all of Rule 29.1, 29.2, 29.12 and Rule 29.14 of the Accounts Rules;
 - 1.4.7 failed to reconcile either or both suspense ledgers and therefore breached Rule 29.12 of the Accounts Rules;
 - 1.4.8 failed to include money held on designated account(s) in the reconciliation and therefore breached Rule 29.12 of the Accounts Rules;

1.4.9 failed to rectify or evidence rectification of shortages on client account and therefore breached any or all of Rules 20.6, 29.1, 29.2, 29.12 and 29.14 of the Accounts Rules;

1.4.10 failed to make comparisons to a combined cash account in respect of designated client accounts and therefore breached Rule 29.12 of the Accounts Rules.

Suspense ledger accounts

1.5 From a date unknown, until at least 24 March 2016, maintained two suspense ledger accounts without any or adequate justification and therefore breached Rule 29.25 of the Accounts Rules.

1.6 On one or more occasions prior to 17 June 2016, failed to record adequately or at all:

1.6.1 all dealings with client money on the client side of a separate client ledger for each client and therefore breached Rule 29.2 of the Accounts Rules;

1.6.2 all dealings with office money relating to a client matter on the office side of the appropriate ledger and therefore breached 29.4 of the Accounts Rules;

1.7 On or before 30 September 2013, caused or allowed monies to be withdrawn from client account otherwise than in accordance with Rule 20.1 of the Accounts Rules.

Breaches arising from the facts and matters described at paragraphs 1.1 to 1.7 above

1.8 As a result of the matters alleged in paragraphs 1.1 to 1.7 above:

1.8.1 breached any or all of Rules 1.2(e), 1.2(f), 6.1, 7.1 and 7.2 of the Accounts Rules;

1.8.2 breached any or all of Principles 4, 8 and 10 of the SRA Principles 2011 (“the Principles”);

1.8.3 failed to achieve Outcome 7.4 and/or Outcome 7.6 of the SRA Code of Conduct 2011 (“the Code”).

Documents

2. The Tribunal had before it the following documents:-

- Applicant’s Rule 5 Statement dated 11 October 2017
- Respondent’s Answer to the Rule 5 Statement (undated)
- Respondent’s Witness Statement dated 3 December 2017
- Respondent’s Personal Financial Statement dated 5 April 2018
- Statement of Agreed Facts and Outcome in respect of the First Respondent dated 16 April 2018.

Factual Background

3. The Respondent was admitted to the Roll on 15 December 2000 and at the time of the hearing held a current practising certificate free from conditions.
4. The Firm was formed on 1 September 1991 and acquired by the Respondent on or about 21 March 2011. The Firm was authorised as a partnership. The Firm ceased trading on or about 1 May 2017. The First Respondent was at all material times: (1) the owner of and a partner in the Firm; (2) the Firm's Compliance Officer for Legal Practice ("COLP") and Compliance Officer for Finance and Administration ("COFA").
5. Following the Respondent's purchase of the Firm in March 2011, a number of qualified Accountant's Reports were submitted to the SRA. These gave rise to concerns about Accounts Rules breaches. In light of those concerns, the SRA's Supervision Department commissioned a Forensic Investigation of the Firm on or before 22 February 2016. A Forensic Investigation Report was prepared dated 17 June 2016 which identified a number of breaches.
6. The SRA subsequently commenced a further forensic investigation to ensure that the accounts had been put in order. This investigation concluded that all breaches identified in the first Forensic Investigation Report had been remedied but identified: (1) a further cash shortage of £941.00 as at 31 October 2016 albeit this was replaced in full the following day; (2) that the Firm's Accountant's Report for the period ending 31 March 2016 was qualified.

Application for the matter to be resolved by way of Agreed Outcome

7. The parties invited the Tribunal to deal with the Allegations against the Respondent in accordance with the Statement of Agreed Facts and Outcome annexed to this Judgment. The parties submitted that the outcome proposed was consistent with the Tribunal's Guidance Note on Sanctions.

Findings of Fact and Law

8. The Applicant was required to prove the Allegations beyond reasonable doubt. The Tribunal had due regard to the Respondent's rights to a fair trial and to respect for her private and family life under Articles 6 and 8 of the European Convention for the Protection of Human Rights and Fundamental Freedoms.
9. The Tribunal reviewed all the material before it and was satisfied beyond reasonable doubt that the Respondent's admissions were properly made.
10. The Tribunal considered the Guidance Note on Sanction (December 2016). In doing so the Tribunal assessed the culpability and harm identified together with the aggravating and mitigating factors that existed. The Tribunal decided that the proposed sanction, namely a fine in the sum of £7,501.00 was appropriate and granted the application for matters to be resolved by way of Agreed Outcome.

11. The Tribunal carefully considered whether or not there should also be a Restriction Order to prevent the Respondent being either a COLP or COFA. The Tribunal was mindful that should the Respondent wish to be a COLP or COFA at a future date she would need to make an application to the SRA to be either a COLP or COFA and the SRA would make an assessment as to whether or not to grant such approval. Given this and the Respondent's assertion in her witness statement that she did not wish to be COLP or COFA the Tribunal decided that a Restriction Order in these terms was unnecessary.

Costs

12. The parties agreed that the Respondent should make a contribution to the costs in the sum of £12,500. The Tribunal considered this to be appropriate and proportionate and ordered that the Respondent pay a contribution to costs in the agreed amount.

Publication of the Judgment

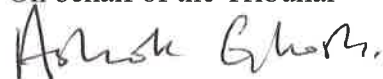
13. The Respondent was the First Respondent in proceedings which were due to be heard by the Tribunal in May 2018. There was a Second Respondent in those proceedings. The Tribunal considered whether or not there was any reason for publication of this Judgment to be delayed pending that hearing. It concluded that there was no detriment to the Second Respondent in the publication of the Judgment prior to the substantive hearing in relation to him.

Statement of Full Order

14. The Tribunal Ordered that the Respondent, DONNA TAYLOR, solicitor, do pay a fine of £7,501.00, such penalty to be forfeit to Her Majesty the Queen, and it further Orders that she do pay the costs of and incidental to this application and enquiry fixed in the sum of £12,500.00.

Dated this 25th day of April 2018

On behalf of the Tribunal



A Ghosh
Chairman

Judgment filed
with the Law Society

on 24 APR 2018

BEFORE THE SOLICITORS DISCIPLINARY TRIBUNAL

Case No:

IN THE MATTER OF THE SOLICITORS ACT 1974 (as amended)

AND IN THE MATTER OF:

SOLICITORS REGULATION AUTHORITY

Applicant

-and-

DONNA TAYLOR (29348)

First Respondent

-and-

JEREMY CHARLES ROBERT MONOD (134046)

Second Respondent

**STATEMENT OF AGREED FACTS AND OUTCOME
IN RESPECT OF THE FIRST RESPONDENT**

1. By a statement made by Rory Thomas Mulchrone on behalf of the Solicitors Regulation Authority ("SRA") pursuant to Rule 5 of the Solicitors (Disciplinary Proceedings) Rules 2007, dated 11 October 2017 ("the Rule 5 Statement"), the SRA brought proceedings before the Tribunal making allegations of misconduct against the Respondents. The Tribunal gave directions on 13 October 2017, which were varied on 2 November 2017 following application by the Respondents. The substantive hearing is listed for two days on 15 and 16 May 2018.
2. The First Respondent is willing to make admissions to the allegations against her in the Rule 5 Statement as set out at paragraph 4 below, and she accepts the factual basis of the admitted allegations as set out in this document. The Respondent also agrees to an Order that she pay a fine of £7,501.00.
3. The SRA has considered the admissions made and whether those admissions, and the outcome proposed in this document, meet the public interest having regard to the gravity of the matters alleged. In circumstances where the First Respondent has admitted all of the allegations against her and accepted that, subject to the Tribunal's approval, a fine of £7,501.00 is appropriate, the SRA is satisfied that the admissions and outcome satisfy the public interest.

Admissions

4. The First Respondent admits the following allegations:

While in practice as a partner at and/or principal of Robinsons Solicitors (SRA ID: 74471) ("the Firm"), she:

Qualified Accountant's Report for the period ending 31 March 2012

- 1.1 *Between approximately 1 September 2011 and 31 March 2012, failed to produce adequate reconciliation statements, and thereby acted in breach of:*

1.1.1 *Rule 32(7) of the Solicitors Accounts Rules 1998 ("the 1998 Rules"), (in respect of conduct between approximately 1 September 2011 and 5 October 2011);*

1.1.2 *Rule 29.12 of the SRA Accounts Rules 2011 ("the Accounts Rules") (in respect of conduct between approximately 6 October 2011 and 31 March 2012);*

Qualified Accountant's Report for the period ending 31 March 2013

- 1.2 *Between approximately 1 April 2012 and 31 March 2013:*

1.2.1 *caused or allowed client ledgers to become overdrawn and therefore breached Rule 20.6 of the Accounts Rules;*

1.2.2 *failed to credit interest on designated accounts to the relevant ledgers and therefore breached Rule 29.1 and/or Rule 29.2 of the Accounts Rules;*

1.2.3 *failed to identify or record the cause of differences appearing when liabilities to clients were compared to available cash held in client account and therefore breached Rule 29.12 of the Accounts Rules.*

Qualified Accountant's Reports for the periods ending 31 March 2014 and 31 March 2015

- 1.3 *Between approximately 1 April 2013 and 31 March 2015:*

- 1.3.1 *failed promptly to return client money or to inform clients of its retention and therefore breached Rule 14.3 and/or Rule 14.4 of the Accounts Rules;*
- 1.3.2 *caused or allowed payments to be made on individual client ledger accounts in excess of money held on behalf of that client and therefore breached Rule 20.6 of the Accounts Rules;*
- 1.3.3 *failed to enter transactions into the Firm's books of account correctly or at all and therefore breached Rule 29.1 and/or 29.2 of the Accounts Rules;*
- 1.3.4 *failed to keep properly written up accounting records at all times, in that the comparison in each reconciliation was not in agreement without adjusting or balancing entries, and therefore breached any or all of Rules 29.1, 29.2 and 29.12 of the Accounts Rules;*
- 1.3.5 *failed to keep reconciliations of bank accounts to clients' list of balances in an acceptable format, in that debit balances were included in the lists of client balances, and therefore breached Rule 29.12 of the Accounts Rules;*
- 1.3.6 *failed to include all client accounts in reconciliation statements and therefore breached Rule 29.12 of the Accounts Rules;*
- 1.3.7 *failed promptly to investigate and correct debit balances and/or differences and therefore breached Rule 29.12 of the Accounts Rules;*

Client Account Reconciliations in 2016

- 1.4 *In respect of the Firm's Client Account Reconciliations carried out between January and March 2016:*
 - 1.4.1 *failed to enter transactions in the Firm's books of account correctly or at all and therefore breached Rule 29.1 and/or 29.2 of the Accounts Rules;*
 - 1.4.2 *caused or allowed the reconciliations to contain reconciling entries carried forward month after month and therefore breached Rule 29.12 of the Accounts Rules;*
 - 1.4.3 *failed to carry out comparisons of liabilities to clients and therefore breached Rule 29.12 of the Accounts Rules;*

- 1.4.4 failed to record adequate detail or narrative in respect of reconciling entries and therefore breached any or all of Rules 29.1, 29.2 and 29.12 of the Accounts Rules;
- 1.4.5 caused or allowed client liabilities to include overdrawn balances on two suspense ledger accounts and therefore breached any or all of Rules 20.6, 29.1, 29.2, 29.12 and 29.14 of the Accounts Rules;
- 1.4.6 failed to list, investigate and/or promptly rectify debit balances and therefore breached any or all of Rule 29.1, 29.2, 29.12 and Rule 29.14 of the Accounts Rules;
- 1.4.7 failed to reconcile either or both suspense ledgers and therefore breached Rule 29.12 of the Accounts Rules;
- 1.4.8 failed to include money held on designated account(s) in the reconciliation and therefore breached Rule 29.12 of the Accounts Rules;
- 1.4.9 failed to rectify or evidence rectification of shortages on client account and therefore breached any or all of Rules 20.6, 29.1, 29.2, 29.12 and 29.14 of the Accounts Rules;
- 1.4.10 failed to make comparisons to a combined cash account in respect of designated client accounts and therefore breached Rule 29.12 of the Accounts Rules;

Suspense ledger accounts

- 1.5 From a date unknown, until at least 24 March 2016, maintained two suspense ledger accounts without any or adequate justification and therefore breached Rule 29.25 of the Accounts Rules.
- 1.6 On one or more occasions prior to 17 June 2016, failed to record adequately or at all:
 - 1.6.1 all dealings with client money on the client side of a separate client ledger for each client and therefore breached Rule 29.2 of the Accounts Rules;
 - 1.6.2 all dealings with office money relating to a client matter on the office side of the appropriate ledger and therefore breached 29.4 of the Accounts Rules;

1.7 On or before 30 September 2013, caused or allowed monies to be withdrawn from client account otherwise than in accordance with Rule 20.1 of the Accounts Rules.

Breaches arising from the facts and matters described at paragraphs 1.1 to 1.7 above

1.8 As a result of the matters alleged in paragraphs 1.1 to 1.7 above:

1.8.1 breached any or all of Rules 1.2(e), 1.2(f), 6.1, 7.1 and 7.2 of the Accounts Rules;

1.8.2 breached any or all of Principles 4, 8 and 10 of the SRA Principles 2011 ("the Principles");

1.8.3 failed to achieve Outcome 7.4 and/or Outcome 7.6 of the SRA Code of Conduct 2011 ("the Code").

Agreed facts

Background

5. The First Respondent was admitted to the Roll on 15 December 2000 and holds a current practising certificate free from conditions. She resides at **[ADDRESS REDACTED BY THE TRIBUNAL PRIOR TO PUBLICATION]**
6. The First Respondent was at all material times: (1) the owner of and a partner in the Firm (and therefore a principal of the Firm within the meaning of Rule 6 of the Accounts Rules and of the 1998 Rules); (2) the Firm's Compliance Officer for Legal Practice ("COLP") and Compliance Officer for Finance and Administration ("COFA").
7. The Firm itself was formed on 1 September 1991 and acquired by the First Respondent on or about 21 March 2011. The Firm was authorised as a partnership.
8. At all material times the Firm operated from premises at 61 Ness Road, Shoeburyness, Essex, SS3 9DB. The Firm ceased trading on or about 1 May 2017 and was acquired by Taylor Haldane Barlex.
9. Following the First Respondent's purchase of the Firm in March 2011, a number of qualified accountant's reports were submitted to the SRA. These gave rise to concerns about Accounts Rules breaches.

The First FI Report

10. In light of those concerns, the SRA's Supervision Department commissioned a Forensic Investigation of the Firm on or before 22 February 2016 ("the first forensic investigation"). A report with supporting annexures was subsequently prepared dated 17 June 2016 ("the first FI Report"), which identified a number of breaches.
11. A review of the client account reconciliation as of 31 January 2016 revealed unposted transactions totalling up to around £1,277,785.75, which were listed as reconciling items. The Forensic Investigation Officer ("FIO") found that subsequent reconciliations for February and March 2016 also failed to comply with the Accounts Rules.

First EWW letter

12. On 1 August 2016 an explanation with warning ("EWW") letter was sent to the First Respondent on behalf of the Firm.
13. On 6 September 2016, a response was received from the First Respondent's solicitors which: (1) accepted "*the facts set out in relation to the breaches alleged*" in the EWW letter and (2) admitted all breaches on the basis of "*strict liability*" with the exception of: (i) "*the alleged breach of Rule 29.12*" of the Accounts Rules (though the letter went on to admit that Rule 29.12(c) was breached); (ii) "*the allegations in relation to failure to provide documents, information and explanations*" to the FIO; (iii) "*the general allegations*" now particularised at paragraph 1.8 of the Rule 5 Statement and set out above.
14. In light of her response, further enquiries were made of the First Respondent on 8 September 2016, which elicited further details of her position.
15. The SRA subsequently commenced a further forensic investigation to ensure that the accounts had been put in order ("the second forensic investigation").

The Second FI Report

16. The second forensic investigation commenced on 1 December 2016 and resulted in a report dated 9 January 2017 ("the second FI Report"). All breaches identified in the first FI report had been remedied but the FIO identified: (1) a further cash shortage of £941.00 as at 31 October 2016 albeit this was replaced in full the following day; (2) that the Firm's Accountant's Report for the period ending 31 March 2016 was qualified.

17. The second FI report was sent to the First Respondent's solicitors on 17 January 2017 asking them if they wished to make any further comments; however, no further allegations were raised.

Second EWW letter

18. On 1 March 2017, a further EWW letter was sent to the First Respondent, asking her to respond in her personal capacity.
19. The First Respondent's solicitors responded on 16 March 2017, confirming that *"her responses to the allegations in her personal capacity are identical to the responses on behalf of the firm"*.

Allegation 1.1 – Failings in respect of the accounting period ending 31 March 2012

20. In respect of the allegation particularised at paragraph 1.1 of the Rule 5 Statement and set out above, both the Firm's accountant and the FIO identified the following differences appearing when liabilities to clients were compared to available cash held in client account: (1) £547.20 as at 10 September 2011; (2) £1,499.65 as at 31 March 2012.
21. Either or both of the differences referred to were caused by a client account receipt not being recorded. Having noted the differences, the Firm's accountant commented that:
- *"Regular differences are occurring when the client account is reconciled"*;
 - *"Any differences should be immediately rectified and a replacement bank reconciliation produced"*;
 - *"To ensure rule 29(12) of the SAR accounts rules 2011 AR [sic] is fully complied with"*
22. Both Rule 29.12 of the Accounts Rules and its predecessor, Rule 32(7) of the 1998 Rules, require reconciliation statements to *"show the cause of the difference"* in question; however, the First Respondent accepts that she failed to produce replacement reconciliation statements showing the cause of the differences in question and that, as a result, she breached those rules.

Allegation 1.2 – Failings in respect of the accounting period ending 31 March 2013

23. In respect of the allegation particularised at paragraph 1.2 of the Rule 5 Statement and set out above, the relevant Accountant's Report shows as follows.

24. As at or about 30 September 2012: (1) interest on designated accounts totalling around £326.99 had not been "posted" to the relevant ledgers; (2) there was a "remaining" difference of up to around £1,619.91; (3) the cause of that difference was "unknown", albeit "being investigated".
25. As at or about 31 March 2013: (1) interest on designated accounts totalling around £826.99 had not been posted to the relevant ledgers; (2) there was a "remaining" difference of up to around £2,749.31; (3) the cause of that difference was "unknown", albeit "being investigated".
26. There were "overdrawn ledgers during the year" and this was "mainly occurring where there is a probate and a property sale".
27. By allowing client ledgers to become overdrawn during the year, the First Respondent accepts that she breached Rule 20.6 because "money withdrawn in relation to a particular client... from a general client account... must not exceed the money held on behalf of that client."
28. By failing to credit interest against the relevant client ledger, the First Respondent accepts that she breached Rules 29.1 and/or Rule 29.2 of the Accounts Rules because, in so failing, she failed to "keep accounting records properly written up" and failed to record all dealings with client money "appropriately".
29. By being unable to identify sums £1,619.91 and £2,749.31, the First Respondent accepts that she breached Rule 29.12 of the Accounts Rules because she was unable to show "the cause" of those differences.

Allegation 1.3 - Failings in respect of the accounting periods ending 31 March 2014 and 31 March 2015

30. In respect of the period ending 31 March 2014, the relevant Accountant's Report shows as follows.
31. As at or around 30 September 2013 there was a difference of up to around £4,930.77 when liabilities to clients were compared to available cash held in client account, which difference was made up as follows:

Overdrawn balances	-£3,755.54
Unexplained bank differences	- £2,948.69
Designated interest not posted	£1,432.26
Errors on designated client account subsequently corrected	£341.20

32. As at or around 31 March 2014 there was a difference of up to around £6,086.23 when liabilities to clients were compared to available cash held in client account, which difference was made up as follows.

Overdrawn balances	-£2,598.58
Cheques not entered in cash book	-£4,791.05
Receipts not entered in cash book	£208.45
Errors on designated client account subsequently corrected	£8,253.75
Unidentified difference	-£7,158.80

33. In respect of the latter difference, the FIO explains that “[t]ransactions totalling £4,999.50 had not been entered into the firm’s books of account” (i.e. cheques plus receipts).

34. The Accountant’s Report also reported breaches concerning:

- Financial transactions being incorrectly recorded in the books of account;
- Extraction of client ledger balances for clients and trusts;
- Reconciliations, namely, breaches in relation to the requirements that:
 - o all accounts containing client money are included;
 - o no debit balances on ledger accounts for clients and trusts are included in the total;
 - o such reconciliations are achieved without adjusting or balancing entries;
 - o debit balances and differences are investigated promptly and the position is corrected satisfactorily;
- Payments being made on individual client ledger accounts in excess of money held on behalf of that client.

35. Finally, the Accountant Report’s observes that:

Some client ledger account balances have become overdrawn during the year and not remedied promptly... A few client ledger account balances have been outstanding for a long time.

36. In respect of the period ending 31 March 2015, the relevant Accountant's Report shows as follows.

37. As at or about 30 September 2014: (1) transactions totalling up to around £538,626.89 had not been entered in the Firm's books of account; (2) there was a difference of up to around £82,769.51 when liabilities to clients were compared to available cash held in client account, which difference was made up as follows:

Overdrawn balances	-£3,203.46
Cheques not entered in cash book	-£309,187.37
Receipts not entered in cash book	£229,439.52
Difference between client ledger listing and cashbook	£181.80

38. As at or about 31 March 2015: (1) transactions totalling up to around £79,131.98 had not been entered in the Firm's books of account; (2) there was a difference of up to around £61,943.53 when liabilities to clients were compared to available cash held in client account. This difference was made up as follows:

Overdrawn balances	-£2,164.47
Cheques not entered in cash book	-£69,452.52
Receipts not entered in cash book	£9,679.46
Balance on ledger for client: Re designated account	£6.00

39. The Accountant's Report also reported breaches concerning:

- Extraction of client ledger balances for clients and trusts;
- Reconciliations, namely, breaches in relation to the requirements that:
 - o all accounts containing client money are included;
 - o no debit balances on ledger accounts for clients and trusts are included in the total;
 - o such reconciliations are achieved without adjusting or balancing entries;
 - o debit balances and differences are investigated promptly and the position is corrected satisfactorily;
- Payments being made on individual client ledger accounts in excess of money held on behalf of that client.

40. Finally, the Accountant Report's observes that:

Some client ledger account balances have become overdrawn during the year and not remedied promptly... A few client ledger account balances have been outstanding for a long time.

41. By failing promptly to return client money or to inform clients of its retention, the First Respondent accepts that she breached Rule 14.3 and/or Rule 14.4 of the Accounts Rules because these make clear that such monies must be returned *"as soon as there is no longer any proper reason to retain those funds"* or an explanation given as to why they are being retained.
42. By making payments on individual client ledgers in excess of money held on behalf of that client, the First Respondent accepts that she breached Rule 20.6 of the Accounts Rules because: *"money withdrawn in relation to a particular client... from a general client account... must not exceed the money held on behalf of that client."*
43. By failing to enter transactions totalling up to around £538,626.89 and/or £79,131.98 into the Firm's books of account, correctly or at all, the First Respondent accepts that she breached Rules 29.1 and/or 29.2 of the Accounts Rules because, in so failing, she failed to record all dealings with client money received *"appropriately"* and as provided for in those rules.
44. By producing reconciliations in which comparisons were not in agreement without adjusting or balancing entries, the First Respondent accepts that she failed to keep properly written up accounting records at all times as required by Rule 29.1 and/or 29.2 of the Accounts Rules. She also accepts that she breached Rule 29.12 of the Accounts Rules because this prescribes that the solicitor must compare the *"total"* of *"all the balances shown by the client ledger accounts of the liabilities to clients"* with *"the balance on the client cash account"*. Any differences should then be explained in the reconciliation statement.
45. By including debit balances in the list of client balances, the First Respondent accepts that she rendered those lists inaccurate. As such she failed to keep reconciliations of bank accounts to clients' list of balances in an acceptable format and therefore she accepts that she breached Rule 29.12 of the Accounts Rules.
46. By failing to include all client accounts in reconciliation statements, the First Respondent accepts that she breached Rule 29.12 of the Accounts Rules because this requires *"all"* client accounts to be included.
47. By failing promptly to investigate debit balances and/or differences, the First Respondent accepts that she breached Rule 29.12 because this required her to identify the cause of such differences.

Allegation 1.4 – failings in respect of the Firm's Client Account Reconciliations in 2016

48. In respect of the January reconciliation, the FIO found that it was *"not in compliance with the SRA Accounts Rules"* for a number of reasons. In doing so, the FIO noted that there was *"no indication"* that:
- A manager or the COFA had checked the reconciliation statement;
 - Any corrective action had been taken;
 - Any enquiries had been made into unusual or unsatisfactory items.
49. In respect of the February reconciliation, the FIO found that it was *"not in compliance with the SRA Accounts Rules"* for a number of reasons, which have been particularised in the allegation. In doing so, the FIO noted that there was *"no indication"* that:
- A manager or the COFA had checked the reconciliation statement;
 - Any corrective action had been taken;
 - Any enquiries had been made into unusual or unsatisfactory items.
50. Further the list of unrepresented payments included cheques from 2013.
51. In respect of the March reconciliation, the FIO found that it did not *"comply with the SRA Accounts Rules"* for a number of reasons, which have been particularised in the allegation. In doing so, the FIO noted that *"there was no indication"* that a manager or the COFA had checked the reconciliation statement.
52. By failing to enter transactions in the Firm's books of account correctly or at all, the First Respondent accepts that she breached Rules 29.1 and/or 29.2 of the Accounts Rules because, in so failing, she failed to *"keep accounting records properly written up"* and failed to record all dealings with client money *"appropriately"*. The same failings attach, for the same reasons, to her:
- Failures to record adequate detail or narrative in respect of reconciling entries;
 - Use of overdrawn suspense ledger accounts including client liabilities;

- Failures to list, investigate and promptly rectify debit balances and/or shortages.
53. By causing or allowing reconciliations to contain reconciling entries carried forward month after month, the First Respondent accepts that she breached Rule 29.12 of the Accounts Rules because that rule requires reconciliations to be carried out, as provided for in the rule, *"at least once every 5 weeks"* and a statement produced showing *"the cause"* of any differences arising.
54. By failing to carry out comparisons of liabilities to clients, the First Respondent accepts that she breached Rule 29.12 of the Accounts Rules because such comparisons are mandated by sub-rule (b) of that rule.
55. By failing to record adequate detail or narrative in respect of reconciling entries, the First Respondent accepts that she breached Rule 29.12 of the Accounts Rules because that rule requires the reconciliation statement to show *"the cause"* of the differences identified.
56. By causing or allowing client liabilities to include overdrawn balances on two suspense ledger accounts, the First Respondent accepts that she breached Rule 20.6 because *"money withdrawn in relation to a particular client... must not exceed the money held on behalf of that client."* She also accepts that this failing also represents a breach of Rules 29.12 and 29.14 because the use of overdrawn suspense ledger accounts including client liabilities, means they must be accounted for in reconciliation statements showing the cause of any shortages (at least one of the suspense ledgers was not reconciled).
57. By failing to list and investigate debit balances, the First Respondent accepts that she breached Rule 29.12 and Rule 29.14 because those rules require that *"all shortages"* must be shown when carrying out the reconciliation as provided for by Rule 29.12(c) which requires the cause of differences to be shown (which requires them first to be investigated).
58. By failing to:
- reconcile either or both suspense ledgers;
 - include money held on designated accounts in reconciliations; and
 - make comparisons to a combined cash account in respect of designated client accounts;

the First Respondent accepts that she breached Rule 29.12 because that rule requires “all” accounts containing client money and “all” liabilities to clients to be included in reconciliations.

59. By failing to rectify or evidence rectification of shortages on client account, the First Respondent accepts that she breached Rule 20.6 because “*money withdrawn in relation to a particular client... must not exceed the money held on behalf of that client.*” She also accepts that this failing also represents a breach of Rules 29.12 and 29.14 because those rules require that “*all shortages*” must be shown when carrying out the reconciliation and, as provided for by Rule 29.12 (c), the cause of differences to be shown (which requires them first to be investigated).

Allegations 1.5 – 1.7 – suspense ledger accounts and related breaches

60. The FIO found that the Firm was maintaining two suspense ledger accounts, that he asked the First Respondent to justify this on 23 March 2017 but that she failed to do so.
61. It is clear from Rule 29.25 of the Accounts Rules that suspense ledger accounts may only be used where such use can be justified. The First Respondent accepts that she failed to justify the Firm’s use of two suspense ledger accounts and was therefore in breach of that rule.
62. In respect of the allegation particularised at paragraph 1.6 of the Rule 5 Statement set out above, the FIO found that both of the suspense ledger accounts showed postings of payments and receipts on the office and client side. The posting of payments out of client account implied that the Firm did not know in respect of which clients payments were made or why payments were made. It also meant that the Firm was unable to show that the particular payments were “*properly required*”.
63. In the circumstances, the First Respondent accepts that she breached Rule 29.2 and/or Rule 29.4 of the Accounts Rules because she had not recorded all dealings with office and client money “*appropriately*”.
64. In respect of the allegation particularised at paragraph 1.7 of the Rule 5 Statement and set out above, the FIO found that office expenses of £346.00 had been paid to Lexis Nexis out of client account in error on or before 30 September 2013. The First Respondent noticed that error on 30 September 2013 but states it was only rectified in full by 11 March 2014, due to a miscalculation on her part.
65. The FIO then analysed the First Respondent’s explanation against the evidence and concluded:

While Ms Taylor may have corrected the shortage in her firm's books of account, her books of account show that as at 24 March 2016, the shortage had not been physically replaced by the payment of money into the firm's client bank account.

66. In the circumstances, the First Respondent accepts that she breached Rule 20.1 of the Accounts Rules because it is clear that the payment in question was not "*properly required*" or otherwise permitted by the rule; it was made in error and then not rectified promptly.

Allegation 1.8 – breaches arising as a result of the matters alleged in paragraphs 1.1 to 1.7 of the Rule 5 Statement

67. In respect of the allegations particularised at paragraph 1.8 of the Rule 5 Statement and set out above, it is agreed that:

- At all relevant times the First Respondent was bound by Rules 6 and 7 of the Accounts Rules;
- It follows she was responsible for *ensuring* the Firm's compliance with Rules 1.2(e) and (f) of those rules;
- Rules 1.2(e), 1.2(f), 6.1, 7.1 and 7.2 of the Accounts Rules were not complied with by the First Respondent;
- These were serious and multiple breaches over a period of approximately five years;
- The First Respondent was on notice of the breaches having had sight of the Accountant's Reports but she failed to remedy them adequately or at all;
- In respect of Principles 4, 8 and 10 of the Principles, Rule 1.2 of the Accounts Rules states: "*You must comply with the Principles set out in the Handbook*";
- The Principles themselves "*are mandatory Principles which apply to all*";
- By failing to ensure the Firm's compliance with the Accounts Rules over a period of approximately five years, as outlined above, the First Respondent:
 - o failed to act in the best interests of clients contrary to Principle 4 and/or failed to protect client money and assets, contrary to Principle 10 because:

- the “purpose” of the Accounts Rules is “to keep client money safe”;
 - non-compliance with the Accounts Rules is likely to put client money at risk, especially if serious and sustained, as here;
- failed, contrary to Principle 8, to run the Firm and/or carry out her role as a partner / principal effectively, or in accordance with proper governance and sound financial and risk management principles. Such principles required the First Respondent to have in place far better systems and processes to ensure the Firm’s compliance with the Accounts Rules.
- In all the circumstances, the First Respondent further failed, contrary to Outcomes 7.4 and/or 7.6 of the Code, adequately or at all to:
 - maintain systems and controls for monitoring the financial stability of the Firm and risks to money and assets entrusted to it by clients and others;
 - take steps to address issues identified;
 - train individuals working in the Firm (including herself) to maintain a level of competence appropriate to their work and level of responsibility.

Mitigation

68. In mitigation, the First Respondent relies on the facts and matters set out in her witness statement dated 3 December 2017; however, the reference to such facts and matters in this document does not amount to adoption or endorsement of such points by the SRA.

Agreed Outcome

69. The parties have considered the Tribunal’s *Guidance Note on Sanction* dated December 2016.

70. Applying that guidance to the misconduct alleged and admitted, the following points are agreed in respect of seriousness, subject to the Tribunal’s views:

Culpability

71. The First Respondent was the sole owner of the Firm, as well as its COLP and COFA. As such she had direct control of and ultimate responsibility for the circumstances giving rise to the misconduct.
72. The First Respondent was an experienced solicitor, albeit she was inexperienced at running her own firm.

Harm

73. It was not possible for the FIO to calculate the Firm's liabilities to clients but there is no direct evidence of harm to clients.
74. Although there was no harm to clients in this case, the potential for harm inherent in failing to comply with the Accounts Rules over a lengthy period is reasonably foreseeable. Further, the likely harm to the reputation of and public confidence in the profession inherent in failing to comply with the Accounts Rules over such a period is potentially substantial.

Aggravating factors

75. In addition to the length of time over which the misconduct persisted, this was a case in which the First Respondent ought reasonably to have known that her misconduct was in material breach of her obligations to protect the public and the reputation of the legal profession. The purpose of the Accounts Rules is to safeguard client money and thereby to maintain public trust confidence in the profession.
76. That said, there is no suggestion of dishonesty, deliberate or calculated misconduct, taking advantage of a vulnerable person, concealment of wrongdoing, or previous wrongdoing.

Mitigating factors

77. As noted above, the First Respondent relies upon the contents of her witness statement dated 3 December 2017. The First Respondent also pleads a degree of impecuniosity, which has been taken into account by the SRA in considering the appropriate level of fine and costs. A copy of her financial information statement will be submitted to the Tribunal for private consideration.

Fine

78. In all the circumstances, it is agreed that this case is too serious for no order or a rebuke; however, it is also agreed that neither the protection of the public nor the protection of the reputation of the legal profession justifies Suspension or Strike Off. It follows that the appropriate sanction is a fine.
79. Subject to the Tribunal's views, the parties agree that the First Respondent's misconduct was more than "moderately serious" but fell short of being "very serious". As such, it follows that a Level 3 fine is indicated. It is agreed that a fine of £7,501.00 is a just and proportionate sanction in this case.

Costs

80. The SRA's statement of costs filed at issue claimed a figure of £48,323.06 including a fixed fee of £34,500.00, VAT thereon and forensic investigation costs. However, this figure was intended to cover all work on the case, including a contested two day hearing against two represented solicitor respondents. If the Tribunal is minded in principle to approve this settlement, it is acknowledged that these costs will not be fully recoverable from the First Respondent.
81. Following without prejudice negotiations on costs, during which the SRA carefully considered the First Respondent's means and representations, the parties have agreed that the First Respondent should pay the SRA's costs in the sum of £12,500.00, including VAT. It is further agreed that by doing so the First Respondent will sever any liability for further costs at large in these proceedings.

Signed:

R T MULCHRONE

.....

Rory Thomas Mulchrone

On behalf of the SRA

D TAYLOR

.....

DONNA TAYLOR

Dated: 16 APRIL 2018