SOLICITORS DISCIPLINARY TRIBUNAL

IN THE MATTER OF THE SOLICITORS ACT 1974 Case No. 12263-2021

BETWEEN:

SOLICITORS REGULATION AUTHORITY LTD. Applicant

And

RAJA SHAZAD KHAN First Respondent
COLIN ANTHONY GOLDRING Second Respondent

Before:

Mr E Nally (in the chair)
Ms A E Banks
Mr P Hurley

Date of Hearing: 20 April 2022 and 4 May 2022

(The consideration by the Tribunal on 20 April 2022 took place on the papers and on 4 May 2022 by way of a Case Management Hearing held in private and remotely)

Appearances

On 20 April 2022
There were no appearances as the matter was dealt with on the papers

On 4 May 2022
Rory Mulchrone, Counsel, instructed by Capsticks Solicitors LLP, 1 St George's Road, Wimbledon, London SW19 4DR on behalf of the Solicitors Regulation Authority Ltd of The Cube, 199 Wharfside Street, Birmingham B1 1RN for the Applicant

Geoffrey Williams QC of Farrar's Buildings, Temple, London EC4Y 7BD for the Second Respondent, Mr Colin Anthony Goldring

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JUDGMENT ON AN AGREED OUTCOME IN RELATION TO THE SECOND RESPONDENT

Allegations (as amended with the permission of the Tribunal, following the numbering of the Rule 12 Statement, with titles of regulatory provisions initially cited in full and omitting cross references.)

"2. The allegation made by the Solicitors Regulation Authority ("SRA") Ltd against the Second Respondent, Colin Anthony Goldring (who is not and never has been a solicitor), is that, while employed or remunerated by Justice Solicitors Ltd ("the Firm") as a trainee solicitor and/or as a consultant, he was guilty of conduct of such a nature that, in the opinion of the SRA, it would be undesirable for him to be involved in a legal practice going forward, including by reason of the following matters or any of them:

<u>Client A. Improper provision of a banking facility</u>

2.1 Between approximately June 2016 and March 2018, he caused or allowed the Firm's: improper provision of a banking facility to Client A (identified in Schedule 1), absent an underlying legal transaction or a service forming part of the normal regulated activities of solicitors; and he therefore breached all or any of:

2.1.1 Rule 14.5 of the SRA Accounts Rules 2011 ("the 2011 Accounts Rules");

2.1.2 Principle 6, Principle 7 and Principle 8 of the SRA Principles 2011 ("the 2011 Principles").

<u>Payments to third parties</u>

2.2. Between approximately June 2016 and April 2017, he caused or allowed the payment of monies totalling up to €8,310,780.00 from the Firm's client account to third parties (as shown in Schedule 2), without Client A's knowledge and/or informed consent; and he therefore breached all or any of:

2.2.1 Rule 20.1 of the 2011 Accounts Rules;

2.2.2 Principle 4, Principle 5 and Principle 10 of the 2011 Principles.

Due diligence, AML failures etc.

2.3. Between approximately June 2016 and April 2018, while instructed by Client A or his agent(s) in relation to the purchase of one or more high-value motorcars, he failed, adequately or at all:

2.3.1 to undertake client due diligence on Client A and/or his agent(s);

2.3.2 to verify that those providing him with instructions to make payments from Client A's money to third parties (or purporting to do so) were duly authorised to provide such instructions;

2.3.3 to undertake checks to identify the source of Client A's funds;

2.3.4 to identify Client A (at least potentially) as a politically exposed person ("PEP") or as a family member or known close associate of a PEP and/or to manage the enhanced risks accordingly;

2.3.5 to undertake checks on the recipients of the funds paid out purportedly on behalf of Client A or any of them (i.e. to scrutinise the transactions properly);

2.3.6 to maintain proper files or documentation in relation to the transactions or any of them.

He therefore:

2.3.7 failed to achieve Outcome 7.5 under the SRA Code of Conduct 2011 ("the 2011 Code")

2.3.8 breached all or any of Principles 6, 8 and 10 of the 2011 Principles.

Client B

2.4 On or about 29 August 2017, while acting for Client B (identified in Schedule 1) in relation to an employment dispute, he signed an endorsement on a settlement agreement, falsely and misleadingly purporting to confirm that he was "a relevant independent legal advisor (as such term is defined in section 203 of the Employment Rights Act 1996)", when he was not. He therefore breached one or both of Principles 2 and 6 of the 2011 Principles."

Documents

1. The Tribunal had before it documents including:

- A bundle agreed between the parties in support of the application for an Agreed Outcome
- Written submissions from Mr Mulchrone for the SRA dated 3 May 2022

Preliminary Issues

2. This matter involved two Respondents of whom Mr Goldring was the Second Respondent.

3. A proposed Agreed Outcome was filed on 11 April 2022 by the parties for Mr Goldring. A proposed Agreed Outcome was filed in respect of Mr Khan on 13 April 2022 that is within 28 days of the date listed for the substantive hearing of the matter, The Tribunal gave leave under Rule 25 of the Solicitors Disciplinary Rules ("SDPR") on 20 April 2022 for the latter Agreed Outcome to be filed out of time as it was only two days late.

4. Both applications for an Agreed Outcome were considered on the papers on 20 April 2022. The Tribunal decided under Rule 25(4) of the SDPR that it wished to hear from the parties before making its decision and directed that a Case Management Hearing ("CMH") take place for the parties to make submissions, before the Tribunal arrived at a final decision. In accordance with the Rule the CMH was held in private. The Lay Member of the Panel which considered the case at the CMH, Mr Hurley had also considered the initial applications on the papers as permitted by Rule 25.

Factual Background

5. The Firm became a limited company which was authorised from 1 November 2015, but did not commence trading until in or around April 2016. Between 2016 and 2018 it used the trading name "Tangent Law" for its commercial work. The Firm closed on 12 June 2020 due to an inability to obtain professional indemnity insurance.

6. At the time of the conduct alleged and admitted Mr Goldring was registered with the SRA as a trainee at the Firm (according to SRA records from 21 December 2015); however, he never completed his training contract. The SRA understood that Mr Goldring decided not to continue as a trainee solicitor, however he was never unregistered with the SRA as a trainee. Mr Goldring was employed by the Firm under a consultancy agreement, whereby he enjoyed substantial autonomy and control over his own work. Mr Goldring left the Firm in or around January 2019 and remained unadmitted.

7. On or about 5 September 2019, the SRA received a report from Michelle Quinn of Grosvenor Law concerning the Firm. The report was submitted on behalf of Client A, said to be a member of a prominent, foreign royal family.

8. Ms Quinn's report stated that the Firm had acted on behalf of Client A in relation to the purchase of three high-value motorcars. The transactions had been conducted by Mr Goldring, who was based in the Firm's London office. Client A had paid €9,400,000.00 into the Firm's client account but had never received the motorcars or had most of his funds returned. In respect of these transactions, several concerns were also raised.

9. In addition to making a complaint to the SRA, Client A had also made a claim against the Firm's insurers for €8,310,000.00.

10. Due to concerns about the issues raised in Ms Quinn's report, the SRA commissioned a forensic investigation of the Firm. An inspection commenced on 29 October 2019 and the forensic investigation officer ("FIO") thereafter produced a forensic investigation report ("FIR"), with appendices, dated 4 September 2020. Compliance issues were identified concerning the Firm's accounts.

11. Further issues arose from the FIO's inspection of other files conducted by Mr Goldring. Such files were characterised by a lack of documentation. They were without transfer authorities, client care documentation, and due diligence documentation.

12. On the matter of Client B, Mr Goldring had claimed to be a "relevant independent adviser" within the meaning of a statutory definition. No evidence was provided to

show how he was able to correctly make that claim (which, on the face of it, was both false and misleading).

13. According to his CV, Mr Goldring had joined "Tangent Law" in July 2015. The CV claimed that Mr Goldring had set up the Firm's London office and that his work consisted of: "advising on asset acquisitions, structuring purchases, drafting contracts for assets, commodities and share sale and purchase, shareholders agreements, standard terms and conditions, options on land, loan and non circumvention/non disclosure agreements".

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

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

15. The First Respondent Mr Khan had been served with the proposed Agreed Outcome for Mr Goldring and did not object to it.

Application by the SRA to withdraw allegation of dishonesty against Mr Goldring

16. Having reviewed his position as set out in his Answer and taken advice from Leading Counsel, Mr Goldring was now prepared to make full admissions to the allegations against him, save for the aggravating feature of dishonesty pleaded at paragraph 2.5 of the Rule 12 Statement in relation to allegation 2.4 only.

17. The Tribunal had before it the advice of Mr Williams QC dated 30 March 2022 for Mr Goldring. The issue of withdrawing dishonesty was also addressed in Mr Mulchrone's written submissions of 2 May 2022 on behalf of the SRA. In summary, the SRA relied on its prosecutorial discretion and the consequences of the Tribunal's Agreed Outcome procedure deriving from the "Carecraft" procedure in Directors Disqualification proceedings, as modified by the Court of Appeal in <u>Secretary of State for Trade and Industry v Rogers</u> [1996] 1 WLR 1569. (It is now enshrined in Rule 25 of the SDPR.) In <u>Rogers</u> it was stated:

> "It is for the applicant to decide what case to present to the court, what allegations to make and what allegations, once made, should be persevered with…it is not for the court, in my judgment, to insist that other allegations be pursued…"

Mr Mulchrone submitted that the allegation of dishonesty had been framed before the SRA had the benefit of an explanation from Mr Goldring explaining his approach to signing Client B's agreement in the capacity of a legal adviser. While properly brought, the charge was necessarily an inferential one, based on Mr Goldring having signed a formal document in an official capacity when, on the face of it, he was not qualified to do so.

18. Mr Mulchrone submitted that the SRA as prosecutor was required to keep all the allegations under review and to apply the prosecutorial test in light of respondents' explanations, however late these were provided. Having reviewed the explanation belatedly provided by Mr Goldring (as summarised in the submissions of Mr Williams QC), the SRA no longer considered that there was a real prospect (that is one which is more than merely fanciful and better than merely arguable) of dishonesty being found proved. In particular, the SRA did not realistically anticipate that it would be able to gainsay Mr Goldring's evidence that he did not turn his mind to (or even read) the statutory definition of "relevant independent legal advisor" before signing the settlement agreement in that purported capacity. Mr Mulchrone could not prove that Mr Goldring acted deliberately such as was required to move the allegation from lack of integrity to dishonesty. Accordingly, the prosecutorial test for pursuing dishonesty was no longer met. That said, Mr Mulchrone emphasised that Mr Goldring admitted that his conduct lacked integrity, and submitted that admission was properly made.

19. Mr Mulchrone further submitted that it would be disproportionate to pursue the sole disputed issue of the dishonesty allegation at a substantive hearing. In circumstances where an unadmitted respondent made full admissions to the substantive allegations raised and agreed to submit to a section 43 order, the SRA must give very anxious scrutiny to the public interest (and the costs to the profession) in proceeding to a full hearing over a single disputed issue which was not a substantive allegation of misconduct but rather an aggravating feature.

20. For Mr Goldring, Mr Williams made submissions including that where the parties were both represented by experienced and reputable practitioners it should take an exceptional case to drive a prosecutor to pursue a charge in which they had no faith because they had been provided with details of a cogent defence. In the Rogers case those circumstances were described as very rare which Mr Williams submitted was not materially different from exceptional. Mr Williams also submitted that where dishonesty was a feature of an allegation it added nothing to the making of a section 43 order; the element of public protection was no different with or without dishonesty. Mr Williams echoed Mr Mulchrone's submissions on proportionality. He also reminded the Tribunal that the allegation was an outlier to the overall case inserted at the end of the Rule 12 Statement. It had been pointed out that a deliberate act could not be proved. Mr Williams added that Mr Goldring was a perfectly honest and honourable man with no propensity to dishonesty.

21. The Tribunal had regard to the evidence before it and the submissions for the parties. Rule 24 of the SDPR provides: "No allegation made in an application may be amended or withdrawn without leave of the Tribunal". The earlier Panel of the Tribunal had concerns about the application to withdraw the allegation of dishonesty including that the evidential basis for the allegation did not appear to have changed since the proceedings were issued and certified. It had also felt, with no disrespect intended to Mr Williams, that it was unclear how submissions made on behalf of Mr Goldring justified a decision to withdraw the serious allegation of dishonesty. Having had the benefit of submissions to the effect that there was not a reasonable prospect of the Tribunal making an order in respect of the allegation of dishonesty as an aggravating feature of the lesser of the allegations brought against Mr Goldring, the medical evidence concerning Mr Goldring's earlier non-engagement, which meant the dishonesty charge was framed in the total absence of any explanation from Mr Goldring

as to his actions, taken together with the concern that it was neither necessary nor proportionate to pursue the question of dishonesty to a costly substantive hearing, the Tribunal agreed that it should give its permission for the allegation of dishonesty to be withdrawn.

Findings of Fact and Law

22. The SRA was required to prove the allegations to the standard applicable in civil proceedings (the balance of probabilities). The Tribunal had due regard to Mr Goldring's rights to a fair trial and to respect for their private and family life under Articles 6 and 8 of the European Convention for the Protection of Human Rights and Fundamental Freedoms.

23. The Tribunal had to restrict itself to the evidence presented and agreed by the parties and consider the proposed Agreed Outcome strictly on that basis set out in the Tribunal judgment 11716-2017 <u>Panayides & Clifford Chance</u> (applying <u>Re Carecraft Construction Co. Ltd</u> [1994] 1 WLR 172):

> "The Tribunal could only consider the admitted allegations and facts as set out in the Statement of Agreed Facts and Outcome, and whether the sanction appropriately reflected those admitted facts. It could not consider any matters beyond those. Only if the Tribunal concluded that the agreed sanction did not adequately reflect the seriousness of the admitted breaches could it decide not to approve the Agreed Outcome; in which eventuality its only recourse would be to refer the same allegations/admissions to a substantive hearing for determination of the appropriate sanction on those same admitted breaches."

24. The Tribunal reviewed all the material before it and was satisfied to the required standard that Mr Goldring's admissions were properly made.

25. The position of the SRA had changed since the proceedings were issued in the Tribunal. It was set out in the proposed Agreed Outcome that if leave to withdraw dishonesty was granted, then the SRA did not pursue any application for a fine (as was originally heralded in paragraph 8 of the Rule 12 Statement). The SRA stated that it had sought a fine in addition to a section 43 order on the basis of the seriousness of the allegations (including dishonesty) and in view of Mr Goldring's failure to engage with the SRA's investigation. He had however engaged since proceedings were issued and the SRA no longer wished to allege dishonesty. Having secured full admissions to the substantive allegations and his agreement that he would submit to a section 43 order, the SRA considered that it was not in the public interest to proceed to a full hearing over the possibility of a fine in addition, particularly given that the SRA would probably not be invited to make submissions on that issue in any event.

26. Mr Mulchrone also referred to several section 43 cases which the Tribunal had determined and submitted that in 11861-2018 <u>Taylor</u>, the unadmitted Respondent was fined £7,501.00 (reduced from £15,000.00) for conduct including multiple instances of lack of integrity, manifest incompetence and/or recklessness, as a result of which, investors in hotel room and other investment schemes had lost up to £52,000,000.00. Although in this case Client A lost substantial amounts of money through the Firm,

Mr Mulchrone submitted that the Tribunal might feel that this case was not in the same order of seriousness as Taylor. In particular, there was only one instance of conduct lacking integrity (allegation 2.4), which was an isolated example, and unrelated to the Client A matter.

27. Points of non-agreed mitigation were set out in the Agreed Outcomes. Mr Williams referred to those put forward by Mr Goldring. He submitted that the medical evidence was relevant to his earlier non engagement and that his life experiences had affected his judgement at material times particularly rendering him unable to resist what he perceived to be an aggressive client.

28. Mr Williams reminded the Tribunal that as set out in Ojelade v The Law Society [2006] EWHC 2210 (Admin):

> "…section 43 is a regulatory provision designed to afford safeguards and exercise control over those employed by solicitors when in any given case that was considered to be appropriate. It should not be viewed as a punishment. The fundamental principle involved was the maintenance of the good reputation of the solicitors' profession, both in the interests of the profession and of the public…"

Mr Williams submitted that the Tribunal was not looking to punish Mr Goldring and the fact that the section 43 order felt like a punishment was not its primary purpose. He submitted that a fine was inappropriate. He reminded the Tribunal that the events had occurred over four years ago, nothing was known to the detriment of Mr Goldring since and he had returned to his business life to which he was totally committed. He had no intention of ever returning to the legal profession and Mr Williams was instructed to place that formally on the record. He added that the section 43 order would affect Mr Goldring's business reputation.

29. Mr Williams also highlighted the recent case of Thomas who had been convicted of two offences of theft of items worth £10,000 from a client which had been left for safe keeping with the firm which employed her. She had been subject to a suspended prison sentence and a compensation order. The SRA had imposed a section 43 order upon her but not a fine. Mr Williams submitted that a fine would be wholly disproportionate for Mr Goldring, inconsistent and inappropriate having regard to the proper purposes of section 43 orders set out in the case of Ojelade. Mr Williams also submitted that when a solicitor was fined, they carried on in practice with the sanction made public. As to whether in a case where in respect of the allegations about the motor car transactions financial loss was at the heart of the allegations, it enhanced the reputation of the legal profession to impose a financial penalty on either or both respondents, Mr Williams submitted that the imposition of a section 43 order removed Mr Goldring from legal practice; it was effectively a life sentence. He suggested that any sanction would enhance the reputation of the profession and that a section 43 order was effectively the ultimate sanction for Mr Goldring.

30. The Tribunal had had some concerns that the Respondents were offering conflicting mitigation, with each to some extent blaming the other for what had occurred regarding the transactions for Client A and that this made the proposed Agreed Outcomes

inconsistent. The Tribunal had now had the benefit of a letter from Mr Khan's former solicitor who submitted that this was not so: Mr Khan's non-agreed mitigation within his Agreed Outcome was that Mr Goldring was an experienced businessman, which was designed to reflect the fact that he was involved in other business and had worked in a legal setting since 2008. It was intended to reflect the position that Mr Goldring was not a trainee fresh out of law school which was a fact accepted on behalf of Mr Goldring. There was also reference to the financial gains of Mr Goldring in the differing Agreed Outcomes. Mr Khan said that in general Mr Goldring made significantly more of the consultancy agreement than the firm; it was not a specific reference to the deal which was the subject of the misconduct alleged and admitted. The Tribunal noted that this explanation went towards addressing its concern.

31. Mr Williams had also submitted that it was not unusual for different respondents to offer different mitigation and the Tribunal had to make of it what it would. The mitigation for each respondent could be true; Mr Golding was an experienced businessman in that he had a business career outside of the legal profession but it was also true that he was an unadmitted clerk and as such not supervised. Mr Khan accepted that he had failed to supervise Mr Goldring in the sad situation where the solicitor who was supervising him was very sick and had subsequently died. Mr Williams submitted that the variations in mitigation should not have any bearing on the Tribunal making a decision in respect of the proposed Agreed Outcomes. The fundamental point was that Mr Goldring accepted that in the circumstances he should not have become involved in the motor car transactions. Mr Williams submitted that he had advised Mr Goldring that his mere involvement in the transactions when not supervised was sufficient for the Tribunal to make a section 43 order against him and so a five-day contested substantive hearing would serve no proper purpose and would not serve the public interest.

32. In terms of the order to be made against Mr Goldring, the Tribunal had regard to the fact that his position was somewhat different from that regarding Mr Khan; Mr Goldring was unadmitted and the SRA asked that a section 43 Order be made against him, an order regulatory in nature. The Tribunal had the power to make such an order and also to impose an order directing payment of an unlimited financial penalty payable to HM Treasury (a fine).

33. The Tribunal had regard to the Guidance Note on Sanctions (December 2021). In doing so the Tribunal assessed the culpability and harm identified together with the aggravating and mitigating factors that existed in order to determine whether a section 43 order was appropriate. As to culpability, Mr Goldring had been the person with conduct of the transactions which were the subject matter of the allegations relating to Client A. Mr Goldring admitted amongst other things that he had caused or allowed the improper provision of a banking facility to Client A and that he caused or allowed the payment of monies totalling up to €8,310,780.00 from the Firm's client account to third parties, without Client A's knowledge and/or informed consent. He had also failed to exercise the required due diligence and fulfil certain anti-money laundering obligations. In respect of Client B, he admitted that he signed an endorsement on a settlement agreement, falsely and misleadingly purporting to confirm that he was "a relevant independent legal advisor (as such term is defined in section 203 of the Employment Rights Act 1996)", when he was not. He admitted that he breached amongst other things the requirement to act with integrity in doing so. As to harm, the exact degree of harm to Client A had yet to be quantified but Mr Goldring's conduct harmed the reputation

of the legal profession and might reasonably have been foreseen to be caused by his conduct.

34. The Tribunal was quite clear that for the protection of the public a section 43 Order should be imposed on Mr Goldring. It then had to consider whether to agree that there should be no fine in addition. The SRA had originally sought the imposition of a fine for the reasons set out above and submitted that it would be disproportionate to go to a substantive hearing on that disputed point alone. In support of its changed position, Mr Mulchrone had also referred the Tribunal to a considerable number of Tribunal cases concerning section 43 orders. He pointed out the Guidance Note on Sanctions did not expressly identify the circumstances in which the Tribunal would impose a fine on an unadmitted person in addition to making a section 43 order. The Tribunal had also heard submissions from Mr Williams again referring to case law and emphasising the impact a section 43 order would have on Mr Goldring's business reputation along with his intention not to return to working in the legal profession. In considering whether to impose a fine in addition to a section 43 order the Tribunal bore in mind that Mr Goldring's actions had related to a considerable financial loss which harmed a client and damaged the reputation of the legal profession. While sanction was entirely a matter for the Tribunal it had to have regard to proportionality and also that a section 43 order was the ultimate sanction that could be imposed upon an unadmitted person. In the very particular circumstances of this case and the additional explanation offered by Mr Goldring for his earlier non-engagement taken together with the withdrawal of the allegation of dishonesty subsequent to the SRA asking for the imposition of a fine, after very careful consideration the Tribunal was prepared to approve the Agreed Outcome in the terms now proposed.

Costs

35. The parties had agreed that Mr Goldring should contribute to the SRA's costs in the amount of £13,000. The Tribunal accepted this suggested figure.

Statement of Full Order

36. The Tribunal Ordered that as from **04 May 2022** except in accordance with Law Society permission:-

(i) no solicitor shall employ or remunerate, in connection with his practice as a solicitor COLIN ANTHONY GOLDRING;

(ii) no employee of a solicitor shall employ or remunerate, in connection with the solicitor's practice the said Colin Anthony Goldring;

(iii) no recognised body shall employ or remunerate the said Colin Anthony Goldring;

(iv) no manager or employee of a recognised body shall employ or remunerate the said Colin Anthony Goldring in connection with the business of that body;

(v) no recognised body or manager or employee of such a body shall permit the said Colin Anthony Goldring be a manager of the body;

(vi) no recognised body or manager or employee of such a body shall permit the said Colin Anthony Goldring to have an interest in the body;

And the Tribunal further Ordered that the said Colin Anthony Goldring do pay an agreed contribution to the costs of and incidental to this application and enquiry fixed in sum of £13,000.00.

Dated this 27th day of May 2022
On behalf of the Tribunal

JUDGMENT FILED WITH THE LAW SOCIETY
27 MAY 2022

E Nally
Chair

BEFORE THE SOLICITORS DISCIPLINARY TRIBUNAL **Case No: 12263-2021**

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

B E T W E E N:

SOLICITORS REGULATION AUTHORITY LIMITED

Applicant

and

RAJA SHAZAD KHAN (SRA ID: 23819)

First Respondent

and

COLIN ANTHONY GOLDRING (SRA ID: 491759)

(Unadmitted)

Second Respondent

AGREED OUTCOME PROPOSAL IN RELATION TO THE SECOND RESPONDENT
Pursuant to Rule 25 of the Solicitors (Disciplinary Proceedings) Rules 2019

A Introduction

1. By an Application and Statement made by Rory Thomas Mulchrone on behalf the Applicant, Solicitors Regulation Authority Limited (**"the SRA"**), pursuant to Rule 12 of the Solicitors (Disciplinary Proceedings) Rules 2019 (**"the Rules"**), dated 12 October 2021 (**"the Rule 12 Statement"**), the SRA brought proceedings before the Tribunal making allegations of misconduct against Mr Goldring (**"the Second Respondent"**), who is not and never has been a solicitor. The matter has been listed for substantive hearing before the Tribunal between Monday 9 and Friday 13 May 2022.

2. Having reviewed his position as set out in his Answer and taken advice from Leading Counsel, the Second Respondent is now prepared to make **full admissions** to the allegations against him, save for the aggravating feature of dishonesty pleaded at

paragraph 2.5 of the Rule 12 Statement[1] in relation to allegation 2.4 only. Subject to the Tribunal's approval, the Second Respondent is also now prepared to consent to a **section 43 order**.

3. The SRA has carefully reviewed the single, disputed allegation of dishonesty in the light of detailed representations from Leading Counsel on behalf of the Second Respondent dated 30 March 2022, together with supporting medical evidence from a Consultant Psychiatrist dated 3 April 2022, both of which documents are being lodged alongside this Agreed Outcome Proposal for consideration by the Tribunal.

4. Having done so, the SRA is satisfied that, while properly made, there is no longer a real prospect that the allegation of dishonesty will be found proved at trial. The SRA's case on dishonesty (as particularised in paragraph 136 of the Rule 12 Statement) was an inferential one, and necessarily so in the absence of any explanation or engagement from the Second Respondent prior to proceedings being issued. Realistically, the SRA does not consider that it will be able to gainsay the explanations that have now been belatedly provided by the Second Respondent. In particular, the SRA does not anticipate that it will be able to gainsay the Second Respondent's stated position that he "*did not address his mind to the statutory provision*" in question "*let alone did he read it*".

5. Nor is proof of dishonesty required in order to establish the (otherwise admitted) substantive allegations or any of their particulars, or to secure the section 43 order which is now, in principle, agreed. Accordingly, the SRA seeks leave to withdraw the allegation of dishonesty pursuant to Rule 24.[2]

6. If leave to withdraw dishonesty is granted, then the SRA does not pursue any application for a fine (as was originally heralded in paragraph 8 of the Rule 12 Statement). The SRA had sought a fine in addition to a section 43 order on the basis of the seriousness of the allegations (including dishonesty) and in view of the Second Respondent's failure to engage with the SRA's investigation. The Second Respondent has however engaged since proceedings were issued and the SRA no longer wishes to allege dishonesty. Having secured full admissions to the substantive allegations and his agreement that the Second Respondent will submit to a section 43 order, the SRA considers that it is not in the public interest to proceed to a full hearing over the possibility of a fine in addition, particularly given that the SRA will probably not be invited to make submissions on that issue in any event.

7. It is however agreed in principle that the Second Respondent shall pay **£13,000.00** towards the SRA's costs of the application and enquiry.

[1] "*2.5. Dishonesty is expressly alleged in relation to paragraph 2.4 above but proof of dishonesty is not required in order to establish that aspect of the allegation or any of its particulars. Dishonesty if proved would be an aggravating feature.*"
[2] "*No allegation made in an application may be amended or withdrawn without leave of the Tribunal.*"

8. The SRA has considered the admissions being made and whether those admissions, and the outcomes proposed in this document, meet the public interest having regard to the gravity of the matters alleged. For the reasons explained in more detail below, and subject to the Tribunal's approval, the SRA is satisfied that the admissions and outcome do satisfy the public interest.

9. In accordance with Practice Direction 1, a copy of this document is being served upon the First Respondent. The SRA and the Second Respondent do not consider that approval of this Agreed Outcome Proposal would unfairly prejudice the First Respondent but will of course be pleased to consider any submissions to the contrary made within seven days, in line with the Practice Direction.

B Admissions

10. The Second Respondent **admits** all of the substantive allegations made against him at paragraph 2 of the Rule 12 Statement:

"*The allegation made by the SRA against the Second Respondent, Colin Anthony Goldring (who is not and never has been a solicitor), is that, while employed or remunerated by the Firm* [Justice Solicitors Ltd (SRA ID: 628577)] *as a trainee solicitor and/or as a consultant, he was guilty of conduct of such a nature that, in the opinion of the SRA, it would be undesirable for him to be involved in a legal practice going forward, including by reason of the following matters or any of them:*

"*Client A*

"*Improper provision of a banking facility*

2.1. *Between approximately June 2016 and March 2018, he caused or allowed the Firm's improper provision of a banking facility to Client A (identified in Schedule 1), absent an underlying legal transaction or a service forming part of the normal regulated activities of solicitors; and he therefore breached all or any of*

2.1.1. *Rule 14.5 of the 2011 Accounts Rules;*

2.1.2. *Principle 6, Principle 7 and Principle 8 of the 2011 Principles…*

"*Payments to third parties*

2.2. *Between approximately June 2016 and April 2017, he caused or allowed the payment of monies totalling up to €8,310,780.00 from the Firm's client account to third parties (as shown in Schedule 2), without Client A's knowledge and/or informed consent; and he therefore breached all or any of:*

2.2.1. *Rule 20.1 of the 2011 Accounts Rules;*

2.2.2. *Principle 4, Principle 5 and Principle 10 of the 2011 Principles.*

"*Due diligence, AML failures etc.*

2.3. Between approximately June 2016 and April 2018, while instructed by Client A or his agent(s) in relation to the purchase of one or more high-value motorcars, he failed, adequately or at all:

2.3.1. to undertake client due diligence on Client A and/or his agent(s);

2.3.2. to verify that those providing him with instructions to make payments from Client A's money to third parties (or purporting to do so) were duly authorised to provide such instructions;

2.3.3. to undertake checks to identify the source of Client A's funds;

*2.3.4. to identify Client A (at least potentially) as a politically exposed person (**"PEP"**) or as a family member or known close associate of a PEP and/or to manage the enhanced risks accordingly;*

2.3.5. to undertake checks on the recipients of the funds paid out purportedly on behalf of Client A or any of them (i.e. to scrutinise the transactions properly);

2.3.6. to maintain proper files or documentation in relation to the transactions or any of them.

He therefore:

2.3.7. failed to achieve Outcome 7.5 under the SRA Code of Conduct 2011 ("the 2011 Code")

2.3.8. breached all or any of Principles 6, 8 and 10 of the 2011 Principles.

"*Client B*

2.4. On or about 29 August 2017, while acting for Client B (identified in Schedule 1) in relation to an employment dispute, he signed an endorsement on a settlement agreement, falsely and misleadingly purporting to confirm that he was "a relevant independent legal advisor (as such term is defined in section 203 of the Employment Rights Act 1996)", when he was not. He therefore breached one or both of Principles 2 and 6 of the 2011 Principles.

11. In making and accepting the admission to allegation 2.1.1 above, the Second Respondent and the SRA have had due regard to the Tribunal's decision in the case of Ellen 12187-2021, which was handed down after the instant case was certified by the Tribunal as showing a case to answer. The parties consider that the instant case is distinguishable from Ellen, both in the framing of the relevant charge and on the facts, which are very different. Further or alternatively, Ellen is not binding on other divisions of the Tribunal.

C Agreed Facts

Professional Details

12. The Firm became a limited company which was authorised from 1 November 2015, but did not commence trading until in or around April 2016. Between 2016 and 2018 it used the trading name 'Tangent Law' for its commercial work. The Firm closed on 12 June 2020 due to an inability to obtain professional indemnity insurance.

13. At the time of the conduct alleged and admitted the Second Respondent was registered with the SRA as a trainee at the Firm; however, he did not ever complete his training contract. The SRA understands that the Second Respondent decided not to continue as a trainee solicitor, however he was never unregistered with the SRA as a trainee. The Second Respondent was employed by the Firm under a consultancy agreement, whereby he enjoyed substantial autonomy and control over his own work. The Second Respondent left in the Firm in or around January 2019 and remains unadmitted.

Background

Report from Grosvenor Law

14. On or about 5 September 2019 the SRA received a report from Michelle Quinn, of Grosvenor Law, concerning the Firm. The report was submitted on behalf of Client A, said to be a member of a prominent, foreign royal family.

15. Ms Quinn's report stated that the Firm had acted on behalf of Client A in relation to the purchase of three, high-value motorcars. The transactions had been conducted by the unadmitted Second Respondent, who was employed as a consultant at the Firm, based in the London office. Client A had paid €9,400,000.00 into the Firm's client account but had never received the motorcars or had most of his funds returned. In respect of these transactions, the following concerns were also raised:

    15.1. The Second Respondent had informed Client A that one of the cars was being purchased from the manufacturer, when in fact was it being purchased via intermediaries.

    15.2. The Firm had made several payments to intermediaries involved in the transactions, of which Client A had no knowledge.

    15.3. The payments included a transfer of €1,340,000.00 to a bank account in Tunisia. It was unclear what anti-money laundering checks the Firm had undertaken in respect of any of these transactions.

    15.4. By acting in the purchase of these motorcars, the Firm had provided a banking facility through its client account.

16. In addition to making a complaint to the SRA, Client A had also made a claim against the Firm's insurers for €8,310,000.00.

Forensic inspection of the Firm

17. Due to concerns about the issues raised in Ms Quinn's report, the SRA commissioned a forensic investigation of the Firm.

18. An inspection commenced on 29 October 2019 and the forensic investigation officer (**"FIO"**) thereafter produced a forensic investigation report (**"FIR"**), with appendices, dated 4 September 2020. In broad summary, the FIR identified the following matters.

19. At the outset of the investigation the Firm's books of account were unreliable and not up to date. Initially, no reconciliations were available. Compliant client ledgers were not maintained. There was no cashbook in which the Firm recorded transactions on client bank account.

20. As at the date of the FIR (4 September 2020), the most recent reconciliation statement provided was up to 30 September 2019. The books written up to 30 September 2019 were unreliable due to multiple issues including:

    20.1. The two matters listings provided showed different totals for client liabilities and total matters. No explanation was provided as to why the lists differed, nor which was the correct one.

    20.2. The matter lists provided did not show details of office balances. No explanation was given for why this was the case.

    20.3. One of the matter lists provided showed 97 overdrawn client account balances totalling £302,503.50. Reviews of a sample of files did not show a minimum shortage as the client matter ledgers contained mispostings. At the date of the FIR the Firm had not provided explanations for the misposted items, nor identified the correct ledger to which the items belonged.

    20.4. The most recent Accountant's Report was for the period up until 26 July 2016. No further reports had been obtained since that date.

21. As to the high value vehicle transactions referred to in Ms Quinn's report:

    21.1. Full chronological files for those transactions were not available. The documentation provided did not provide a complete picture of the transactions.

    21.2. The Firm was unable to state for whom the Second Respondent had been acting and denied that the Firm had acted for Client A. In correspondence the Firm stated it had acted for Person C, an "*agent*" involved in the transactions. But this position was contradicted by correspondence on the file, in which the Second Respondent described himself as acting for Client A. The Second Respondent had also purported to sign documents on Client A's behalf.

    21.3. In any case, the Firm had failed to carry out any or adequate due diligence in connection with Person C. Identity documents for Client A were provided comprising a picture of a passport and a letter designating Person C as his agent.

No other due diligence documentation was provided for any of the various parties involved.

21.4. The Firm had paid monies from its client account to various third parties. No checks had been performed on the source of the received funds, or on the accounts to which sums were paid (including a large sum paid to a Tunisian bank account).

21.5. There was no underlying legal transaction associated with the transfers of money. The Firm's role was to receive and to pay out monies via its client account (i.e. a purely administrative role and not a proper use of client account).

22. Further issues arose from the FIO's inspection of other files conducted by the Second Respondent. Such files were characterised by a lack of documentation. They were without transfer authorities, client care documentation, and due diligence documentation.

23. On the matter of Client B, the Second Respondent had claimed to be a "*relevant independent adviser*" within the meaning of a statutory definition. No evidence was provided to show how the Second Respondent was able to correctly make that claim (which, on the face of it, was both false and misleading).

<u>Closure of the Firm</u>

24. As noted above, the Second Respondent left the Firm in or around January 2019. The Firm ceased to trade on 12 June 2020 due to an inability to obtain Professional Indemnity Insurance.

The Allegation – while employed or remunerated by the Firm as a trainee solicitor and/or consultant, the Second Respondent was guilty of conduct of such a nature that, in the opinion of the SRA, it would be undesirable for him to be involved in a legal practice going forward

<u>The Client A matter</u>

Banking facility – the regulatory and legal framework

25. At all material times, Rule 14.5 of the 2011 Accounts Rules provided:

> "*You must not provide banking facilities through a client account. Payments into, and transfers or withdrawals from, a client account must be in respect of instructions relating to an underlying transaction (and the funds arising therefrom) or to a service forming part of your normal regulated activities.*"

26. Guidance note (v) to that Rule stated:

> "*Rule 14.5 reflects decisions of the Solicitors Disciplinary Tribunal that it is not a proper part of a solicitor's everyday business or practice to operate a banking facility for third parties, whether they are clients of the firm or not. It should be noted that any exemption under the Financial Services and Markets Act 2000 is likely to be lost if a*

deposit is taken in circumstances which do not form part of your practice. It should also be borne in mind that there are criminal sanctions against assisting money launderers."

27. The origins, proper construction and importance of Rule 14.5 have been the subject of judicial attention. In Patel v Solicitors Regulation Authority [2012] EWHC 3373 (Admin) Cranston J (with whom Moore-Bick LJ agreed) said, at [18]:

"… *rule 14.5 is a crystallization of the principle established in Wood and Burdett… The first sentence of the rule contains the prohibition on the use of a client account to provide banking facilities. Use of the term "instructions" in the next sentence of the rule implies professional instructions, in other words instructions relating to the accepted professional services of solicitors. The term is being used in rules concerned with the work of solicitors and takes its meaning from that context. Thus the import of the first limb of the second sentence of rule 14.5 is that movements on a client account must be in respect of instructions relating to an underlying transaction which is part of the accepted professional services of solicitors. In shorthand the instructions must relate to an underlying legal transaction. The other limb of that second sentence requires that movements on a client account must be in respect of instructions related to a service forming part of the normal regulated activities of solicitors. That is a provision the ambit of which is to be measured in terms of the regulatory regime for solicitors.*"

28. In Fuglers v Solicitors Regulation Authority [2014] EWHC 179 (Admin), Popplewell J explained the mischief at which the rule is aimed (at [39] to [42]). There were at least three strands:

"*The first strand is that it is objectionable in itself for a solicitor to be carrying out or facilitating banking activities because he is to that extent not acting as a solicitor. If a solicitor is providing banking activities which are not linked to an underlying transaction, he is engaged in carrying out or facilitating day to day commercial trading in the same way as a banker. This is objectionable because solicitors are qualified and regulated in relation to their activities as solicitors, and are held out by the profession as being regulated in relation to such activities. They are not qualified to act as bankers and are not regulated as bankers. If a solicitor could operate a banking facility for clients which was divorced from any legal work being undertaken for them, he would in effect be trading on the trust and reputation which he acquired through his status as a solicitor in circumstances where such trust would not be justified by the regulatory regimen: see Patel v SRA per Cranston J at [34]. Such behaviour has the potential to cause significant damage to the standing of the profession…*

"*The second strand is that allowing a client account to be used as a banking facility, unrelated to any underlying transaction which the solicitor is carrying out, carries with it the obvious risk that the account may be used unscrupulously by the client for money laundering…*

"*The third strand arises in the particular context of insolvency or risk of insolvency. In such context, to allow a client account to be used as a banking facility is objectionable for several reasons. In the first place, it allows the client to achieve that which the client will normally be unable to achieve from any bank. It is the common practice of banks, as happened with the Club's bank in this case, to withdraw facilities upon notification that there has been a winding up petition. The solicitor is therefore giving the client a commercial service which would otherwise be unavailable to it through the device of using a solicitor as if he were a bank. Secondly there is the risk of disaffection and opprobrium which is involved in favouring one creditor over another. This exists in the absence of any risk of insolvency, but becomes more acute in the event of insolvency or potential insolvency. This arises irrespective of whether dispositions would or would not be subject to invalidity by the operation of section 127. A third reason is the risk of section 127 applying so as to require creditors to reimburse payments from the client account in a subsequent liquidation. A solicitor who knowingly makes or facilitates such payments may be subject to a personal liability, quite apart from the liability of the payee to reimburse the amount transferred. That is why banks usually withdraw banking facilities when they are notified of a winding up petition.*"

29. On 18 December 2014 an official SRA Warning Notice was issued to the profession, entitled "*Improper use of client account as a banking facility*" (**"the Warning Notice"**). The Warning Notice drew attention to relevant case law (including <u>Patel</u> and <u>Fuglers</u>) and stated, inter alia, that:

"***There must be a reasonable connection between the underlying legal transaction and the payments***

"*Whether there is a reasonable connection is likely to depend on the facts of each case but where the legal services are purely advisory, it will clearly be more difficult to show a reasonable connection. The fact that you have a retainer with a client does not give you licence to process funds freely through client account on the client's behalf. Throughout a retainer, you should question why you are being asked to receive funds and for what purpose. You should only hold funds where necessary for the purpose of carrying out your client's instructions in connection with an underlying legal transaction or a service forming part of your normal regulated activities. You should always ask why the client cannot make the payment him or herself. The client's convenience is not the paramount concern and, if the client does not have a bank account in the UK, this considerably increases the risks. You should be prepared to justify any decision to hold or move client money to us where necessary.*"

The Second Respondent's role

30. SRA records showed that the Second Respondent was registered as a trainee solicitor at the Firm on 21 December 2015 but he was not shown as having qualified.

31. According to his CV, the Second Respondent had joined "*Tangent Law*" in July 2015. As noted above, this was a trading name for the Firm's commercial work. The CV claimed that the Second Respondent had set up the Firm's London office and that his work consisted of:

> "*advising on asset acquisitions, structuring purchases, drafting contracts for assets, commodities and share sale and purchase, shareholders agreements, standard terms and conditions, options on land, loan and non circumvention/ non disclosure agreements*".

32. The SRA has obtained a copy of the consultancy agreement between the Firm and the Second Respondent. The consultancy agreement start date was given as 17 June 2015. The Agreement provided that the Second Respondent would be paid "*80% of any billed and recovered fee income of the Consultant and or his staff or assistants together with value added tax thereon (if applicable)…*"

33. The Agreement stated that the Second Respondent would provide legal services to clients of the Firm. In particular, it stated that:

> "*The Consultant shall keep the Firm informed of progress on the projects in which the Consultant is engaged and shall produce written reports on the same from time to time when so requested by the Firm in the form of case file reviews. While the Consultant's method of working is entirely their own and they are not subject to the control of the Firm, they shall nevertheless promptly comply with this and any other reasonable requests of the Firm.*"

34. The Agreement also provided that the Consultant might "*delegate performance of the Consultancy Services to such suitably qualified and experienced personnel as they may from time to time deem appropriate*". The Firm was to be notified if the Second Respondent passed work onto others. The Agreement did not provide for the Firm to have oversight of those to whom the Second Respondent might delegate performance of his services.

35. The Agreement also provided that the Second Respondent could employ his own staff for which he would be "*entitled to fees based on billed and recovered fee income for work undertaken both by the Consultant and his team of Solicitors and paralegals at the same rate…*"

36. The Agreement stated that the Second Respondent would choose the office from which he would work, and he would be responsible for the costs of running that office. The Second Respondent worked from the Firm's London office.

37. The SRA has been provided with a list of payments made to the Second Respondent under the consultancy agreement. This shows that between November 2015 and January 2019 the Second Respondent received the total sum on £146,059.99.

38. At the FIO's first visit to the Firm, on 29 October 2019, she requested some of the Second Respondent's files but these were not available. The FIO requested that the files be returned to the Firm.

39. On 21 November 2019, the FIO was forwarded an email from the Second Respondent dated 11 November 2019. This contained the following passage:

> "*What do they mean recover files from me? The files aren't in my possession, we worked from an electronic filing system using a secure shared drive, I can't access it anymore my e-mails for Justice and Tangent haven't worked for years! I have a backup folder on my old computer which hasn't worked for years either, always freezes up after I turn it on I've managed to get it stable enough to send the backup files on Wetransfer which I'm still trying to upload now.*"

40. The FIO was subsequently provided with electronic copies of the Second Respondent's files on a memory stick.

The high value vehicle transactions

41. As noted above, a complaint was made by Grosvenor Law on behalf of Client A, regarding three expensive vehicles he had intended to purchase.

42. The Firm had received a letter of claim from Grosvenor Law in relation to the cars. The claim set out that the car purchases had not completed and that the firm owed Client A the total sum of €8,110,763.53. This represented monies allegedly retained by the Firm in respect of the failed car purchases.

43. The letter of claim stated, inter alia, that:

    43.1. Client A had intended to buy three cars;

    43.2. the Firm had acted for Client A and received a total of €9,400,000 in payment for the three cars;

    43.3. there had not been an adequate explanation of where the monies had been paid;

    43.4. the cars were not supplied, and Client A had not had the majority of the monies returned;

    43.5. the Firm had made false statements in relation to the car transactions.

44. The letter of claim detailed Grosvenor Law's understanding of the three transactions as follows:

    Ferrari Aperta

    44.1. Client A had been referred to the Firm by Person C and Person D (identified in Schedule 1) on or about 25 June 2016.

    44.2. Client A was misled by the Firm into believing he was purchasing the car directly from Ferrari. In fact the purchase was directed through two named intermediaries.

44.3. The purchase price for the vehicle was given by the Second Respondent as €4,950,000.00, of which, €4,500,000.00 was the list price for the car and €450,000.00 was to be paid in commissions. In fact, commissions paid were closer to €750,000.00.

44.4. Client A understood that the Firm was acting for him, though he did not receive a client care letter.

44.5. Monies were paid into the Firm's client bank account. Three entities had subsequently received commissions totalling €750,000.00. Client A did not authorise those payments.

44.6. Client A withdrew from the transaction via representatives in France due to "*the overall lack* [of] *transparency about the entire transaction and the false and misleading information given…*" Client A, via his representatives, requested the return of the monies paid over on 16 March 2018.

44.7. The Firm had repaid the sum of €1,089,236.47, described as the "*funds remaining on account*". Approximately €1,980,000 remained unaccounted for.

Ferrari FXX-K

44.8. As with the Ferrari Aperta, Client A was under the impression that he was to purchase the car directly from Ferrari. In fact, however, there were intermediaries, which Client A was unaware of until some way through the transaction.

44.9. The Second Respondent had made misleading statements about the nature of the transaction; the role of the unknown intermediaries was "*deliberately obscured*".

44.10. The purchase price was given as €5,600,000.00, a sum described as "*including premiums*". Such premiums were not explained and there was no breakdown of the purchase price.

44.11. Client A had made payments to the Firm's client bank account totalling €3,600,000.00 between August and November 2016 in accordance with a payment schedule. Client A was advised by the Second Respondent that, if he fell behind with the stated payment schedule, he could lose the monies that he had paid over so far. No justification was given for why that should be the case.

44.12. The Second Respondent had not provided any evidence that ownership of the car has passed to Client A.

44.13. The original price for the car from Ferrari was €2,125,000.00. There had been no explanation for why the price given by the Second Respondent was €5,600,000.00, since another party to the transaction later stated the purchase price was €3,800,000.00. It had not been explained to whom the uplift paid by Client A was due.

Bugatti Chiron

44.14. The Second Respondent misrepresented the true nature of the transaction by stating that he would be "*dealing directly*" with Bugatti in relation to the purchase. However, during the transaction Client A became aware of the involvement of a named intermediary.

44.15. The purchase price was stated by Client A to be €3,000,000.00 "*including premiums*". Client A paid €850,000.00 into the Firm's client account on 13 September 2016, from which $250,000.00 was paid to Bugatti.

44.16. Client A became "*suspicious*" when he was provided with two different versions of the Purchase Agreement and sent the documents to be verified by a contact at Bugatti. The contact confirmed the document was fraudulent and that he considered that it had been created in order to secure the "*premium*" of $200,000.00.

44.17. The Second Respondent gave a convoluted explanation, blaming a "*miscommunication*" between Bugatti entities in different countries.

44.18. Three payments had been made which were not authorised by Client A totalling £850,000.00.

45. While the above represents Grosvenor Law's understanding of the transactions as set out in its letter of claim on behalf of Client A, the SRA is not required to establish Client A's civil claims in order to make good the substantive allegations in conduct, which indeed the Second Respondent has now admitted in full. In particular, the SRA is not required to prove that the Second Respondent gave false and misleading information to Client A or his agents.

The Firm's account of the transactions

46. The FIO made attempts to contact the Second Respondent for his comments and explanations. Letters were sent to his home address as held by the SRA, emails were sent to his email address, and calls were made to his mobile telephone number. None of the attempts elicited a response.

47. The First Respondent said that he had initially been in contact with the Second Respondent about the vehicle transactions, and that the Second Respondent had attended a first meeting at Kennedys in November 2019 in which the transactions were discussed. However, since that time, the Second Respondent had stopped responding to attempts to contact him.

No underlying legal transaction

48. The FIO could find no client care letter outlining what legal work the Firm had been instructed to undertake.

49. Further, there was nothing on the file to show that any legal advice had offered to any of the parties in respect of the transactions.

50. A letter from the Firm to Kingsley Napley stated that the Firm considered that its instructions were "*limited to receiving and making payments … not to advise on the merits of any transaction, the transaction documents or complete background checks on the parties involved*". It is of course long established that "*A solicitor should have no role to play in the collection and disbursement of monies in a situation where he is not receiving fees for the benefit of his advice*".[3]

51. In interview the First Respondent said that he had seen a client care letter for the matter "*on the system*". He said he understood the letter was to Person C and that Person C was Client A's agent.

52. The FIO asked the First Respondent what the Firm's role was in the transactions. The following exchange ensued:

AE Ok. What exactly were the firm's instructions in relation to these three car transfers?

RJ Erm to deal with the financials, transactions, the payment.

AE To deal with the financials? What was…

RJ Yes, deal with the payment.

AE What was the underlying legal work then?

[Short pause]

RJ Erm the…the legal work involved looking at the contracts.

AE Not according to your letter to Kingsley Napley.

[Short pause]

AE The letter at document 17 that you sent me, saying that this was how you imagined the – the – this is how you thought the, the transaction went, it says on 1, 2, 3, 4th paragraph down. *'Whilst we note your letter is investigatory in nature, [doesn't formally commence any claim] we note your comment that we are liable, together with other parties for the loss by your client. We reject this assertion in its entirety. Our instructions were limited to receiving and make payments pursuant to the three transactions, not to advise on the merits of any transaction, the transaction documents, or complete background checks on the parties involved.* So, what were the firm's instructions?

RJ Erm as per that letter Alice.

AE Ok. So literally just to receive and send monies?

RJ That's right, yes.

AE And that was the entirety of the firm's role?

RJ That's right, yes.

AE So would you accept that there was no underlying legal work here?

[3] Wilson-Smith, 8772-2003, SDT

RJ Erm no.

AE Is that yes, you do accept that, or no, there wasn't?

RJ Yes, I do, yes.

AE You do accept that?

RJ Yes.

53. The FIO asked the First Respondent whether he thought the Firm's involvement had added a layer of credibility to the transaction. The First Respondent said that he believed the Firm's involvement was because other parties in the transaction preferred the security offered by a firm of solicitors.

54. The First Respondent said that he had been aware of the transaction at the time, and he believed the monies would be received from the buyer and transmitted to the seller. He said he could not remember whether he had considered the underlying legal work at the time of the transaction.

55. The FIO asked the First Respondent whether he considered that the Firm "*were simply acting as a banking facility*". The First Respondent said "*it would appear so, yes*".

56. The First Respondent said that there had been an internal meeting in which it was determined the firm could continue with the transaction. He could not provide any notes of the discussion or the decision. He could not remember the basis on which the decision was made that the transaction could continue.

57. The transactions at issue were conducted by the unadmitted Second Respondent in his capacity as a Consultant. The Second Respondent was not authorised to make the payments from the Firm's account in relation to the car transactions. At the time, a Mr Hussain was both a trainee solicitor and the Firm's COFA. He was also signatory on the Firm's bank accounts. In interview with the FIO on 16 June 2020 Mr Hussain said that all payments out would be authorised by the First Respondent. The Second Respondent agrees with Mr Hussain in this regard but accepts that the relevant payments were made at his behest.

58. The Firm was unable to provide full files in relation to the car transactions. The bundle of documents provided by the Firm did not contain a client care letter or any other details regarding the nature of the Firm's retainer with its client. There were no telephone attendance notes, although telephone conversations were often referred to within the correspondence. No client matter ledgers were provided. Instead, the Firm provided four spreadsheets which recorded payments received and made in respect of each transaction.

59. Due to the incomplete documentation, the full nature of the transactions and the roles of the various third parties involved could not be established.

60. There was no client care letter on the file to any party. There was therefore no document to confirm the identity of the client, nor any legal work the Firm had been asked to undertake.

61. There was no other evidence on the file of any legal advice being provided to Client A (or any other parties involved in the car transactions) in respect of the purchases.

62. In a letter dated 17 June 2019 from the First Respondent to Kingsley Napley, acting on behalf of Client A, the Firm indicated that it considered that its client in the matter to have been Person C, who was purchasing the cars for the onward sale to Client A. The letter stated that, "*We have only ever spoken and received instructions from* [Person C]*, who we identified as our client in this matter*".

63. It is nonetheless clear that the Firm, in particular, the Second Respondent, was acting for Client A:

    63.1. A purported Deed Agreement dated 18 July 2016 between Client A and a limited company states that the buyer's solicitors were the Firm. The document was signed "*on behalf of*" Client A by the Second Respondent.

    63.2. A letter from the Second Respondent dated 19 July 2016 stated that he had been working "*on behalf of His Royal Highness*".

    63.3. An email from the Second Respondent dated 28 July 2016 stated that he was "*acting as lawyer for His Royal Highness* [Client A]".

64. The Firm received a total of €9,400,000.00 from Client A during the transactions. The only due diligence documents relating to Client A found on the file were:

    64.1. A copy of a passport in the name of Client A. This was sent by email from Person C to the Second Respondent. The copy of the passport was not certified.

    64.2. A letter purporting to be from the private office of Client A, referring to him as the "*son of the late*" Person H (i.e. a former Head of State).

65. In a letter dated 4 February 2020 from Kennedys Law LLP (acting for the Firm's insurers) to the Second Respondent, Kennedys confirmed that they had undertaken internet searches and had not identified a person corresponding to Client A with the same date of birth stated on the uncertified copy passport.

66. Notwithstanding the letter referring to him as the "*son of the late*" Person H (a former Head of State, there was no record on file that Client A had been identified as a politically exposed person or close family member or associate of a PEP, or that enhanced due diligence checks had been undertaken accordingly. In interview with the FIO, the First Respondent initially said that he did not know what a PEP was. He then said that the issue of whether Client A was a PEP "*never came to the forefront*". He said he thought the Second Respondent had been told by Person C that the Client A's political situation was "*not an issue*" and he was a "*low standing Prince*". But if Client A was a "*son of the late*" Person H, as indicated in the letter purporting to be from his office, then he was the son of a former Head of State. At the very least, there was evidence to indicate that Client A was or may have been a close family member or associate of a PEP.

67. As noted above:

67.1. The Firm received significant funds from Client A (up to €9,400,000.00 into client account). There were no records on file to show that the Second Respondent performed additional money laundering checks, to include checks on the source of Client A's funds.

67.2. In the First Respondent's letter to Kingsley Napley dated 17 June 2019 he stated that, "*…our instructions were limited to receiving and making payments pursuant to the 3 transactions, not to advise on the merits of any transaction…*"

68. In an email dated 6 March 2018 from the Second Respondent to CAA Avocats (Client A's French lawyers) he stated:

> "*…we were instructed to act as paymaster/escrow agent, to receive and distribute funds in accordance with our instructions. We received instructions from both the appointed agent of His Highness;* [Person C] *and in writing directly from His Highness. Funds were always kept on account unless we had express instructions to release payments*".

69. As is well known, the Tribunal has previously held:

> "*It can be described as nothing other than crass stupidity to accept a role as, for example, an "escrow agent" when the solicitor cannot know what that means as, indeed, that expression has no meaning in English law*".[4]

70. The following documents were found on file, purportedly signed by Client A, providing the Firm with authority to make payments to purchase the vehicles:

70.1. Authority dated 12 July 2016 regarding Person I's access to the Escrow Account.

70.2. Authority dated 10 July 2016 regarding the Second Respondent signing on Client A's behalf.

70.3. Authority to purchase the FXX-K dated 19 August 2016.

70.4. Authority dated 30 January 2017 regarding the use of Aperta monies in the FXX-K transaction.

71. However, according to the letter of claim from Grosvenor Law dated 2 October 2019, Client A says he had no knowledge of who these third parties were, and he did not provide the Second Respondent with his authority to authorise the payments. The SRA has obtained a witness statement of Thomas Burton Wills, solicitor, on behalf of Client A.

72. Further, there were no records on file of any checks undertaken on the third parties who received the funds.

Breaches in relation to the Client A matter

[4] Wilson-Smith, para 60

73. By causing or allowing the Firm's improper provision of a banking facility to Client A, as described above, absent an underlying legal transaction or a service forming part of the normal regulated activities of solicitors, the Second Respondent breached:

73.1. Rule 14.5 of the 2011 Accounts Rules (set out above).

73.2. Principle 6 of the 2011 Principles ("*you must… behave in a way that maintains the trust the public places in you and in the provision of legal services*"). Members of the public would not expect unqualified consultants to hold themselves out as 'lawyers' and then fail to heed Rule 14.5 and the Warning Notice. They would not expect solicitors' employees or consultants to cause client account to be used other than for a legitimate purpose. The Second Respondent's conduct was, at best, manifestly incompetent.

73.3. Principle 7 of the 2011 Principles ("*you must… comply with your legal and regulatory obligations and deal with your regulators and ombudsmen in an open, timely and co-operative manner*"). The Second Respondent caused the Firm to breach its obligations under Rule 14.5 of the 2011 Accounts Rules and failed to heed the Warning Notice.

73.4. Principle 8 ("*you must… run your business or carry out your role in the business effectively and in accordance with proper governance and sound financial and risk management principles*"). Such principles would, at a minimum, require the Firm's compliance with the prevailing Accounts Rules, including Rule 14.5.

74. By causing or allowing the payment of monies totalling up to €8,310,780.00 from the Firm's client account to third parties without Client A's knowledge and/or informed consent the Second Respondent not only caused the Firm to breach Rule 20.1 of the 2011 Accounts Rules but also breached (or caused the Firm to breach) the following of the 2011 Principles:

74.1. Principle 4 ("*you must… act in the best interests of each client*"). It could not be in the best interests of Client A (or any client) for the Firm to pay his money away to third parties without his knowledge and informed consent.

74.2. Principle 5 ("*you must… provide a proper standard of service to your clients*"). The payments in question demonstrate a lamentably poor standard of service to Client A.

74.3. Principle 10 ("*you must… protect client money and assets*"). A law firm cannot possibly protect client money if its consultants pay it away to third parties in breach of relevant rules designed to protect those funds, such as Rule 20.1 of the 2011 Accounts Rules.

75. By failing adequately or at all to undertake client due diligence (including as to source of funds), to verify instructions, to scrutinise transactions and/or to maintain proper files, the Second Respondent:

75.1. failed to achieve Outcome 7.5 under the 2011 Code ("*you comply with legislation applicable to your business, including anti-money laundering and data protection legislation"*);

75.2. breached Principle 6 of the 2011 Principles ("*you must… behave in a way that maintains the trust the public places in you and in the provision of legal services*"). Members of the public expect all fee earners to be alert to the risks of money laundering and take reasonable steps to minimise the same. The Second Respondent's conduct was, at best, manifestly incompetent.

75.3. breached Principle 8 of the 2011 Principles ("*you must… run your business or carry out your role in the business effectively and in accordance with proper governance and sound financial and risk management principles*"). Such principles would, at a minimum, require the Firm's compliance with anti-money laundering legislation.

75.4. breached Principle 10 of the 2011 Principles ("*you must… protect client money and assets*"). Compliance with Principle 10 required fee earners not to pay away client money without being satisfied that they had proper instructions and a legitimate reason to do so.

<u>The Client B matter</u>

76. The FIO reviewed electronic copies of the Second Respondent's files, including the file of Client B, provided by the Firm.

77. The file did not contain a client care letter or any identity documentation and there was no evidence on it of any legal advice offered to the client.

78. The only documents on file were versions of a Settlement Agreement between Client B and a casino company, his former employer.

79. The Settlement Agreement contains a statement headed "*Independent Adviser's Endorsement*" which reads:

> "*I, Mr Colin Goldring of Tangent Law Solicitors confirm that I have given independent legal advice to [Client B] as to the terms and effect of the above agreement and in particular its effect on the Employee's ability to pursue the Employee's rights before an employment tribunal.*
>
> "*I confirm that I am a "relevant independent advisor" (as such term is defined in section 203 of the Employment Rights Act 1996…*"

80. The statement was signed by the Second Respondent on 29 August 2017.

81. The definition of "*relevant independent adviser*" in section 203 of the Employment Rights Act 1996 states as follows:

> "*A person is a relevant independent adviser for the purposes of subsection (3) (c)-*

(a) *If he is a qualified lawyer,*

(b) *If he is an officer, official, employee or member of an independent trade union who has been certified in writing by the trade union as competent to give advice and as authorised to do so on behalf of the trade union,*

(c) *If he works at an advice centre (whether as an employee or a volunteer) and has been certified in writing by the centre as competent to give advice and as authorised to do so on behalf of the centre, or*

(d) *If he is a person of a description specified in an order made by the Secretary of State*[5]*.*"

82. The file did not record under which subsection the Second Respondent was qualified to advise Client B. On the face of it, he was not qualified and his assertion to the contrary was therefore false and misleading.

83. The FIO raised questions with the Second Respondent in relation to Client B but no response was received.

Breaches in relation to the Client B matter

84. By signing an endorsement on a settlement agreement, falsely and misleadingly purporting to confirm that he was "*a relevant independent legal advisor (as such term is defined in section 203 of the Employment Rights Act 1996)*", when he was not, the Second Respondent failed to act with moral soundness, rectitude, and steady adherence to an ethical code.[6] He therefore breached Principles 2 of the 2011 Principles ("*you must… act with integrity*"). The Second Respondent also breached Principle 6 of the 2011 Principles ("*you must… behave in a way that maintains the trust the public places in you and in the provision of legal services*"). Members of the public do not expect fee earners to hold themselves out as qualified legal advisors when they are not so qualified. The Second Respondent's conduct in this regard was, at best, manifestly incompetent.

85. For the avoidance of doubt, and subject to the permission of the Tribunal, the SRA no longer alleges that the Second Respondent's conduct in relation to the Client B matter was dishonest.

D Non-agreed Mitigation

86. The Second Respondent advances the following points by way of mitigation but their inclusion in this document does not amount to acceptance or endorsement of such points by the SRA:

[5] The Settlement Agreements (Description of Person) Order 2004/754, Art. 2, provides: "*For the purposes of … section 203(3A)(d) of the 1996 Act … a Fellow of the Institute of Legal Executives practising in a solicitor's practice (including a body recognised under section 9 of the Administration of Justice Act 1985) is specified*"

[6] See Wingate v SRA v Malins [2018] EWCA Civ 366

86.1. "*The Second Respondent ("CG") is of exemplary character. No dishonesty is alleged against him.*

86.2. "*At the time of the events in question CG was effectively an unadmitted clerk. The promised training contract was never provided to him by the First Respondent ("RK").*

86.3. "*CG was based at an office in London. RK was based at an office in Lancashire. RK has admitted a culpable failure to supervise CG.*

86.4. "*The material events concluded some years ago. CG has not been employed in the legal profession for several years. Nothing is known to his detriment throughout this period.*

86.5. "*CG has disclosed evidence to the effect that certain life issues affected his judgment at the material times and in particular his ability to resist aggressive and demanding clients was, as a result, impaired. The clients in question were of such a nature.*

86.6. "*CG made no gain as a result of the admitted breaches.*

86.7. "*CG has fully engaged with both the Tribunal and the Applicant subsequent to the issue of these proceedings.*

86.8. "*Since leaving the legal profession CG has built a successful career as a director of certain commercial organisations. He has no intention of returning to the profession.*

86.9. "*CG has complete insight into his previous failings and offers an apology to the Tribunal and profession.*"

<u>E Proposed sanction including explanation of why such order would be in accordance with the Tribunal's Guidance Note on Sanction</u>

87. Subject to the Tribunal's approval (including giving leave to withdraw the allegation of dishonesty), it is agreed that:

    87.1. the Second Respondent shall be made subject to a section 43 order; but that,

    87.2. there is no need for a financial penalty in addition.

88. In reaching this agreement the parties have considered and had regard to the Tribunal's Guidance Note on Sanction (9^{th} Edition) (**"the Guidance Note"**). The admitted conduct is undoubtedly serious enough to warrant the regulatory control over the Second Respondent which a section 43 order would provide going forward. The Second Respondent has admitted multiple breaches of the SRA's prevailing Accounts Rules, Code of Conduct and Principles, including a single breach of the requirement to act with integrity (allegation 2.4).

89. The Guidance Note does not expressly identify the circumstances in which the Tribunal would impose a fine on an unadmitted person in addition to making a section 43 order. In Sheena Taylor (11861-2018), the unadmitted Respondent was fined £7,501.00 (reduced from £15,000.00) for conduct including multiple instances of lack of integrity, manifest incompetence and/or recklessness, as a result of which, investors in hotel room and other investment schemes had lost up to £52,000,000.00. Although Client A lost substantial amounts of money through the Firm, the Tribunal may feel that the instant case is not in the same order of seriousness as Taylor. In particular, there is only one instance of conduct lacking integrity (allegation 2.4), which is an isolated example, and unrelated to the Client A matter.

90. The parties have also considered and had regard to the very recent case of Ebony Thomas, who was made subject to a section 43 order but not fined despite two separate convictions for theft (a dishonesty offence). It is however acknowledged that that outcome was imposed by the SRA in the exercise of its internal powers rather than by the Tribunal.

91. As foregrounded above, in the instant case, the SRA's reasons for originally seeking a fine in addition to a section 43 order were set out in paragraph 8 of the Rule 12 Statement as follows:

> "*In view of the seriousness of the conduct alleged and the lack of engagement with the SRA described below, the SRA also invites the Tribunal to impose a fine.*"

92. There were therefore two principal reasons why the SRA sought a fine in this case: (i) the seriousness of the conduct alleged, and (ii) the lack of engagement by the Second Respondent prior to proceedings being issued.

93. As to the former reason, the seriousness of the case would of course be materially altered if the Tribunal grants leave to withdraw the dishonesty charge. That is not of course to say that the remaining, admitted allegations are trivial – they clearly are not – however, the Second Respondent has now advanced substantial mitigation to explain his conduct, including medical evidence which was not available to the SRA when preparing the Rule 12 Statement. On balance, the SRA considers that the imposition of a fine in addition to a section 43 is not necessary.

94. As to the latter reason, since proceedings were issued the Second Respondent has belatedly engaged with the SRA and provided medical evidence to explain (if not excuse) his previous failure to do so. In all the circumstances, the Tribunal may feel that his previous non-engagement does not, of itself, necessitate the imposition of a fine.

95. In summary, the SRA considers that the public interest would be adequately protected by the imposition of a section 43 order and that proceeding to a substantive hearing over the issue of whether a fine should be imposed in addition is not in the public interest.

96. The parties would of course be pleased to address this issue further in oral submissions at a case management hearing if that would assist the Tribunal to reach a decision.

F Costs

97. As noted above, subject to the approval of this Agreed Outcome Proposal, it is agreed that the Second Respondent shall pay £13,000.00 towards the SRA's costs of the Application and Enquiry. The SRA is satisfied that this is a reasonable and proportionate contribution by the Second Respondent in all the circumstances and will deduct this amount from any claim for costs made against the First Respondent.

Signed:

…………………………..

On behalf of the SRA

On behalf of the Second Respondent

Dated: 11th April 2022