

IN THE MATTER OF MRS MANJEET KAUR CHAGGAR, ~~RESPONDENT 2~~ AND
~~RESPONDENT 3~~ solicitors

- AND -

IN THE MATTER OF THE SOLICITORS ACT 1974

Mr. K I B Yeaman (in the Chair)
Mr. J C Chesterton
Mr. G Saunders

Date Of Hearing: 10th December 1996

FINDINGS

of the Solicitors' Disciplinary Tribunal
constituted under the Solicitors Act 1974

An application was duly made on behalf of the Solicitors Complaints Bureau (subsequently the Office for the Supervision of Solicitors) by Andrew Christopher Graham Hopper of PO Box 7, Pontyclun, Mid Glamorgan, CF7 9XN on the 6th April 1995 that Mrs Manjeet Kaur Chaggar of Chigwell, Essex solicitor, ~~RESPONDENT 2~~ of Slough, Berkshire, SL2 , solicitor and ~~RESPONDENT 3~~ of Ilford, Essex solicitor, might be required to answer the allegations contained in the statement which accompanied the application and that such order might be made as the Tribunal should think right.

The allegations were as follows:-

Against Mrs Chaggar and ~~RESPONDENT 2~~

- (i) in relation to the practice of Chaggar & Co., they failed to comply with the Solicitors Accounts Rules 1986 and/or 1991 in that they drew money from client account other than as permitted by Rule 7 of the said Rules as shown in the Investigation Accountant's Report of the 29th May 1992;

- (ii) in relation to the same practice they failed to comply with the said Rules in that they failed to keep their books of account properly written up notwithstanding Rule 11(1) of the said Rules as shown in the same report;
- (iii) they had been guilty of conduct unbefitting a solicitor in that they misleadingly held themselves and each other out as full partners in each other's and their own practices;

Against all three respondents

- (iv) in relation to the practice of Chaggar & Co. they failed to comply with the Solicitors Accounts Rules 1986 and/or 1991 in that they drew money from client account other than as permitted by Rule 7 of the said Rules and contrary to Rule 8 of the said Rules as shown in the Investigation Accountant's Report of the 2nd March 1993;
- (v) in relation to the same practice they failed to comply with the said Rules in that they failed to keep their books of account properly written up notwithstanding Rule 11(1) of the said Rules as shown in the same report.

Against Mrs Chaggar alone

- (vi) she had been guilty of conduct unbefitting a solicitor in that she utilised money held by her on behalf of certain clients as shown in the Investigation Accountant's Reports of the 29th May 1992 and 22nd March 1993;
- (vii) she had been guilty of conduct unbefitting a solicitor in that he falsified accounting records and made misleading statements to facilitate misuses of clients' funds as shown in the same reports;
- (viii) she had been guilty of conduct unbefitting a solicitor in that she practised as a solicitor whilst not holding a Practising Certificate and/or in breach of conditions upon her Practising Certificate;

Against RESPONDENT 2 and RESPONDENT 3

- (ix) they had been guilty of conduct unbefitting a solicitor in they assisted and permitted Mrs Chaggar to practise as a solicitor whilst not holding a Practising Certificate and/or in breach of conditions upon her Practising Certificate;
- (x) they had been guilty of conduct unbefitting a solicitor in that they failed to exercise any reasonable or adequate supervision over their employee Mrs Chaggar;

Against RESPONDENT 3 alone

- (xi) in relation to the practice of Kumar & Co. he failed to comply with the Solicitors Accounts Rules 1991 in that h drew money from client account other then as permitted by Rule 7 of the said Rules and contrary to Rule 8 of the said Rules as shown in the Investigation Accountant's reports of the 3rd July 1992 and 24th January 1994;

- (xii) in relation to the same practice he failed to comply with the said Rules in that he failed to keep his books of account properly up notwithstanding Rule 11(1) of the said Rules as shown in the same reports.

The application was heard at the Court Room, No.60 Carey Street, London, WC2 on the 10th December 1996 when Andrew Christopher Graham Hopper solicitor of PO Box 7, Pontyclun, Mid Glamorgan appeared for the applicant, Mrs Chaggar appeared in person, ~~RESPONDENT 2~~ was represented by Gerald Malcolm Lynch solicitor and partner in the firm of Messrs. Drysdales and Janes of 16 Warrior Square, Southend on Sea, Essex and ~~RESPONDENT 3~~ appeared in person.

The evidence before the Tribunal included the admissions of both the facts and the allegations made against each of them respectively of Mrs Chaggar and ~~RESPONDENT 2~~. ~~RESPONDENT 3~~ denied all of the allegations although the essential facts were not materially in dispute. Mrs Chaggar, ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ all gave oral evidence and the Tribunal had before them exhibits "CK&L 1" to "CK&L 11", inclusive. There was in addition the oral evidence of Sandra Ann Stevens who had been a Regulation Officer at the Solicitors Complaints Bureau and the oral evidence of Yvonne Valerie Palmer, an Assistant Investigation Accountant of the Solicitors Complaints Bureau.

At the conclusion of the hearing the Tribunal made the following orders:-

- (i) The Tribunal ORDERED that the respondent Manjeet Kaur Chaggar of Chigwell, Essex, solicitor be struck off the Roll of Solicitors and they further ordered her to pay 1/5 of the costs of and incidental to the application and enquiry to be taxed if not agreed.
- (ii) The Tribunal ORDERED that the respondent ~~RESPONDENT 2~~ of Slough, Berkshire solicitor, pay a fine of £5,000 such penalty to be forfeit to Her Majesty the Queen and they further ordered him to pay 1/10 of the costs of and incidental to the application and enquiry to be taxed if not agreed.
- (iii) The Tribunal ORDERED that the respondent ~~RESPONDENT 3~~ of Ilford, Essex, IG1 solicitor pay a fine of £3,000 such penalty to be forfeit to her Majesty the Queen and they further ordered him to pay 7/10 of the costs of and incidental to the application and enquiry to be taxed if not agreed.

On the 24th October 1995 the matter came before the Tribunal for pre-trial review and for directions. The Tribunal had been told that ~~RESPONDENT 3~~ wished to allege that the other two respondents had been guilty of a conspiracy and he wished to show that he, ~~RESPONDENT 3~~ sought certain directions. The other two respondents were ready to proceed to a full hearing on the date of the pre-trial review and the Tribunal was asked to bear that in mind when dealing with the question of costs.

The Directions made by the Tribunal set out certain time limits. Although the directions had not been strictly adhered to, ~~RESPONDENT 3~~ had made and filed a second affidavit in which he formally made allegations against the other two respondents of conspiracy and complicity in mortgage fraud.

At the substantial hearing the applicant made it plain that those allegations were not his and he did not pursue them. It was not, therefore, a matter in respect of which the Tribunal was

prepared to reach a formal decision. Although the subject matter of ~~RESPONDENT 3~~ allegations was aired before the Tribunal, in its recital of the evidence the Tribunal has excluded the issues which were not germane to the allegations set out above.

The facts are set out in paragraphs 1 to 54 hereunder.

1. The names of all of the respondents remained upon the Roll of Solicitors. Mrs Chaggar and ~~RESPONDENT 2~~ were brother and sister. They had been brought to the United Kingdom by their parents, who were Indian, in early childhood. Mrs Chaggar, 39 years of age, had been admitted a solicitor in 1983 and ~~RESPONDENT 2~~, 34 years of age, had been admitted a solicitor in 1987. ~~RESPONDENT 3~~ who had qualified as an advocate in India, had been admitted a solicitor in England and Wales in 1982. He was 58 years of age.
2. At the material times ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ had each practised on their own account respectively as Lall & Co. and Kumar & Co., Mr Lall in Slough and ~~RESPONDENT 3~~ in Ilford. Mrs Chaggar practised at all material times in various ways also in Ilford.
3. The three respondent's together had an involvement in the former practice of Chaggar & Co. at Ilford and further details of that involvement are set out below.
4. Between November 1990 and May 1992 Mrs Chaggar and ~~RESPONDENT 2~~ held themselves out to be partners together both in the firm of Chaggar & Co. and in the firm of Lall & Co. although that was not the true position. ~~RESPONDENT 2~~ had confirmed in his own words:-

"it was then decided for no reason other than to facilitate my new firm being placed on the building society/lenders panel that we would form a common partnership so that my name appeared on Chaggar & Co.'s papers and Mrs Chaggar appeared on my paper. There was no formal partnership agreement and for all intents and purposes the offices were both run as entirely separate concerns with no profit sharing and no other connection whatsoever."

5. On the 20th December 1991 the practice accountants of Chaggar & Co. provided an Accountant's Report to the Law Society in respect of that practice. It was qualified in respect of breaches of the Solicitors Accounts Rules in two respects:-
 - (i) a shortfall of clients' money in relation to one client matter amounting to £110,00.00 discovered in August 1991, which was reduced to £63,000 by the 18th September 1991 and eliminated on the 31st October 1991 and secondly;
 - (ii) a further shortage of £11,072.18 in respect of a number of client matters arising between the 1st May and the 31st October 1991.

As a result of that qualified report an inspection of Chaggar & Co.'s books of account was carried out by an Assistant Investigation Accountant of the Solicitors Complaints Bureau. The Tribunal had before it a copy of the Investigation Accountant's report dated the 29th May 1992.

6. The Investigation Accountant's Report of the 29th May 1992 confirmed the position of ~~RESPONDENT 2~~ practice and Mrs Chaggar's practice namely that the two practices were maintained as entirely separate entities.
7. The books of account produced for inspection on the 14th May 1992 had not been in compliance with the Solicitors Accounts Rules as they contained false entries made at the instigation of Mrs Chaggar. There had been further serious breaches.
8. On the 20th May 1992 the office premises of Chaggar & Co. had been set on fire and a large number of client files together with accounting records had been destroyed.
9. The Investigation Accountant said that in view of the fire and the doubtful veracity of the information contained within the books of account the information contained within the books had to be treated with extreme caution. The Investigation Accountant did not consider it practicable to attempt to compute the partners liabilities to clients as at the 15th May 1992, however Mrs Chaggar did admit to the misuse of clients' funds in the following circumstance.
10. Mrs Chaggar said she acted for the Leeds Permanent Building Society in connection with a mortgage advance to her client Mr H secured by way of a first charge on a property at London, E9. Bhadresa & Thiru, solicitors of London, E6 were acting for the vendors, HLH Ltd.
11. On the 13th May 1992 £51,374.00, representing the net mortgage advance, was paid into client bank account. At Mrs Chaggar's instigation the receipt was posted to the ledger account of a Mrs G an unconnected client, in order to conceal her earlier misuses of funds received on behalf of the latter client.
12. Mrs Chaggar said that on 15th May 1992 she had completed the purchase of the London E9 property in behalf of her clients, Leeds Permanent Building Society and Mr H but that at the request of the vendor's solicitors, the purchase money of some £55,000 had not yet been paid over.
13. In view of the fact that the relevant clients' files had been lost in the fire, the matter could not be examined further.
14. ~~RESPONDENT 2~~ said that he had no knowledge of this particular matter.
15. Mrs Chaggar also acted for the Abbey National Building Society in connection with a mortgage advance to her beforementioned client Ms GH. The mortgage was to be secured by way if a first charge on a property at London E7.
16. On 5th March 1992, £43,800.00 representing the net mortgage advance, was paid into client bank account. At Mrs Chaggar's instigation, the receipt was posted to the ledger account of Mr and Mrs P, unconnected clients. This was done in order to conceal her earlier misuse of a Halifax Building Society mortgage advance if £60,000 paid into client bank account on 18th February 1992 in connection with Mr and Mrs P's purchase of a property at Ilford.

17. Following upon the Investigation Accountant's report the appropriate committee of the Solicitors Complaints Bureau (the Bureau) resolved to intervene in the practice of Chaggar & Co. Shortly thereafter the intervention was withdrawn in favour of a controlled disposal of the practice of Chaggar & Co. to ~~RESPONDENT 2~~ who between June and September 1992 continued to operate both the Chaggar & Co. practice and his own practice of Lall & Co. at Slough as a sole principal.
18. Following representations made by Mrs Chaggar, on the 24th June 1992 the Conduct Committee of the Bureau resolved to reinstate Mrs Chaggar's Practising Certificate (which had automatically been suspended by the decision to intervene) subject to a condition that she practise only in approved employment. At that time Mrs Chaggar had sought approval of employment with an unconnected firm but the application was not pursued and no approval was given.
19. Mrs Chaggar in fact continued to work (without approval) at Chaggar & Co. and for all practical purposes Mrs Chaggar was thus enabled to continue to practise unsupervised.
20. When questioned about this matter in a letter to the Bureau ~~RESPONDENT 2~~ described the situation as follows:-

"In relation to Mrs Chaggar's involvement from the middle of June 1992 to the end of September when I was solely responsible for the office of Chaggar & Co. I accept that Mrs Chaggar did attend at the office on a part time basis (although not every day) in order to assist me with the work load. The files were dealt with under my supervision, Mrs Chaggar needless to say had no control whatsoever of any client's money and Mrs Chaggar was further instructed not to seek clients or to hold herself out as a solicitor. I had both my own office at Slough and the office of Chaggar & Co. to supervise at this time and unfortunately the practice of Chaggar & Co. was not sufficiently lucrative to afford a solicitor manager. In practice I did attend the office every day if I could but that was on average at least three or four times a week."
21. In evidence it was made plain that ~~RESPONDENT 2~~ office at Slough was some forty or fifty miles distant from Mrs Chaggar's former office at Ilford and necessitated a car journey of between one and one and a half hours.
22. At the end of September 1992 a new partnership was formed. There was argument as to the precise constitution of the partnership. It appeared to be maintained that there was a partnership of three comprising ~~RESPONDENT 2~~ ~~RESPONDENT 3~~ and a Mr VB Kumar. Mr VB Kumar, who was not a party to the proceedings, denied that he was a partner and denied that ~~RESPONDENT 2~~ and Mr Kumar were entitled to hold him out as a partner. A partnership agreement had been produced apparently signed by ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ only but which recited a partnership between all three. (Mr VB Kumar had at the material times a Practising Certificate subject to the condition that he work only in approved partnership or employment and he would have needed approval to the partnership arrangement. Approval had not been sought.)
23. On the 6th October 1992 the new partnership applied to the Solicitors Complaints Bureau for permission to employ Mrs Chaggar. Mrs Chaggar had been informed in a

telephone conversation with an officer of the Bureau that she might have better success on any application for approved employment if she were to seek approval in respect of employment with a larger firm of three or more partners.

24. The new three partner partnership did not wait for approval to be given but employed Mrs Chaggar which effectively continued her association with her own original firm. The matter was considered by the appropriate committee on the 27th January 1993 and the application for permission to employ Mrs Chaggar was refused.
25. In the meantime, as a result of persistent rumours that Mrs Chaggar was continuing to practise seemingly unaffected by the intervention and the condition upon her Practising Certificate, enquiry agents were instructed by the Bureau to establish the true position.
26. An enquiry agent posing as a prospective client attended the firm's offices and was interviewed and advised by Mrs Chaggar, apparently as a solicitor. She had been accompanied by a ~~RESPONDENT 2~~ who had been introduced as her articled clerk. It had subsequently been established that ~~RESPONDENT 2~~ was Mrs Chaggar's youngest brother who apparently was gaining experience of a solicitor's office and helping his sister with her children. He was not ~~RESPONDENT 2~~ the respondent in these proceedings. Mrs Chaggar was observed to undertake various client matters and to see a number individual clients. She had been unable to see the enquiry agent on his first visit to the office because she had been "extremely busy".
27. On the 5th January 1993 the Bureau disclosed to Mrs Chaggar a report to the committee in connection with Mrs Chaggar's application for a Practising Certificate for the year 1992/93 (to be distinguished from the application for approval for her employment in accordance with the condition on her Practising Certificate) and the report disclosed information available to the Bureau at the time that the report was prepared and before the enquiry agent's report had been received. It was reported that,

"the Bureau has received a number of anonymous telephone calls and letters informing them that Mrs Chaggar was still practising from her former offices [sic] Chaggar & Co."

28. Mrs Chaggar replied on the 21st January 1993 stating that she had no comments to make. She was not practising from her former office of Chaggar & Co. as a solicitor. She attended the offices only when clarification on any points or files which she had dealt with in the past was required. There had been a few complex files in respect of which her assistance had been sought.

The applicant had taken the view that Mrs Chaggar's explanation in her letter had been untrue.

29. On the 9th February 1993 the Bureau wrote a detailed letter to Mrs Chaggar seeking her formal explanation on all of the matters emerging from the enquiry agent's report. That letter concluded as follows:

"It follows that the information provided to the Bureau is, in the clearest possible terms, evidence that you are continuing to act as a solicitor and routinely to accept instructions from clients.

This not only indicates a complete disregard of the controls upon your ability to practise through the condition upon your Practising Certificate, it appears you have also deliberately misled the Bureau by your telephone response to Miss Kemp's letter of the 12th January 1993."

30. The reference to the previous letter and telephone call were reference to a letter from the Bureau of the 12th January 1993 requesting Mrs Chaggar's reassurance on the matter of her practising in the light of the persistent rumours referred to above. The statement by Mrs Chaggar in that telephone call was to the effect that she was certainly not practising as a solicitor.
31. The letter of the 9th February 1993 requiring Mrs Chaggar's formal explanation on the detailed discoveries of the enquiry agent received a response from Mrs Chaggar dated 16th February to the effect that she had been ill and that was why she had not previously responded. She said she would let the Bureau have a full detailed explanation within the ensuing seven days. She concluded:

"I would like to state at this stage that at no time have I held myself out to be a solicitor."
32. It was the applicant's case that Mrs Chaggar had expressly told the enquiry agent who posed as a prospective client that she would be "your solicitor".
33. Mrs Chaggar did not write further with the detailed explanation.
34. In the light of the information available through the enquiry agent, on the 17th February 1993 the committee refused altogether to grant a Practising Certificate to Mrs Chaggar for the practice year 1992/93.
35. On the 4th March 1993 Mrs Chaggar and ~~25/03/93~~ attended at their request a meeting at the Bureau during the course of which Mrs Chaggar disclosed and admitted that she had misused clients' money. It was understood that she had said that the application of one client's money for the purposes of another had resulted in an approximate shortage of clients' funds estimated by her to be between £500,000 and £600,000. In evidence Mrs Chaggar was unable to recall having cited those figures but agreed that it might well have been that all of the clients' cases involved were in respect of transactions the total values of which might have reached those figures.
36. An urgent inspection of accounts was thereafter arranged. The Tribunal had before it a copy of the Investigation Accountant's report dated the 22nd March 1993. That report revealed that the books of account of Chaggar & Co. were not in compliance with the Solicitors Accounts Rules as they contained numerous false entries made at the instigation of Mrs Chaggar. In the circumstances it was not considered practicable to attempt to compute the partners' liabilities to clients. However Mrs Chaggar admitted to the assistant to the Investigation Accountant that she had misused clients funds totalling £110,338.78 in connection with an advance from Leeds Permanent

Building Society in the sum of £51,346.50 and in connection with an advance from Bristol and West Building Society in the sum £25,992.28.

37. No file was produced in respect of the Leeds Permanent Building Society matter a partner having told the Investigation Accountant that it had been stolen in a burglary which had taken place on the 28th February 1993.
38. Mrs Chaggar told the Investigation Accountant that the firm had acted for the building society in connection with a mortgage advance to the firm's clients Mr and Mrs H (Mrs H being an employee of Chaggar & Co.) to assist in their purchase of a property at Gants Hill. Mrs Chaggar had conduct of the matter. Another firm of solicitors at Woodford Green acted for the vendors.
39. On the 4th December 1992 £51,346.50 representing the net mortgage advance was paid into client bank account and credited to a client's ledger account headed "H". On the 15th December 1992 the account was charged with a payment of £4,000 thereby reducing the credit balance thereon to £47,346.50. On the 21st December 1992 the account was further charged with the amount of £52,000 in respect of a telegraphic transfer to a firm of solicitors (not the vendor's solicitors) placing the account in debit by £4,653.50.
40. A copy of the transfer instruction obtained from the bank revealed it had been signed by ~~RESPONDENT 3~~ but the payee had been altered. Mrs Chaggar admitted that she improperly altered the telegraphic transfer instruction and that no funds were properly held in client account out of which the payment of £52,000 might have been made. Mrs Chaggar said she had acted on the firm instructions of Mr EP and Mr PP, other clients of the firm who were also clients of the solicitors to whom the telegraphic transfer had been sent.
41. No clients' file was produced in respect of the Bristol and West Building Society mortgage advance, the Investigation Accountant was told that it also had been stolen in the burglary.
42. Mrs Chaggar said the firm had acted for Bristol and West Building Society in connection with a mortgage advance to the firm's client Mr C to assist him in his purchase of a flat in London, N16. Mrs Chaggar had conduct of the matter. She added that the firm also acted for an intermediate purchaser, Mr L, but after ~~RESPONDENT 3~~ had questioned that she informed him improperly, that Mr L was being represented by another firm of solicitors.
43. On the 16th December 1992 an account in the clients' ledger headed "C" was charged with a telegraphic transfer of £58,992.28 to the firm of solicitors said to be acting for Mr L. The account was thereby placed in debit. On the 17th December 1992 £60,987.50 being the net proceeds of the mortgage advance was paid into client bank account and credited to the ledger account resulting in an credit balance of £1,995.22.
44. ~~RESPONDENT 3~~ had told the Investigation Accountant that he had signed a letter dated the 16th December 1992 instructing Midland Bank to make a telegraphic transfer of £58,992.28 from the firm's client bank account to the firm of solicitors which he believed was properly acting for Mr L. Mrs Chaggar admitted to Mr Stewart that she

had misled ~~RESPONDENT 3~~. She further admitted that no funds were properly available in client account out of which the payment of £58,992.28 could have been made.

45. ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ had said that they had no knowledge of the matters and that was accepted by the applicant.
46. ~~RESPONDENT 3~~ on the 10th November 1992 had been satisfied from his own personal knowledge that Mrs Chaggar was a fit person to whom a Practising Certificate could be granted. He had signed a certificate of fitness for submission to the Law Society.
47. ~~RESPONDENT 3~~ maintained that he had informed Mrs Stevens a member of the staff of the Bureau of the employment of Mrs Chaggar as a clerk. In evidence Mrs Stevens rejected that assertion.
48. In addition to the inspection by the Investigation Accountant of the books of account of the firm of Chaggar & Co., a separate inspection was authorised in respect of ~~RESPONDENT 3~~ separate practice of Kumar & Co. The Tribunal had before it a copy of the Investigation Accountant's report dated the 3rd July 1992 relating to the inspection which began on the 9th June 1992 at ~~RESPONDENT 3~~ offices.
49. The Assistant Investigation Accountant reported that the respondent's books of account were not in compliance with the Solicitors Accounts Rules. A list of liabilities to clients as at the 30th April 1992 was produced for inspection. The items were in agreement with the balances shown in the clients' ledger and a comparison (after allowance for adjustments) with cash held on client bank and building society accounts at that date after allowance for uncleared items was made as follows:-

Liabilities to clients per the books	£132,328.64
<u>Add transfers due to office account entered in the books but not represented by a movement of funds</u>	<u>8,271.18</u>
Cash available	140,599.82
Cash shortage	<u>130,821.44</u>
	<u>£9,778.38</u>

50. The cash shortage arose in the following way:-

(1) Overpayments	£3,606.94
(2) Office payments made from client bank account	1,020.17
(3) Book difference	<u>5,151.27</u>
	<u>£9,778.38</u>

51. The cash shortage was replaced during the inspection by a transfer from office bank account. The largest overpayment of £3,553.44 had been made in respect of a client Mr B for whom ~~RESPONDENT 3~~ acted in connection with an insurance claim. On the 7th January 1992 the relevant account in the clients' ledger was charged with a client bank account payment of £5,000 when only £1,446.56 stood to its credit. ~~RESPONDENT 3~~ explained that the overpayment arose as the result of counsel's fees being paid from

client bank account but the subsequent reimbursement from the defendant's solicitors being deposited in office account.

52. The Tribunal also had before it copy of the Investigation Accountant's Report dated the 24th January 1994 relating to ~~RESPONDENT 3~~ practice of Kumar & Co. at Ilford relating to an inspection which began on the 3rd December 1993. It was reported that the books of account were not in compliance with the Solicitors Accounts Rules.
53. A list of liabilities to clients as at the 31st October 1993 was produced for inspection. The items were in agreement with the balances in the clients ledger and a comparison of the total after adjustments with cash held on client bank account at that date after allowance for uncleared items revealed the following position:-

Liabilities to clients	£177,536.37
Cash available	<u>180,207.03</u>
Cash shortage	<u>£2,670.66</u>

~~RESPONDENT 3~~ agreed the existence of the surplus and said he had instructed his own accountants to investigate its cause.

54. The report also revealed an earlier shortage on client bank account of £10,000 which had been rectified prior to the inspection. ~~RESPONDENT 3~~ had acted for Mrs Chaggar in connection with a civil litigation matter. On the 29th September 1992 the relevant client ledger account showed a credit balance of £10,700 when it was charged with a payment of £20,700 placing the account in debit by £10,000. The overpayment was rectified when on the 11th November 1992 £7,867.02, being a transfer of Kumar & Co. costs due from RK ledger card from the RK ledger card and on the 18th March 1993 when £2,152.98 was transferred from office bank account. ~~RESPONDENT 3~~ had agreed that the payment of £20,700 on the 29th September 1992 had been improper as insufficient funds had been held in client bank account from which it could properly have been made. He explained that he had been extremely busy during the period dealing with two client litigation matters which involved continuous visits to the Court at Chancery Lane. That had contributed to the delay in the rectification of the resultant shortage of £10,000 on client bank account. The failure to pay in a cheque for £10,000 had been an error and when discovered ~~RESPONDENT 3~~ had learned from Mrs Chaggar's bankers that there were insufficient monies in her account to pay the cheque.

The Submissions of the Applicant

55. The applicant said that ~~RESPONDENT 2~~ had readily made admissions in this matter and had been open and frank from the outset. Mrs Chaggar also admitted the allegations made against her. She accepted her misuse of clients' money. The applicant for his part accepted that she had not dishonestly taken clients' money for her own use but had used money belonging to one client in connection with another unconnected client and she had, in effect, thereafter been "teeming and lading". Although ~~RESPONDENT 3~~ had denied everything and there was a great deal of contentious matter contained in his affidavits which had been filed with the Tribunal, essentially the facts upon which the applicant's allegations had been founded were not materially in dispute.

56. ~~RESPONDENT 3~~ was not involved when Mrs Chaggar and ~~RESPONDENT 2~~ were held out as partners. In reality each of them were sole practitioners. ~~RESPONDENT 2~~ had with what the applicant described as his "customary candour" been forthright and open and had accepted that he and his sister, Mrs Chaggar, had agreed to appear to be partners in order to persuade lending institutions to instruct ~~RESPONDENT 2~~ new firm in connection with mortgage advances.
57. There had not been a true partnership. What had been put forward had been a sham. There had been no share in profits or losses. Persons dealing with the firm would make certain assumptions, in particular lending institutions that there were partners in the firm who would share responsibility and give personal support. In fact the true situation was different. The position conveyed to the outside world was not true or accurate.
58. Mrs Chaggar had been persuaded by an established client to make a telegraphic transfer payment out of client account before receiving monies in. Having done so and having been let down by the clients who did not fulfil their promise to reimburse her by the end of the day she had been under pressure to continue "teeming and lading" and that went on through her sole practice, her "sham" partnership with her brother, ~~RESPONDENT 2~~, and the practice of Chaggar & Co. held out to be with three partners in which she was employed in one capacity or another.
59. The applicant accepted that the decision to intervene into Mrs Chaggar's practice was allowed not to proceed and the Law Society had perhaps made a mistake when agreeing to the controlled disposal of the practice to ~~RESPONDENT 2~~ who was a sole practitioner whose own practice was many miles away. In reality ~~RESPONDENT 2~~ was not properly able to supervise the Ilford practice although it was accepted that he did attend on an average of about three days a week. Unfortunately in the absence of ~~RESPONDENT 2~~ the firm had gone on much as before with Mrs Chaggar in the Ilford office. It was said sometimes that she was there to help with files of which she had original had conduct in connection with which difficulties had arisen and on other occasions she was described as a clerk. In reality Mrs Chaggar had found she had been unable to let go of her former practice and ~~RESPONDENT 2~~ failing was that he permitted that situation to arise and to continue.
60. It was not to the liking of ~~RESPONDENT 2~~ to have two practices to run. He had undertaken the formal control of the Ilford office to assist and save his sister. The applicant recognised that ~~RESPONDENT 2~~ had the conflicting pressures upon him of upholding his family loyalty and maintaining his professional responsibility.
61. ~~RESPONDENT 2~~ tried to improve the situation by creating a partnership to take over the Ilford office.
62. The question of what amounted to adequate supervision varied in different circumstances. However Mrs Chaggar should not have been permitted to continue to all intents and purposes to run her practice after the intervention of the Law Society and there was no doubt that in effect that was what happened. The applicant accepted, however, that ~~RESPONDENT 2~~ had been unaware of the initial shortage on client account created by Mrs Chaggar. The applicant accepted that ~~RESPONDENT 2~~ had been entirely unaware of the serious accounts problems at the first time when he entered an apparent

partnership with his sister and secondly when her firm was passed to him. Nevertheless he had readily accepted responsibility for breaches of the Solicitors Accounts Rules despite his lack of actual culpability in the matter.

63. The whole purpose of the partnership to continue to run Chaggar and Co. in which there were apparently three partners was to enable ~~RESPONDENT 2~~ to go back to Slough and get on with his own practice.
64. ~~RESPONDENT 3~~ said that he had been misled by Mrs Chaggar. He had signed documents but he had been misled as to those documents. The applicant accepted that. It was ~~RESPONDENT 3~~ responsibility to manage and control the Ilford office. He knew there had previously been an intervention into Mrs Chaggar's practice. In the submission of the applicant ~~RESPONDENT 3~~ fault lay in the fact that he made no attempts to find out what was wrong and that amounted to a total abdication of his professional responsibility. ~~RESPONDENT 3~~ had not accepted his responsibility or liability for breaches of the Solicitors Accounts Rules and his position had been the unattractive one of attempting to shift blame to everyone else.
65. The breaches of the Solicitors Accounts Rules contained in allegations (iv) and (v) were alleged against the partners because of the rule of strict liability contained in the Solicitors Accounts Rules. Conduct unbecoming a solicitor had been alleged against Mrs Chaggar alone as the breaches in reality were hers.
66. Mrs Chaggar had a condition on her Practising Certificate enabling her to be employed in employment approved by the Law Society. The Law Society had not approved her employment in the firm of Chaggar & Co. The case of ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ was that while it was accepted that the new partnership employed Mrs Chaggar from (at least) the 6th October 1992, when application for leave to employ her was made to the Bureau, she was employed throughout as a "clerk" not as a solicitor. That course was not open to ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ by virtue to sections 1 and 1(a) of the Solicitors Act 1974. ~~RESPONDENT 2~~ had not been aware of that at the time but had accepted the position.
67. The case against ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ was that for their own reasons (including family loyalty in the case of ~~RESPONDENT 2~~) they permitted Mrs Chaggar to continue to practise with no effective supervision despite their knowledge of an earlier intervention into her practice as a result of grave Accounts Rules breaches. In doing so they permitted Mrs Chaggar to evade any controls upon her practising through the conditions placed upon her Practising Certificate and by their actions and omissions they enabled Mrs Chaggar to continue in an established practice where there had been misuse of clients' funds resulting in the shortages described. ~~RESPONDENT 2~~ had said that he had been unaware of section 1(a) and it was the responsibility of Mr Kumar to attend the practice on a daily basis and be directly concerned with the management of the office and supervision of Mrs Chaggar.
68. In his submissions in support of the application of the partnership to employ Mrs Chaggar in a letter dated 21st January 1993 ~~RESPONDENT 3~~ asserted that his own practice, Kumar & Co., was open to the public only part of the time and clients were only seen by prior appointment and that he had few major clients.

69. In relation to the practice of Chaggar & Co. ~~RESPONDENT 3~~ said:

"My other office at 8a Cranbrook Road, Ilford is mainly run by myself. This office is open to the public between the hours of 9.30 to 5.30 and closed between the hours of 1 and 2 p.m.. I have my own office there and I deal with incoming and outgoing post. I maintain the client and office account ledgers and all the accost books including keeping a check on weekly statements. I have a clerk who assists at these offices and a secretary.

Mrs Chaggar will work on a part-time basis under my supervision dealing with my files. I will have full control over her work. This office is now taking on more legal aid work and she will also be involved with advocacy in the local county court and magistrates court.

I will ensure that all her work in her office would be fully and properly supervised by me."

70. In the submission of the applicant if ~~RESPONDENT 3~~ letter to the Bureau was true the office was totally under his control during the period in which the later shortage occurred and indeed he was responsible for writing up the books which contained the false entries entered supposedly at the direction of the person whom he was supervising. In ~~RESPONDENT 3~~ letter no reference was made to the existing employment of Mrs Chaggar's as a "clerk".
71. The Tribunal had before it copies of notes of telephone conversations and letters received from anonymous informants maintain to the Bureau over a period from June 1992 to August 1993 that, despite the restrictions enforced upon Mrs Chaggar she was continuing to practise. Various investigations accordingly had taken place. One day before he firm applied for permission to employ Mrs Chaggar there had been a visit to the firm's offices by an enquiry agent instructed by the Bureau expressly for the purpose of ascertaining whether Mrs Chaggar was present in the premises. That was the enquiry agent's second visit to the premises and both attempts to ascertain the position proved unsuccessful.
72. It was in those circumstances that different enquiry agents were instructed to undertake an undercover enquiry as previously described. It was inconceivable that such efforts would have been made if, as ~~RESPONDENT 3~~ asserted, the Bureau had been aware that Mrs Chaggar was working in the premises as a clerk.
73. It was equally inconceivable that in the event that any such indication had been given by ~~RESPONDENT 3~~ he would not have been informed that it was improper and unlawful and that the leave of the committee was required. He would also have been informed that the leave of the committee would be unlikely to have been forthcoming. In the submission of the applicant ~~RESPONDENT 3~~ assertions that the Bureau were aware of the presence of Mrs Chaggar in the firm's offices were inaccurate.

The Submissions of Mrs Chaggar

74. Mrs Chaggar admitted the misuse of clients' money but it had not been for her own benefit. She had used a mortgage advance obtained in respect of one property to complete the purchase of another. She had not attained any personal benefit.
75. Mrs Chaggar said that she had acted for a family who dealt in property for a number of years. She trusted them as clients and when they asked her to make a telegraphic transfer to complete the purchase of a property (in respect of which notice to complete had been served) she had reluctantly done so on their assurance that they would deliver a bankers draft to cover the sum to her office later that day. They had never done so and she had been left with a deficiency on client account. She had not considered that she had anyone to turn to and she had "soldiered on" in the hope that that matter would be resolved.
76. Mrs Chaggar was adamant that neither ~~RESPONDENT 2~~ nor ~~RESPONDENT 3~~ had anything to do with her using client's money for the benefit of another. They both tried to help her and to save her practice. They had no knowledge of what had been going on. Mrs Chaggar believed neither of them would have got involved if they had known. Mrs Chaggar said she had deceived them both and she should be punished.
77. Mrs Chaggar had qualified as a solicitor and had spent ten years building up her practice. She found it very hard to let go as her practice had represented so much work and effort. She had not been able to turn to her husband as he was not altogether approving of her practising as a solicitor.
78. Mrs Chaggar was worried that if everything was discovered then her marriage would suffer, indeed when matters had come to light that had proved to be the case.
79. Mrs Chaggar's office overdraft had stood at over £30,000 at the time of the intervention and her husband was endeavouring to discharge that debt by monthly payments. Mrs Chaggar's matrimonial home had been charged to the bank as security and the bank had taken possession proceedings.
80. Mrs Chaggar had four children aged between three and fourteen. They also had suffered.
81. ~~RESPONDENT 2~~ had not allowed Mrs Chaggar to work at her former practice but she had helped out with the files which he could not understand. He did not know any of Mrs Chaggar's clients and it was very difficult for him. ~~RESPONDENT 2~~ had nothing to do with her practice before the intervention. After the intervention ~~RESPONDENT 2~~ was not able to manage both his own firm and Chaggar & Co. and Mrs Chaggar introduced him to Mr Kumar. Neither of them had any knowledge of Mrs Chaggar's misuse of clients' money.
82. Mrs Chaggar said that in so far as practising without a Certificate was concerned she attended at the offices only to assist with old files which ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ could not understand or deal with. She had not been held out as a solicitor.
83. She had been at the offices until October helping out with old files and after October she had been employed as a clerk in the practice of Chaggar & Co.

84. Mrs Chaggar had known RESPONDENT 3 for a number of years. He was a respectable and honourable solicitor who never got involved with other solicitors very much. He visited Mrs Chaggar's offices occasionally for about two years. She knew him to be very helpful and honest. When she told him about the intervention by the Law Society he said that he would help. He had no knowledge of Mrs Chaggar's use of one client's money for the benefit of another. RESPONDENT 3 generally tried to help Mrs Chaggar to save her practice.
85. Mrs Chaggar had been concerned at the allegations made by RESPONDENT 3. Her firm and her actions had been fully investigated by the police who had together with the Crown Prosecution Service decided not to lay any charges against her. Mrs Chaggar had learned her lesson. She loved her practice of the law and believed that she had been of great service to the community in particular to Asian women in domestic violence cases in which she had specialised. She hoped that she might be permitted to practise in a limited capacity for instance in a law centre which would enable her to support herself on the basis that she would never again have to deal with clients' money.
86. Mrs Chaggar had not been practising for a period of three years and she paid for what she had done not only in financial terms but also in social terms and in terms of damage to her marriage. If permitted to work she would take steps to make payments to the Law Society's Compensation Fund in respect of monies paid out on her behalf.
87. The list of payments made or applications pending to the Law Society's Compensation Fund did not reveal an entirely accurate picture. It was Mrs Chaggar's belief that some of the claims had been withdrawn and some of them represented claims for losses which were attributable to the post property boom fall in property values rather than any activity of Mrs Chaggar.
88. Mrs Chaggar told the Tribunal that she was sorry and ashamed and recognised that her actions had brought the solicitors' profession into disrepute.

The Submissions of RESPONDENT 2

89. RESPONDENT 2 admitted the facts and the allegations against him. Mrs Chaggar was his sister being some five years older than him. After being educated in grammar school, the respondent was uncertain whether to enter medicine or law and was persuaded by his sister to study law. He graduated from Kings College, London with an upper second class honours degree in law. He studied for and passed his solicitors final examination at the first attempt. After serving articles and a period as an assistant solicitor he set up his own practice of Lall & Co. in Slough in November 1990. Until the 1st July 1995 he practised as a sole practitioner since which date he had been in partnership. The respondent dealt with his firm's accounts, writing up the books himself with the assistance of the firm's accountants. Satisfactory Accountant's Reports had been punctually delivered to the Law Society in respect of his firm.
90. The respondent described his family as close knit explaining that a close and fond relationship had developed between him, his younger brother and Mrs Chaggar, his elder sister, particularly in the light of their mother's ill health and upon her death in 1990.

91. ^{RESPONDENT 2} confirmed that the liaison between his sister and himself would get over the problem of getting on the panel of building societies who were reluctant to instruct sole principals. That was not done with a view to misleading the building societies. Mrs Chaggar and ^{RESPONDENT 2} did generally enter into partnership together but the agreement between them was that they would respectively continue to run their individual practices. There would be no supervision or attendance by one upon the other's office nor any concern with the other's work. The two practices were to be entirely separate and would run entirely separate accounts and each respondent would be individually solely responsible for his or her own practice. With hindsight ^{RESPONDENT 2} accepted that matters might have been dealt with somewhat differently. It was however never kept from building societies that the two principals effectively ran separate offices. There had been no complaint from any building society. When Mrs Chaggar's books were inspected after two years when the arrangement had been running apparently perfectly well, and the Investigation Accountant attended offices in Slough to inspect his books, they were found to be satisfactory. It was only at that time upon being told by an Investigation Accountant that ^{RESPONDENT 2} discovered that Mrs Chaggar had apparently undertaken false accounting. A solicitor had negotiated a stop on the intervention on Mrs Chaggar's behalf and ^{RESPONDENT 2} quite simply considered he was obliged to help his sister. The decision was not made on any business basis purely by virtue of the family relationship.
92. The whole idea of running the two practices was meant to be a very temporary arrangement indeed. Whilst trying to run the two practices, which were geographically far apart, ^{RESPONDENT 2} was actively trying to find other prospective partners who might take over the Ilford business. ^{RESPONDENT 2} saw himself simply as preserving the goodwill of his sister's firm until satisfactory arrangements could be put in place. In the circumstances ^{RESPONDENT 2} had to accept that there was a technical liability on his part for the Solicitor's Accounts Rules breaches, even though he was entirely unaware of them.
93. Whilst ^{RESPONDENT 2} was in charge, Mrs Chaggar had been very active in seeking prospective partners as well. She had known ^{RESPONDENT 3} since about 1992. As his own practice was so close, his being involved appeared to be the answer to the problems. Agreement was reached and a short deed which effectively recited that ^{RESPONDENT 2} and the two Messrs. ^{RESPONDENT 3} would be in partnership and would take over Mrs Chaggar's practice in Ilford.
94. With regard to the question of Mrs Chaggar's practising, ^{RESPONDENT 2} did not appreciate the effect of the amendment to Section 1 of the Solicitors Act 1974 brought about by the Courts & Legal Services Act. He honestly and genuinely believed that although she could not practise as a solicitor except in approved employment or partnership (because of the condition of her Practising Certificate) it would be open to the partners to employ her as a clerk. Mistakenly ^{RESPONDENT 3} and ^{RESPONDENT 2} had believed that that was the case and they would not need to get the Law Society's consent. ^{RESPONDENT 2} had allowed the partnership to proceed on the basis that Mrs Chaggar was employed as a clerk and on the basis that she continued to work at the Ilford office under the daily supervision of ^{RESPONDENT 3}. ^{RESPONDENT 2} described the arrangement as a "godsend" and it meant that he no longer had to travel from Slough to Ilford to carry out management and supervision at the Ilford Office.

95. Again with a view to preserving goodwill, **RESPONDENT 2** agreed to remain on the paper of the firm as a partner. He had absolutely no control or involvement in the Ilford office, no share in the profits and no part in the management. He merely allowed his name to be used as a partner. After **RESPONDENT 3** took over **RESPONDENT 2** did not again attend in the Ilford Office at any time.
96. So far as **RESPONDENT 2** had been aware all was well, the practice was proceeding normally and **RESPONDENT 3** was in complete control. **RESPONDENT 2** had been in contact with his sister occasionally on a social basis but she had not said or done anything to give him the slightest suspicion that anything was wrong.
97. About four months after the partnership was set up an application was made to the Law Society for leave to employ Mrs Chaggar in the Ilford practice. The application had been made **RESPONDENT 3** and although **RESPONDENT 2** had been aware of it he played no part. For a number of reasons the Law Society refused the application in February 1993. In March **RESPONDENT 3** went to India for a week. He asked **RESPONDENT 2** to attend at the Ilford practice to supervise. **RESPONDENT 2** agreed. About three days before **RESPONDENT 3** was due to return to the United Kingdom Mrs Chaggar had visited **RESPONDENT 2** at his Slough office. She was extremely upset and told **RESPONDENT 2** of the substantial shortfall on the client account at the Ilford office. She said that she had misled **RESPONDENT 3** and had falsified bank instructions and accounts.
98. When he was told this **RESPONDENT 2** became very angry indeed. He felt that his sister had misled him and utilised him in circumstances which were unfair and certainly an abuse of the family relationship which existed. It seemed to **RESPONDENT 2** that he was going to be prejudiced as a result of her actions. He told Mrs Chaggar that in no uncertain terms. He then took her to his father's house and Mrs Chaggar's husband was called for a meeting. Everybody was extremely upset and astonished. Mrs Chaggar made a complete confession to the family.
99. **RESPONDENT 2** said that he would have to put the facts immediately before the Law Society. A meeting had been arranged on the Thursday of the week **RESPONDENT 3** was away and he was due back on Sunday, so there was only one working day. **RESPONDENT 2** took the decision to wait until **RESPONDENT 3** was back in order that he should know the position before the Law Society.
100. **RESPONDENT 2** travelled to Ilford to see **RESPONDENT 3** to tell him the position. **RESPONDENT 3** reaction was one of shock and annoyance and together they immediately took steps to advise the Law Society of what had been going on. **RESPONDENT 3** telephoned the Law Society who gave him a list of people from whom they might take advice. They took advice from a solicitor experienced in such matters. He relayed the whole story to the Bureau and on the next working day **RESPONDENT 2** accompanied his sister to the Bureau where they saw a number of people and Mrs Chaggar made full admission and confession as to what had been going on. The Investigation Accountant again attended at the Ilford Office to ascertain the extent of any shortages. That office was then effectively shut down and it remained so. At that time the Investigation Accountant also inspected **RESPONDENT 2** own books at Slough which were found to be in good order.

101. RESPONDENT 2 had been entirely unaware of his sisters activities and had not been in a position to give any warning to RESPONDENT 3
102. RESPONDENT 2 was separated from his wife and was living with his father. He had two children whom he saw regularly and whom he maintained. His wife worked and assisted in the support of herself and the children.
103. RESPONDENT 2 partnership at Slough enjoyed moderate success. There were no financial or other problems. RESPONDENT 2 was required to file six monthly Accountant's Reports with the Law Society and he had complied with that requirement in all respects.
104. The financial impact upon RESPONDENT 2 of his sister's defaults had proved very severe. The intervention costs of the Law Society amounted to some £52,000 and the Law Society were looking to him to pay that sum. He had agreed with the Law Society to pay by instalments of £100 per month. RESPONDENT 2 indemnity insurance had been loaded in view of the number of claims made against Chaggar & Co. He had to bear additional accountancy fees to file six monthly Accountant's Reports with the Law Society.
105. RESPONDENT 2 had been clear in his admissions of liability from the earliest possible stage. He invited the Tribunal to consider the extent of his guilt and that his involvement had been limited. RESPONDENT 2 had never deliberately flouted the Law Society's rules nor had he ever been a party to any breach of the Accounts Rules.
106. The Tribunal was invited to take account of the bundle of testimonials written in support of RESPONDENT 2 as well as bearing in mind RESPONDENT 2 good character, the financial burden which he was bearing as a result of his sister's activities, and the breakdown of his relationship with his wife.

The Submissions of RESPONDENT 3

107. RESPONDENT 3 said that the new practice of Chaggar & Co. over the period of five months of its existence dealt with only about seventy two client transactions. All of them had been dealt with properly and to the satisfaction of the clients and in accordance with the Solicitors Accounts Rules, save for three. The three transactions had been mentioned in the Investigation Accountant's Report and had occurred as a result of the activities of Mrs Chaggar and because the firm's bankers had been negligent. RESPONDENT 3 had entered litigation with the firm's bankers and the solicitors receiving the telegraphic transfer and he was able to tell the Tribunal that he had been successful and had recovered a substantial sum thus avoiding further claims on the Compensation or Indemnity Funds. In the submission of RESPONDENT 3 the books of account were properly written up.
108. RESPONDENT 3 said that he had not assisted or permitted Mrs Chaggar to practise as a solicitor. Mrs Chaggar had already been employed as a clerk with the old firm of Chaggar & Co. and the new firm of Chaggar & Co. employed her as a clerk. RESPONDENT 3 had not been aware that Mrs Chaggar held a Practising Certificate at that time. He was not aware that her Practising Certificate had been issued subject to conditions.
109. RESPONDENT 3 had taken all reasonable and adequate supervision of employees.

110. *RESPONDENT 3* denied allegation (xi). He told the Tribunal that the Investigation Accountant carried out his inspection immediately after a fire had taken place at his firm's offices (Kumar & Co.). The surplus and shortfall shown in the Investigation Accountant's Report was due to necessary transfers which needed to be done to correct the entries during the month of the inspection. It was an adjustment of costs. At the time the Investigation Accountant indicated to the respondent that there were minor mistakes which had been rectified by making necessary transfers to correct the balances at the time. *RESPONDENT 3* understood the Investigation Accountant to say that she would prepare the formal report and if he had not heard from the Bureau within fourteen days to a month then he should regard the matter as one in which no further steps were to be taken. *RESPONDENT 3* did not hear further in this regard until March 1994. *RESPONDENT 3* accountants had produced an unqualified Accountant's Report and his accounts had been given a clean bill of health following a visit by the Law Society's Monitoring Unit.
111. In the submission of *RESPONDENT 3* his books of account had been written properly since 1983 and had been approved by the Law Society's Monitoring Unit.
112. *RESPONDENT 3* said he had nothing to do with the new practice of Chaggar & Co. The new practice dealt with new clients and new cases which came to the premises.
113. *RESPONDENT 3* had supervised Mrs Chaggar's work as a clerk as far as practicable and humanly possible. *RESPONDENT 3* did not know about the grave breaches of the Solicitors Accounts Rules of the previous firm of Chaggar & Co.
114. *RESPONDENT 3* had been unaware that Mrs Chaggar held a Practising Certificate which was subject to conditions. *RESPONDENT 3* said he had been told by *RESPONDENT 2* and Mrs Chaggar that Mrs Chaggar held no Practising Certificate as she could only obtain a Practising Certificate if her employment was approved by the Law Society. He was further told by both of them that Mrs Chaggar was working as a clerk with her brother in the practice of Chaggar & Co. since June of 1992. *RESPONDENT 3* understanding had been that the Bureau would only be involved and interested if Mrs Chaggar were to be employed as a solicitor.
115. *RESPONDENT 3* had recorded the correct entries in the accounts books of the new Chaggar & Co. and the shortage occurred because of the fraudulent acts of Mrs Chaggar and the negligence of the firm's bankers. The firm's bankers without the firm's proper authority wrongly debited the firm's client account £48,800. There were two transactions where monies were fraudulently sent by Mrs Chaggar to another firm and by mistake those solicitors paid out those monies to third parties without the authority of the respondent's firm.
116. *RESPONDENT 3* accepted that he had signed a certificate of fitness in support of Mrs Chaggar's application for a Practising Certificate. At the time he signed the Certificate it reflected *RESPONDENT 3* true and honest opinion: at the time he had no knowledge or belief of any dishonesty on the part of Mrs Chaggar.
117. *RESPONDENT 3* recalled talking to Mrs Steven's about Mrs Chaggar's employment as a clerk part-time to assist the firm of Chaggar & Co.

118. ~~RESPONDENT 3~~ found it extraordinary that the Bureau embarked upon extensive undercover enquiries to establish whether or not Mrs Chaggar was employed and if so in what capacity. ~~RESPONDENT 3~~ found it extraordinary that direct enquiry was not made of him or his partner. ~~RESPONDENT 3~~ found it extraordinary that if the Bureau was not aware of her employment that all letters from the Bureau addressed to Mrs Chaggar arrived at the firm's address. ~~RESPONDENT 3~~ applied for her employment as an assistant solicitor early in October of 1992 and it took four months for the Bureau to inform him that her proposed employment had not been approved.
119. ~~RESPONDENT 3~~ said he had considered that Mrs Chaggar's firm's premises were rather better than his own and would be likely to generate more business. His own practice was reasonably successful and although he did not anticipate that the new firm would immediately make any substantial profit, he believed the future prospects were very good indeed. He had been prepared to pay Mrs Chaggar a substantial salary as a clerk and he denied any attempt to mislead the Bureau by indicating that it was his intention in the future to employ Mrs Chaggar when, as the Bureau submitted, she was already engaged in work for the firm.
120. ~~RESPONDENT 3~~ was of the view that he had been misled by the dishonesty of ~~RESPONDENT 2~~ and Mrs Chaggar and it was their nefarious activities which had brought him before the Tribunal to answer allegations.

The Tribunal FOUND all of the allegations to have been substantiated.

On the 4th October 1990 the Tribunal found the following allegations to have been substantiated against Mrs Chaggar. The allegations were that Mrs Chaggar had:-

- (i) failed to deliver Accountant's Reports in respect of her practice as a solicitor for the accounting period ending 30th April 1988 and 30th April 1989 in accordance with the provisions of section 34 of the Solicitors Act 1974 and the rules made thereunder; and
- (ii) failed to keep accounts properly written up for the purposes of rule 11 of the Solicitors Accounts Rules 1986.

The Tribunal said that it was clear that the handling of clients' money was completely in order but the respondent had permitted the formal book keeping to fall behind owing to considerable pressure of work. She had not been aware of the requirement to file Accountant's Reports within six months of the accounting period to which they related, but ignorance was no excuse. The Tribunal accepted Mrs Chaggar's assurance that she would not permit those matters to fall into arrears again. The Tribunal ordered that Mrs Chaggar be reprimanded and ordered her to pay the costs of and incidental to the application and enquiry to include the costs of the Investigation Accountant of the Bureau such costs to be taxed.

The Findings of the Tribunal

The Tribunal accept that Mrs Chaggar had been guilty of teeming and lading and was therefore culpable for the breaches of Rules 7,8 and 11 of the Solicitors Accounts Rules. ~~RESPONDENT 2~~ had agreed that he and Mrs Chaggar might be held out to be partners

in respect of their respective practices at Ilford and Slough. The Tribunal accept the applicant's view that the arrangement was a "sham" in that there was not a real partnership. In that respect ~~RESPONDENT 2~~ was as culpable as Mrs Chaggar. By holding himself out as a partner he could not avoid liability for the breaches of the Solicitors Accounts Rules perpetrated by Mrs Chaggar. The Tribunal accept that Mrs Chaggar had not misappropriated clients' funds for her own purposes.

They accept that she had been duped by clients in whom she had placed her trust. Her mistake was to accommodate those clients by making a payment out of client account when they had not placed her in funds. As soon as they failed to replace that money, Mrs Chaggar's proper course of action would have been to have made a clean breast of the situation but instead she allowed it to be perpetuated and indeed made worse by further breaches. She had not taken any steps to recover the monies from the clients who had benefited initially. At that stage there was no doubt that Mrs Chaggar had been guilty of a serious failure to exercise the good judgment which might have been expected of a practising solicitor.

The way in which she continued to deal with the situation was further evidence of a lack of judgment and, of course, led her to behave in a way that was less than open and honest as she did not make the situation absolutely clear to her partner and brother and later to

The Tribunal took the view that Mrs Chaggar was basically an honest person. They gave her credit for the great frankness with which she gave evidence before the Tribunal and for her ready acceptance not only of the allegations made against her but also of her culpability and her attempts to exonerate the other two respondents.

All three respondents were guilty of the breaches of the Solicitors Accounts Rules alleged in allegations (iv) and (v) disclosed by the Law Society's Investigation Accountant's Report of the 22nd March 1993. Again Mrs Chaggar had caused the actual breaches and was entirely culpable. Mrs Chaggar's partners could not avoid liability under the Solicitors Accounts Rules and the allegations were found to have been established against them although their respective levels of culpability were considerably less than that of Mrs Chaggar.

It was further alleged in allegations (vi), (vii) and (viii) that Mrs Chaggar had been guilty of conduct unbecoming a solicitor as she had, as she clearly admitted, utilised money held by her on behalf of certain clients for the purposes of other unconnected clients. She had falsified accounting records and made misleading statements to facilitate the misuse of clients' funds. Further she practised as a solicitor whilst not holding a Practising Certificate and had also practised in breach of a condition placed upon her Practising Certificate when it had been granted to her.

There was no doubt that ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ had been guilty of conduct unbecoming solicitors in that they assisted and permitted Mrs Chaggar to practise as a solicitor whilst not holding a Practising Certificate and in breach of a condition imposed upon her Practising Certificate when it had been issued. Both ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ had perhaps adopted too relaxed a stance so far as Mrs Chaggar's presence in the office had been concerned. There had been an intervention and she should not have been permitted to enter the office at all. Both ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ appeared to have been

content to let her handle matters and there was no doubt that even though her presence in the office was itself unacceptable she was present and neither ~~RESPONDENT 3~~ nor ~~RESPONDENT 2~~ exercised proper or adequate supervision over her. Although it was said that Mrs Chaggar attended the office only on a temporary or part-time basis to assist with certain files, the Tribunal was satisfied that she had in fact undertaken legal services. At the time she held a Practising Certificate it was subject to conditions which she had breached.

Because she remained on the Roll of Solicitors at the time when she did not hold a Practising Certificate, she was not in a position where she could be employed as a clerk because section 1 of the Solicitors Act 1974 (as amended) provided that if she were to deliver legal services and she was on the Roll of Solicitors she could do so only if she held a current Practising Certificate.

The Tribunal understand the anguish felt by Mrs Chaggar who was reluctant to watch the dissipation of the practice which she had worked hard to build up over a ten year period following the intervention of the Law Society. An intervention is, of course, hard on the solicitor concerned. The Law Society intervenes in a solicitor's practice only when it believes it has clear grounds so to do - that might well be hard on an individual solicitor but the Law Society has a duty to the public and to the solicitors' profession and by dint of being a solicitor, a solicitor submits himself to that jurisdiction. The Law Society had reasonable grounds to suppose that the solicitor had behaved dishonestly and there was chance that clients' funds might be jeopardised.

None of the respondents appears to have treated the Law Society's resolution to intervene into Mrs Chaggar's practice with the great seriousness which it properly deserved. The Tribunal are able to accept that ~~RESPONDENT 2~~ and ~~RESPONDENT 3~~ sought to rescue Mrs Chaggar from the best possible motives. They exercised poor judgment, although they had to be given credit for behaving in an exemplary fashion when they became aware of the deficiencies on client account in taking advice and reporting the matter to the Law Society.

The Tribunal found the allegations of breaches of the Solicitors Accounts Rules made against ~~RESPONDENT 3~~ alone to have been substantiated. Breaches were clearly revealed by the Investigation Accountant's Report, but the Tribunal accept that they were not at the most serious level and the breaches were put right.

The Tribunal imposed the sanctions upon the respondents set out above. They considered that ~~RESPONDENT 2~~ fine should be greater than that of ~~RESPONDENT 3~~ because not only had he been liable for the breaches of the Solicitors Accounts Rules, but he had also been found to have been guilty of conduct unbecoming a solicitor in that he misleadingly held himself out as a full partner of Mrs Chaggar when that was not the case.

Mrs Chaggar had initially made a mistake and had been guilty of lack of judgment. She had compounded that error by perpetuating the use of clients' money for the purposes of other unconnected clients and had demonstrated her failure to act with absolute integrity and the probity expected of a solicitor when she falsified accounting records and made misleading statements to facilitate the misuse of clients' funds.

Whilst having sympathy for the unfortunate position in which Mrs Chaggar found herself, the Tribunal decided that it was right that she should be struck off the Roll of Solicitors.

RESPONDENT 3 had made it plain that he considered that he had been duped by Mrs Chaggar and her brother. He had, however, acknowledged his position as a partner and could not escape liability for compliance with the Solicitors Accounts Rules. He had entered into partnership without detailed investigation or enquiry. To that extent he was the author of his own misfortune. Similarly he had not taken steps to satisfy himself that Mrs Chaggar might be employed in the practice following the intervention and the automatic suspension of her Practising Certificate. The Tribunal has already said that the Accounts Rules breaches alleged against RESPONDENT 3 alone were not at the most serious level. The Tribunal considered the imposition of a fine of £3,000 upon RESPONDENT 3 to be a penalty which reflected the allegations sustained against him.

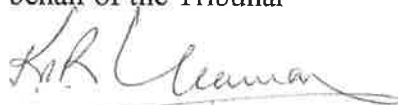
The question of costs was rather more difficult. It was impossible to avoid the conclusion that almost the whole of the proceedings had been the result of Mrs Chaggar's behaviour. The Tribunal noted however that both RESPONDENT 2 and Mrs Chaggar made full and frank admissions and assisted the applicant at the earliest possible stage. When the matter came before the Tribunal for a pre-trial review in October of 1995 both RESPONDENT 2 and Mrs Chaggar were ready. RESPONDENT 3 expressed his wish to make further substantial and serious allegations against RESPONDENT 2 and Mrs Chaggar. The matter was delayed to enable him to do so and for those accused to make full and detailed response. The Tribunal had already expressed its view that those allegations had not been the subject of a formal application and it would not consider them. Those allegations had however taken up a great deal of the applicant's time and a not inconsiderable proportion of the Tribunal's time at the hearing.

RESPONDENT 3 had not made any admission of any allegation made against him and had required the applicant to be put to strict proof of a number of the matters alleged.

The Tribunal accepted the guidance of the applicant that the costs accrued up to October of 1995 had been in the region of £8,000 and the costs accrued at the date of the substantial hearing in December 1996 reached about £21,000. In the circumstances the Tribunal ordered that costs should be awarded in favour of the applicant, to be taxed if not agreed and that they should be paid as to 1/5 by Mrs Chaggar, 1/10 by RESPONDENT 2 and 7/10 by RESPONDENT 3.

DATED this 23rd day of January 1997

on behalf of the Tribunal



K I B Yeaman
Chairman