

No. 7071/1996

No.7206/1996

IN THE MATTER OF VASANTHA KARALLIEDDE AND
ANIL VAJI SANGHANI, solicitors clerks

(The Tribunal heard these two matters together)

- AND -

IN THE MATTER OF THE SOLICITORS ACT 1974

Mr. G B Marsh (in the Chair)

Mr. K I B Yeaman

Lady Bonham Carter

Date Of Hearing: 6th January 1998

FINDINGS

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

An application was duly made on behalf of the Law Society by Roger Field solicitor of Inhedge House, 31 Wolverhampton Street, Dudley, West Midlands on the 30th January 1996 that an order be made by the Tribunal directing that as from a date to be specified in such order no solicitor should, except in accordance with permission in writing, granted by the Law Society for such a period and subject to such conditions as the Society might think fit to specify in the permission employ or remunerate in connection with the practice as a solicitor Vasantha Karalliedde of London, SE21 a person who was or had been a clerk to a solicitor or that such other order might be made as the Tribunal should think right.

An application was duly made on behalf of the Law Society by Roger Field solicitor of Inhedge House, 31 Wolverhampton Street, Dudley, West Midlands on the 13th August 1996 that an order be made by the Tribunal directing that as from a date to be specified in such order no solicitor should except in accordance with permission in writing granted by the Law Society for such a period and subject to such conditions as the Society might think fit to specify in the permission employ or remunerate in connection with the practice as a solicitor Mr A V Sanghani (later identified as Anil Vaji Sanghani) of

London, N14 a person who was or had been a clerk to a solicitor or that such other order might be made as the Tribunal should think right.

The facts in support of each application were contained in the statements which accompanied them. In the case of Mr. Sanghani further statements were lodged by the applicant in respect of him dated the 18th April 1997 and the 27th October 1997.

The allegations were:-

(i) In Respect of Mr. Karalliedde

1. That he falsely described himself as a solicitor to Mr and Mrs T;
2. That he failed in his duty to carry out the terms of his retainer with due care and skill proper diligence and promptness and he failed in his duty to keep his clients properly informed;
3. He failed to report to his principal and/or to the Solicitors Complaints Bureau conduct on the part of Mr Sanghani which he believed fell short of the proper standard of conduct of the profession namely that Mr Sanghani had:-
 - (a) accepted instructions to act for two clients where there was a conflict or a significant risk of conflict between the interests of those clients and/or
 - (b) having acquired relevant knowledge concerning former clients during the course of acting for them, he accepted instructions to act against them.

(ii) In Respect of Mr Sanghani

1. He had accepted instructions to act for two clients where there was a conflict or a significant risk of conflict between the interests of those clients and/or having acquired relevant knowledge concerning former clients during the course of acting for them he accepted instructions to act against them;
2. By his acts or omissions the respondent breached or was party to a breach of Rule 10(2) of the Solicitors Accounts Rules 1991 in relation to loans from SK;
3. The borrowing of money from SK involved breach of principle 15.05 of the Guide to the Professional Conduct of solicitors (6th Edition) relating to a conflict of interest which arises where a solicitor or a member of a solicitor's staff in his or her personal capacity borrows from his or her own client;
4. The respondent drew money or knew of money being drawn from a client account other than as permitted by Rule 7 of the Solicitors Accounts Rules 1991 contrary to Rule 8 of the Rules;
5. The respondent had been guilty of the misuse of clients' funds;
6. The respondent had been guilty of serious breaches of Rules 7, 8 and 11 of the Solicitors Accounts Rules 1991.

The application was heard at the Court Room, No.60 Carey Street, London, WC2 on the 6th January 1998 when Roger Field solicitor and partner in the firm of Messrs. Higgs & Sons of Inhedge House, 31 Wolverhampton Street, Dudley, West Midlands appeared for the applicant and Mr Sanghani was represented Oscar Del Fabro of Counsel instructed by Messrs. Whitelock & Storr of 5 Bloomsbury Square, London, WC1A 2LX and Mr Karalliedde did not appear and was not represented.

Initially the matter had been fixed for an all day hearing on Tuesday 5th August 1997. On the 31st July 1997 an application had been made on behalf of Mr Sanghani that the matter might stand adjourned. It was the view of the solicitor then representing Mr Sanghani that the matter would last for two days or more. On that occasion the Tribunal agreed to an adjournment and thereafter the hearing had been fixed for the two days of the 6th and 7th January 1998.

At the opening of the hearing Mr Del Fabro (representing Mr Sanghani) made an application that the matter might stand adjourned.

The Application for an Adjournment

Mr Del Fabro (on behalf of Mr Sanghani) said that on the 2nd January 1998 Mr Sanghani had notified his legal representatives that his brother (who had been visiting Egypt) had been involved in an accident there. Mr Sanghani went to that country immediately. Mr Sanghani's advisers had understood that he would return in time for the hearing and indeed in time to attend a conference prior to the hearing. Mr Sanghani had not in fact returned. His representatives had received a fax from him stating that his brother had suffered a fracture to his leg, a broken pelvis and head injuries. He was in hospital in Cairo and it would be several days before his condition would stabilise. The Tribunal was told that there were two other brothers but neither had been able to make the journey to Egypt owing to personal commitments.

Mr Sanghani contested the matters alleged against him. He wished to make full explanations in support of his case in oral evidence.

Mr Sanghani had intended to call oral evidence from two witnesses and he was himself making the arrangements for these witnesses to attend the hearing, and his instructing solicitors had placed reliance upon him to deal with that matter. Neither of those witnesses was present.

Although not certain of the current position, those representing Mr Sanghani believed that he continued to be employed by a firm of solicitors.

Mr Field said that he resisted the application strenuously.

He said that the solicitors representing Mr Sanghani had sought his agreement to a joint application to adjourn the matter on the 18th December 1997, saying that they had not received certain papers. The applicant had refused that suggestion and, so far as he was concerned, all relevant papers had been delivered in proper time.

Those representing Mr Sanghani had been without instructions for a lamentable period of time. He had the benefit of many months in which to deal with the matter.

Under the provisions of the Solicitors (Disciplinary Proceedings) Rules 1994 witness statements should have been prepared and served upon the applicant. That had not been done. No affidavits had been served. No attempt had been made to address the facts upon which the applicant sought to rely.

The applicant had served his bundle of documents several months previously and had heard nothing from Mr Sanghani. There were two viva voce witnesses, (one of whom had lost a day's work) in attendance. He was ready to proceed.

No evidence had been placed before the Tribunal to corroborate Mr Sanghani's version of the accident involving his brother. On the face of it the condition of the brother was not life threatening and there appeared to be no reason why Mr Sanghani could not have returned to the United Kingdom for the purpose of dealing with the disciplinary proceedings and then (if necessary) returned to Egypt. The Tribunal was invited to view Mr Sanghani's reasons for seeking an adjournment with a degree of scepticism.

As a person involved in the practice of the law Mr Sanghani had to be aware of the need for finality in disciplinary proceedings. He was aware also of the other respondent's involvement.

The Tribunal in considering the matter should balance the interests of the public and the good name of the solicitors' profession against the position of Mr Sanghani who had consistently delayed dealing with this matter and had failed to give adequate instructions to those representing him and had ignored the interests of the other clerk involved in the proceedings. It had been within the knowledge of Mr Sanghani's own solicitor that Mr Karalliedde had chosen not to attend.

In the submission of the applicant the substantive hearing should proceed in respect of both respondents.

The Tribunal's Decision as to the application for an adjournment

The Tribunal took the view that a long time had elapsed since the events which gave rise to the allegations. Many of these events had taken place as long ago as 1991.

The Tribunal was satisfied that Mr Sanghani had been given more than enough time to prepare for this hearing. The Tribunal had noted the dates of the applicant's supporting statements. At a pre-listing meeting the Tribunals' Clerk had fixed a full day's hearing on the 5th August 1997 and a late application to adjourn had been granted on that occasion. The dates of this hearing (6th and 7th January 1998) had been agreed several months ago.

Mr Sanghani had neglected to comply with the Tribunal's rules of procedure relating to the preparation and service of witness statements.

The Tribunal had not seen the fax sent by Mr Sanghani to those representing him although they had been read the part relating to the brother's injuries. It seemed clear that the brother's condition was not life threatening. No corroborative evidence had been provided to the Tribunal regarding the brother's position. Despite having sympathy for any person when a member of his family was injured, the Tribunal found itself unable to turn away from the fact that the respondent had consistently failed to take proper steps to be prepared for the hearing, was not prepared and indeed there was no indication that if he was given further time he would be any better prepared.

After taking into account all factors and giving due consideration to the requirement that justice should be done, and having balanced all appropriate matters the Tribunal were of the view that the substantive hearing that it was in the interest of justice that the hearing should proceed.

Accordingly, the Tribunal determined that the matter would proceed to a full hearing.

Mr Del Fabro apologised to the Tribunal and regretted that he considered himself to be inadequately instructed and that it would be wrong for him to embark upon the cross examination of witnesses. It was his professional assessment that he was required to withdraw. His pupil remained in the court room to take a note of the hearing. The Chairman understood Mr Del Fabro's unfortunate position and thanked him for his assistance.

The matter then proceeded to a full hearing.

The Full hearing

The evidence before the Tribunal included the oral evidence of Mrs T and the oral evidence of Michael Earnest Davies, an Investigation Accountant of the Law Society.

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

The Tribunal ORDERED that as from the 6th January 1998 no solicitor shall except in accordance with permission in writing granted by the Law Society for such a period and subject to such conditions as the Society might think fit to specify in the permission employ or remunerate in connection with the practice as a solicitor Vasantha Karalliedde of London, SE21 a person who is or was a clerk to a solicitor and the Tribunal further ordered him to pay the costs of and incidental to the application and enquiry fixed in the sum £1,920.00 inclusive.

The Tribunal ORDERED that as from the 6th January 1998 no solicitor shall except in accordance with permission in writing granted by the Law Society for such a period and subject to such conditions as the Society might think fit to specify in the permission employ or remunerate in connection with the practice as a solicitor Mr. A V Sanghani of London, N14 a person who is or was a clerk to a solicitor and the Tribunal further ordered him to pay the costs of and incidental to the application and enquiry fixed in the sum of £3,155.00 inclusive.

Taking into account all the evidence before them the Tribunal is satisfied that the following facts set out in paragraphs 1 to 90 herunder were established beyond reasonable doubt.

1. Mr. Karalliedde, who was not a solicitor, was employed by Messrs. Mangalagama & Co., solicitors of 30 South Parade, Mollison Way, Edgware, Middlesex in connection with their practice as solicitors although at the time of the hearing he was no longer so employed. He was responsible under the supervision of Mr Mangalagama for the conduct of the professional business of clients of the firm and his duties included the conduct of litigation matters.
2. Mr Sanghani, who was not a solicitor, was employed by Messrs. Russell-Clayton & Co., solicitors at Middlesex Chambers, 453A High Road., Wembley, Middlesex, HA9 7AF. At the material times Mr R Russell was the sole principal of that firm. Mr

Sanghani was employed by the firm in connection with their practice as solicitors. He was responsible under the supervision of Mr Russell for the conduct of the professional business of clients of the firm and his duties included the conduct of litigation matters.

3. Complaint about both respondents arose in a matter in which Mr and Mrs T became involved in a dispute with a firm called D Motors. They had bought a motor vehicle in the knowledge that it needed certain repairs to be carried out and took the vehicle to a friend of theirs, R, then an employee of D Motors who agreed to undertake the work on a private basis. R said that the works had been completed but the vehicle should be returned to him for further adjustments after five hundred miles. R was paid £380 for the parts and his labour.
4. Because the car had not been running well Mr T had gone to the premises of D Motors to speak to R and was told that R had left their employment. The owner of D Motors told Mr and Mrs T that he had been cheated by R and that Mr and Mrs T should pay him to perform the work. The garage undertook further work for an agreed charge of £300. Later the garage informed Mr and Mrs T that they would have to pay £500 before any further work was carried out. They paid the money and it then took seven to eight weeks to finish the work. When they were to take delivery of the vehicle they were asked for a further £1,000 which they could not afford to pay. They were allowed to take possession of the vehicle on payment of a further £500 the balance to be paid within one month. The vehicle was still not running correctly and after only four hundred and twenty three miles it would not even start. The garage collected it but then refused to undertake further work until the outstanding balance was settled. The garage refused to release the car to Mr and Mrs T. There was also a similar ongoing dispute at the same garage with regard to another motor car owned by Mr and Mrs T.
5. Mr and Mrs T's friend, R, confirmed that he had actually carried out the work he had been asked to do. He had been upset by the whole matter and tried to give them back the £380 they had paid to him. He warned Mr and Mrs T that D Motors would try to take financial advantage of them.
6. Mr and Mrs T consulted a firm of solicitors who had not been able to make very much progress with the garage. After meeting with Mr R again, Mr R told Mr and Mrs T that he knew a good solicitor and gave them Mr Sanghani's telephone number. He said he thought Mr Sanghani would be happy to take the case on because the engine of his own car had caught fire whilst with or after D Motors had repaired it. R arranged the meeting between Mr and Mrs T and Mr Sanghani. At that time their former solicitor would not undertake to act for them on a legally aided basis. Mr T telephoned Mr Sanghani at the offices of Messrs. Russell-Clayton & Co. and arranged to see him on the 4th February 1991 at the offices of that firm. At that meeting Mr Sanghani took a full statement and said that if the matter went to court he would represent Mr T. He said that he already had one case against D Motors and he wanted as many people as possible with claims against them so that he could get them closed down. Mr Sanghani advised them that they should withdraw the case from their previous solicitors and hand it over to him. Mr and Mrs T raised the question of legal aid and explained that they could not afford to finance anything but they were told by Mr Sanghani not to worry about it at that stage as it could be dealt with later.
7. Mr Sanghani did not explain his status in the firm. Mr T thought he was a qualified solicitor acting on their behalf through the firm of Russell Clayton & Co. Mr and Mrs

T would not have discussed the matter of the possibility of obtaining legal aid if they had thought that Mr Sanghani was acting in a private or personal capacity.

8. Mr Sanghani told Mr and Mrs T that he would draft two letters for them to send to D Motors in response to a letter D Motors had sent to their former solicitors.
9. On the 5th February at a second meeting with Mr Sanghani at the offices of Russell Clayton & Co. Mrs T collected the letters he had drafted, which were typed at those offices, and Mr and Mrs T had only to sign them and post them by recorded delivery. They were typed on plain paper because Mr Sanghani explained that it would be better that way as D Motors would assume they were from Mr and Mrs T but they looked professional. Mr Sanghani said that was a better tactic than using his firm's letterhead. Mr Sanghani asked for £100 towards costs. Mrs T began to write out a cheque and asked him how to spell "Russell Clayton". Mr Sanghani told her to fill in the date and the amount and sign the cheque and that he would fill in the payee's name later. Her assumption had been that Mr Sanghani would put in the firm's name as he had not suggested otherwise.
10. On the 7th or 8th February Mr Sanghani telephoned Mrs T. He informed her that Mr J (of D Motors) had phoned to him to say that he had a problem concerning a motor vehicle and wanted advice from him. Mr Sanghani had told Mrs T that Mr J was going to see him on Saturday and they he would not tell Mr J that he was advising Mr and Mrs T. Mr S realised that it was probably Mr and Mrs T's car that Mr J was talking about. Mr Sanghani explained that he would listen to what Mr J had to say and would report back to Mr and Mrs T on the following Monday.
11. On the 11th February Mr Sanghani reported to Mr T that he had seen Mr J. Mr J did not want the matter to go to court and wished to settle. Mr Sanghani said he would report as soon as he had heard from Mr J what he intended to do.
12. At about that time Mr and Mrs T received a letter from D Motors in response to that drafted by Mr Sanghani. They telephoned Mr Sanghani and he said he would draft a reply. Mrs T made an appointment to collect the draft letter at 4.00 p.m. on the 14th February from Russell Clayton's offices. At that meeting Mr Sanghani told Mrs T that Mr J was going to see him again later that day.
13. On the 17th February Mr Sanghani telephoned Mrs T and asked her to go and see him on the 18th February. At the meeting Mr Sanghani told her he could not apply for legal aid through the firm of Russell Clayton but if she wanted it he would pursue the case on a private basis for which Mr and Mrs T would have to pay him personally. He said in the alternative he had spoken to a friend of his who was with a firm called Mangalagama and the name of the solicitor there who could act for them was a Mr Vasantha Karalliedde. Mrs T told Mr Sanghani that they could not afford the costs on a private basis and Mr Sanghani confirmed that Mr Karalliedde would deal with the matter on a legal aid basis. He also assured Mrs T that Mr Karalliedde would do nothing without reference back.
14. He said that Mr and Mrs T were just transferring the case to the new firm so that they could get Legal Aid, but he and Mr. Karalliedde would be working on it together through the firm of Messrs. Mangalagama.

15. Mrs T had asked Mr Sanghani who would represent them if the case went to Court and he had responded that he would, but if he was unable to be there a barrister would be in Court. After further discussion as to the possible outcome of the case Mr Sanghani gave Mrs T the necessary Legal Aid forms which she took away with her. Mr Sanghani had telephoned Mr Karalliedde and had made an appointment later that day for Mrs T to meet him.
16. She then attended the offices of Messrs. Mangalagama where she met Mr Karalliedde. They completed the Legal Aid Green Form in respect of the financial details, but did not have time to complete the other forms. Mr Karalliedde gave Mrs T the form relating to her income for her employer to fill in and a further meeting between them was arranged.
17. Mr & Mrs T attended the meeting with Mr Karalliedde on or about 19th February when they gave Mr Karalliedde the completed Legal Aid form and explained the case to him. On 20th February Mrs T gave Mr Karalliedde the income form signed by her employer, but shortly afterwards was advised by him, initially by phone, but later confirmed in writing, that emergency Legal Aid had been refused.
18. On 27th February Mr & Mrs T went to see Mr Karalliedde again. They discussed the refusal of Legal Aid and the length of time it would take to have the matter reconsidered. Because they felt unable to wait as they needed the car, Mr Karalliedde said if they gave him £333.50 he would apply to the court for an interlocutory order for the car to be released. He explained that any costs paid to Mr Karalliedde would be paid by the defendant if Mr & Mrs T won. He said that £83.50 was for his firm's costs for work done and to be done in connection with the application for the release of the car and that about £200 to £250 would have to be paid into Court in order to get the car released. On that basis Mrs T made out a cheque for the sum requested payable to Messrs. Mangalagama. Mr Karalliedde had been made aware that that money was from a loan which Mr & Mrs T had raised.
19. A subsequent letter received from Mr Karalliedde set out a different position relating to the money paid to him. The letter stated that the firm would not make a claim under the Green Form scheme and that Mr & Mrs T would be treated as privately paying clients from the outset, even though Mr Karalliedde knew that Mr & Mrs T could not afford to fund the matter privately.
20. At a meeting with Mr & Mrs T on 27th February Mr Karalliedde promised to send a copy of the fax received from D Motors on 23rd February, but despite several requests they had never received a copy.
21. Apart from the correspondence in February and March relating to costs and Legal Aid, Mr & Mrs T received no information as to what steps were being taken to recover the car. They made many telephone calls both to Mr Sanghani and Mr Karalliedde, but their calls were not returned on a number of occasions. When contact had finally been made they had been given assurances that matters were proceeding, but were not given any real information as to what was happening. Mr & Mrs T were being passed backwards and forwards between Mr Sanghani and Mr Karalliedde, but remained under the clear impression that Mr Sanghani was the one in control.
22. Shortly before Easter, Mr Sanghani telephoned Mrs T when he said they would be getting the car back probably the following weekend. He said Mr J would deliver it to

them but would probably be extremely rude. He told Mr & Mrs T not to respond, but to report anything that Mr J had said. In the event, the car was not returned.

23. At the beginning of May Mr & Mrs T made an appointment to see Mr Karalliedde as they were not happy with the way in which the matter had been conducted. When Mr T asked Mr Karalliedde "who are you" he replied "I am a solicitor". When asked "who is acting on our behalf you or Mr Sanghani" Mr Karalliedde replied "I am the solicitor acting for you". They attempted by raising further points to resolve the question as to whether Mr Sanghani or Mr Karalliedde was representing Mr & Mrs T in the dispute.
24. Mr & Mrs T had been caused much anxiety and inconvenience because their car had not been returned to them. They were managing with their other car. Mr. Karalliedde explained that he wanted to get the Court's consent before they sold that other car as it was involved in the action. Upon further telephone enquiry to Mr Karalliedde about progress and because they had not received any of the copy letters they had been promised, Mr & Mrs T were told not to worry as the summons was being issued. For a while nothing further was heard despite Mr and Mrs T's telephone calls made either to Mr Karalliedde or Mr Sanghani.
25. Eventually Mr T wrote to Mr Karalliedde on 28th May 1991 to enquire about progress. A few days later he telephoned Mr Sanghani who said he had some good news and explained that the summons had been issued and had been sent to Mr J. He said that Mr J was not to reply or contest the summons and that Mr Karalliedde would write to Mr & Mrs T about it. That telephone call was on or about 3rd June. Mr T then telephoned Mr Karalliedde who confirmed that the summons had been issued. Mr. Karalliedde was not able to fix an appointment for Mr & Mrs T to call to see him to discuss the matter further until 13th June.
26. After the telephone conversation they received Mr Karalliedde's letter of 28th May which enclosed an interim bill and informed Mr & Mrs T that his firm had transferred the money already from their client account to pay that bill. They had understood that the money was to be paid into Court so that they could get their car back. At the meeting Mr Karalliedde said he would enter judgement as soon as possible, but suggested that Mr J should be given a few days. Mr Karalliedde telephoned Mr Sanghani in the presence of Mr & Mrs T, but he had conversed in an Indian dialect which they were unable to understand.
27. Mr Karalliedde telephoned Mr & Mrs T on 14th June asking them to call at his office on 19th June. They attended that meeting. Mr Karalliedde asked them to wait a few minutes as he was expecting Mr Sanghani also to attend the meeting. Mr Sanghani arrived. He said he had just seen Mr J who was a worried man. He wanted to settle the case out of Court. He asked Mr T if he would be willing to compromise. Mr T indicated that he would be willing to compromise if Mr J were genuinely prepared to do so. He explained to Mr Sanghani that the case so far had cost solicitors' fees, the £1,500 paid to Mr J, a wasted MOT inspection and also wasted insurance. Mr & Mrs T asked if the insurance should be cancelled and Mr Sanghani had told them not to. Mr Sanghani assured Mr T that the car was then in perfect condition. Mr T indicated that they would be willing to compromise if Mr J was prepared to meet 50% of their costs. Mr Sanghani apparently had told Mr Karalliedde "put them on Legal Aid, you should get it this time".

28. Further time elapsed without Mr & Mrs T hearing anything and Mr T went to Mr Karalliedde's office on Monday 24th June without an appointment. Mr Karalliedde said he had heard nothing from Mr Sanghani or Mr J. Mr Karalliedde said they had better enter judgement and Mr T confirmed his instructions that was what he should do.
29. Two or three days later Mr & Mrs T received a letter from the firm of Mangalagama dated 25th June saying that the queries raised the previous day would be dealt with as well as those on 13th June, at a later date.
30. A friend of Mr T then went to see Mr Karalliedde without an appointment. Once again Mr Karalliedde was asked for a copy of the summons, correspondence and judgement. Mr Karalliedde promised to put those in the post the following day. The friend asked for the Court case number and Mr Karalliedde gave it to him and apologised for not being able to give a copy of the summons saying that it had been lost or mislaid by the Court.
31. On 1st July Mr T rang the County Court to ask if they had received Mr Karalliedde's letter requesting judgement. They said they had not.
32. About 3rd July Mr T attended Willesden County Court and asked a member of the Court staff to look at the file to see if judgement had been entered. She replied there had been no request for judgement and gave him a copy of the summons. She also explained how he could enter judgement and apply for a hearing to assess damages and gave him the necessary forms.
33. Mr T then telephoned Mr Karalliedde and told him what had happened at the Court. Mr Karalliedde insisted that he had requested judgement and he would speak again to the Court. He said a Miss Harris was the person at the Court dealing with the matter and he would phone Mr T back when he had spoken to her. Later, Mr T spoke with Miss Harris at the Court and she said, "I don't know what your solicitor is talking about. I have never dealt with this."
34. On the following day Mr T went back to see Mr Karalliedde and raised the question of Miss Harris and the lack of request for judgement to be entered. After looking at the summons Mr T pointed out that Mrs T had not been included as a plaintiff, there was no mention of the money paid to Mr J, there was no mention of Mr J at all, there was no mention of a car being retained under lien, there was no request for the return of the car, there was no mention of certain works claimed by Mr J to have been done which were not authorised or requested, and that the damages claimed were not particularised in any way.
35. Mr Karalliedde insisted that he had spoken to Miss Harris about the case and about entering judgement and said that he thought the particulars of claim were in order. Mr J was not going to defend the action. In response to a question as to why judgement had not been entered, Mr Karalliedde said he would deal with it and perhaps it had been lost in the post.
36. Two or three days later Mr & Mrs T received a letter from Mr Karalliedde dated 3rd July. On 8th July Mr T went to Court again and saw a Miss Scheck who told him that he could not enter judgement as the particulars of claim did not ask for a specific amount. She gave him a hand-written note setting out what to do and gave him a form

to apply for damages to be assessed. In fact Mr T did enter judgement in Court during his visit to the Court.

37. On 10th July Mr T went to see Mr Karalliedde without an appointment and gave him a copy of the application for damages to be assessed. Mr Karalliedde was surprised. Mr T told him to get the car at least and to deal with the other shortcomings in the particulars of claim. Mr Karalliedde said he would do whatever was necessary and would write further.
38. As Mr & Mrs T had heard nothing from either Mr Karalliedde or Mr Sanghani they wrote to them on 22nd and 23rd July respectively. A few days later they received a letter from Mr Karalliedde dated 22nd July, although the second page was dated 23rd July, which made no mention of their letter to him. He requested a further sum of £200 to cover the costs and disbursements.
39. About 23rd July Mr Sanghani telephoned Mr T and said he had the files and Mr T said that Mrs T would collect them. On 25th July Mrs T telephoned Mr Sanghani and told him that she wanted to collect the files. He agreed to hand them over, but said it would have to be in the afternoon at 2 p.m. Mrs T went to Mr Sanghani's office on the afternoon of 26th July, but Mr Sanghani was not there. She went back on 29th July and saw Mr Sanghani who said, "I have not answered your letter but I am going to - it is not going to be very pleasant." His manner was very unfriendly. He handed her the file and in response to her request wrote out a receipt for £100 which she had paid to him at the first meeting. The receipt was on plain paper and signed by Mr Sanghani. The file contained only papers relating to the matter prior to its being given to Mr Karalliedde.
40. On 29th July Mr & Mrs T received a letter from Mr. Karalliedde requesting again the sum of £200 to cover costs and disbursements.
41. Around 5th August 1991 Mr & Mrs T received Mr Karalliedde's letter of that date enclosing a copy of an application to set aside the judgement. Mrs T believed the application had been completed by Mr Sanghani and he had signed the document himself in the defendant's name. Mr Karalliedde would not release the file until the outstanding amount was paid.
42. Mr Karalliedde delayed in forwarding the documents, despite a call from the solicitors subsequently instructed by Mr & Mrs T.
43. Mr & Mrs T believed that both Mr Sanghani and Mr Karalliedde were solicitors acting on their behalf and in their best interests through their respective firms. They had not been kept properly informed of the progress of their matter. Both respondents had consistently failed to reply to Mr & Mrs T's phone calls and correspondence and had failed to provide copy documents and correspondence when requested. Because of what they perceived to be deliberate delay in issuing a summons against D Motors and requesting judgement on Mr & Mrs T's behalf, Mr T himself eventually entered judgement because of the delay which was then set aside by Mr Sanghani.
44. Mr & Mrs T knew that Mr Sanghani was having meetings with the defendant in their action, but they believed he was acting in their best interests. Mr Sanghani told Mr & Mrs T that he would not tell the defendant that he was acting for them. Mr Sanghani kept telling Mr & Mrs T that the defendant wished to settle the case, but they had

come to believe that was simply another way of delaying the case believing that to be in the best interests of Mr Sanghani himself who they understood also wished to pursue a claim against D Motors.

45. Mr Karalliedde had not reported Mr Sanghani's activity or position in the matter either to his principal or to the Law Society or the Solicitors Complaints Bureau.
46. On 18th October 1995 the Adjudication Committee of the Solicitors Complaints Bureau resolved that an application be made to the Tribunal for an Order pursuant to Section 43(2) of the Solicitors Act 1974 on the grounds that Mr Karalliedde, having been a clerk to a solicitor but not being a solicitor had, in the opinion of the Law Society, occasioned or been a party to with or without the connivance of the solicitor to whom he was or had been a clerk and act or default in relation to that solicitor's practice which involved the conduct on his part of such a nature that in the opinion of the Law Society it would be undesirable for him to be employed by a solicitor in connection with his or her practice.
47. On 18th October 1995 the Adjudication Committee of the Solicitors Complaints Bureau resolved that an application be made to the Tribunal for an Order pursuant to Section 43(2) of the Solicitors Act 1974 on the grounds that Mr Sanghani, having been a clerk to a solicitor but not being a solicitor had, in the opinion of the Law Society, occasioned or been a party to with or without the connivance of the solicitor to whom he was or had been a clerk and act or default in relation to that solicitor's practice which involved the conduct on his part of such a nature that in the opinion of the Law Society it would be undesirable for him to be employed by a solicitor in connection with his or her practice.
48. On 30th May 1995 an Investigation Accountant of the Law Society attended at the offices of Messrs. Russell Clayton & Co. to inspect their books of account. His Report dated 5th July 1995 was before the Tribunal.
49. The partners in the firm agreed the existence of a cash shortage of £37,607.65 which arose as a result of debit balances representing payments of a personal nature to Mr Sanghani in the sum of £18,025.02 and debit balances caused by over-payments totalling £19,582.63. The partners rectified the cash shortage following two repayments by clients, an office to client bank account transfer and from personal funds totalling £31,080.29.
50. During the period between February 1995 and 18th April 1995 nine payments of a personal nature ranging in value from £101.06 to £7,000 and totalling £18,025.02, were charged to an account in the clients' ledger when no funds were properly available thereby giving rise to the total debit balance. Payments had all been made either to or on behalf of Mr Sanghani. The partners admitted they had allowed Mr Sanghani's individual client account to become improperly overdrawn.
51. During the period between 5th August 1994 and 27th April 1995 debit balances caused by seventy-three payments on forty-two individual client ledger accounts ranging in value from 64p to £2,314.39 and totalling £19,582.63 had arisen. The partners admitted they had allowed individual client accounts to come improperly overdrawn, but the overdrawn had occurred owing to errors and timing differences. These matters were put by the applicant to Mr Sanghani and on 14th December 1995 certified accountants and registered auditors wrote on his behalf purporting to provide

Mr Sanghani's explanation for the matters revealed in the Investigation Accountant's Report. They included with their letter a copy of the letter from Mr Sanghani dated 14th December 1995 in which he referred, inter alia, to two loans which he had received from another client, Mr S K, which were in the respective sums of £21,200 and £7,500. It was apparent that the loans were private loans and were paid either directly to Mr Sanghani or by means of a transfer from the ledger account of Mr S K to the Mr Sanghani's ledger account.

52. The applicant asked Mr Sanghani if he had obtained a prior written authority of Mr S K pursuant to Rule 10(2) of the Solicitors Accounts Rules 1991 and he further asked Mr. Sanghani whether he had appreciated the significance of Principle 15:05 of the Guide to the Professional Conduct of Solicitors (6th Edition) as that principle applied not only where a solicitor was personally interested in a loan, but equally where a partner or a member of the solicitor's staff was so interested.
53. In his response, Mr Sanghani referred the applicant to a copy of a letter from Mr S K and suggested that that was prior authority for the loans. In fact the letter from Mr S K to Mr Sanghani was dated 1st December 1995 and could not have constituted prior authority as the loans pre-dated it. Mr Sanghani said in relation to Principle 15:05 that he appreciated the general point about conflict of interest, but in relation to Mr S K he had not considered that the Principle applied because Mr S K had consented and he had enjoyed a very close personal relationship with that gentleman. He added that he was not aware that borrowing money from a client could amount to a possible conflict of interest. Mr Sanghani's attention was drawn to the fact that the letter from Mr S K post-dated the loans to Mr Sanghani, but he had not replied.
54. On 5th March 1997 the Professional Regulation Casework Sub-Committee of the Office for the Supervision of Solicitors (which body superseded the Solicitors Complaints Bureau) ("the Office") required the applicant to include the matters raised by the Investigation Accountant's Report dated 5th July 1995 in the existing Section 43 proceedings.
55. Mr Sanghani continued to be employed by the firm of Russell Clayton & Co. until March 1997.
56. On 19th February 1997 the Investigation Accountant of the Office carried out another inspection of the books of account of Messrs. Russell Clayton & Co. The Investigation Accountant's Report dated 12th June 1997 was before the Tribunal.
57. The Investigation Accountant's Report was extensive and the Tribunal do not propose to set out the whole Report here. However, the Report particularised a minimum cash shortage of £41,211.15 which existed on client account at 28th February 1997 and which was caused in part by the misuse of clients' funds by Mr Sanghani in respect of Mr & Mrs ICP (£10,000) and Mr & Mrs C (£3,676.03).
58. The firm had acted for Mr & Mrs ICP in connection with a bankruptcy petition. Mr Sanghani had conduct of the matter.
59. On 16th December 1996 the clients gave Mr Sanghani £10,000 for which they received a signed receipt from him and that amount was lodged in client bank account on the same day. No client ledger account was produced in respect of Mr & Mrs ICP. However, a review of the clients' cash book indicated that an amount of £10,000 had

been received on 16th December 1996 in respect of an unconnected client, KS, who was purchasing a property at Harrow, Middlesex.

The ledger card for Mr KS showed the following transactions.

<u>Date</u>		<u>Debit</u>	<u>Credit</u>	<u>Client Account Balance</u>
<u>1996</u>				
December 16th	Receipt		£10,000.00	£10,000.00
December 18th	B & B B.Soc		67,275.00	77,275.00
December 19th	Cheque		12,180.00	89,455.00
December 13th	P	£5,000.00		84,455.00
December 23rd	S & V	3,000.00		81,455.00
December 20th	P	80,500.00		955.00

1997

January 10th	Office Account	1,075.75		120.75DR
February 26th	Office to Client		120.75 Nil	

60. The firm of Messrs. Russell Clayton acted for Mr and Mrs C in the sale of their matrimonial home in February 1994 and in the purchase of a property for their daughter Miss C in January 1994. Initially the matter had been dealt with by a former partner of the practice but the clients' most recent dealings had been with Mr Sanghani.
61. A completion statement on the relevant sale file indicated that £23,843.77p would be available for Mr & Mrs C and they indicated to the firm that that amount should be held on deposit to accumulate interest until the outcome of their impending divorce was finalised.
62. The relevant clients' ledger account showed that the figure available for Mr & Mrs C should have been £23,676.03p and that after an interim payment of £3,000 to Mrs C on the 28th November 1994 the amount of £20,676.03p stood to the credit of the ledger account as at the 3rd March 1995.

After that date the ledger account recorded the following transactions -

<u>Date</u>		<u>Debit</u>	<u>Credit</u>	<u>Client Account Balance</u>
<u>1995</u>				
March 3rd				£20,676.03
(i) October 16th	Office	£416.12		20,259.91
(ii) October 18th	Office	323.12		19,936.79
<u>1996</u>				
(iii) January 17th	M R	6,020.00		13,916.79
(iv) March 4th	Halifax B/Soc		£10,000.00	23,916.79
(v) March 11th	Wrong Posting to A37	9,000.00*		14,916.79
(vi) March 2nd	Office	940.00		13,976.79
(vii) April 24th	Receipt		2,500.00	16,476.79
(viii) Nov. 21st	Mrs C	17,000.00		523.21DR

(*this amount was not posted to ledger A37 but was in fact a client account cheque 100947 for £9,000.00 which was paid from client bank account on 27th February 1996. No details were available as to the payee.)

- 63 The Investigation Account reported that he had seen nothing to indicate that any of the receipts or payments itemised as (1) to (vii) above were in connection with the affairs of Mr & Mrs C and it appear that £3,676.03 (£20,676.03 - £17,000.00) had been misused in the main to fund the payment of £6,020.00 to M R on the 17th January 1996.
- 64 An amount of £3,676.03 had been paid to Mrs C out of the firm's office bank account on the 5th March 1997 but at no time were any of Mr & Mrs C's monies held in a deposit account and it appeared that the firm had not accounted to them for interest.
- 65 During the period 23rd January 1995 to the 1st August 1996, eight transfers varying in amount between £211.00 and £2,750.00 and totalling £11,110.00 had been made from client to office bank account. None of the amounts had been allocated to any individual client's ledger accounts but had merely been charged on an "Un-Allocated Chgs Card X1".
- 66 The Principal of the firm at the time of the inspection by the Investigation Accountant said that the transfers had occurred before she joined the firm and as far as she was aware the resultant shortage had been corrected by Mr Sanghani.
- 67 On the 28th February 1997 an amount of £11,120.00 had been lodged in client bank account which was said to have been from Mr Sanghani's personal resources, as a replacement of the shortage caused in the main by unallocated transfers from client to office bank account. However that cheque was not met on presentation and on 27th March 1997 an amount of £11,628.80 (including the £11,110.00) was transferred from office to client bank account.
- 68 The Investigation Accountant further considered a list of liabilities as at the 30th November 1996, (the date when the sole principal had acquired the practice from the previous principal.) The items were in agreement with the balances in the clients' ledger and totalled £180,583.67. A comparison of that figure with cash held on client bank account, at that date, after allowance for uncleared items showed a cash shortage of £16,163.94p. The cash shortage was caused by unallocated transfers from client to office bank account of £11,110.00 and debit balances relating to nine clients of £4,530.73 and in respect of Mr & Mrs C of £523.21.
- 69 On the 31st January 1997 the debit balances in relation to the nine client matters totalling £4,530.73 were rectified by the introduction of funds into client bank account said to be from Mr Sanghani's personal resources.
- 70 During the period 9th September 1996 to 18th November 1996 overpayments varying in amount between £1.87 and £3,519.35p and totalling £4,530.73 had arisen on account of nine clients. Details of the largest overpayment were set out by the Investigation Accountant. The firm had acted for Mrs H in her sale of property in Wembley at the price of £86,500.00 and her subsequent purchase of a property at Swindon for £46,500.00. Mr Sanghani had conducted the matters.

71 Transactions were recorded on a ledger account headed 'H & C' H385 and on the 6th November 1996 the account was charged with a client bank account payment of £15,000.00 when only £11,480.65 stood to its credit, thereby giving rise to an overpayment of £3,519.35. That remained the position until the 31st January 1997 when funds of £3,519.35, said to be from Mr Sanghani, were lodged in client bank account. No information was available to suggest that the payment of £15,000.00 was in any way connected with Mrs H. A review of the client's matter files showed that Mrs H alone, was selling and buying the properties concerned and the "C" in the accounts ledger's title could not be explained. The client matter files showed no indication that Mrs H had provided any of her own funds to enable the transactions to complete. The ledger account showed the following transactions and there were no receipts to suggest that Mrs H had been given any further funds:-

	<u>Date</u>	<u>Debit</u>	<u>Client Account</u>	
			<u>Credit</u>	<u>Balance</u>
	<u>1996</u>			
(a)	May 17th receipt		8,650.00*	£8,650.00
(b)	May 24th receipt		77,850.00*	86,500.00
(c)	May 24th Draft - H H Ltd	10,000.00		76,500.00
(d)	May 24th Draft N D	5,000.00		71,500.00
(e)	May 9th Trfr A A41	5,250.00		66,250.00
(f)	May 24th H	38,293.30*		27,956.70
(g)	May 24th Office	352.52*		27,604.18
(h)	May 24th H	8,500.00		19,104.18
(i)	May 27th F B Ltd	1,017.50		18,086.68
(j)	June 3rd H for H		8,500.00	26,586.68
(k)	June 4th M H	1,000.00*		25,586.68
(l)	June 13th M H	1,500.00		24,086.68
(m)	June 17th M H	1,000.00		23,086.68
(n)	June 19th S T L G	132.63		22,954.05
(o)	June 17th M H	1,500.00		21,454.05
(p)	July 15th receipt		17,000.00	38,454.05
(q)	July 24th Office A/C	2,000.00		36,454.05
(r)	July 16th D W	46,500.00*		10,045.95DR
(s)	Aug. 5th receipt B & A		41,000.00	30,954.05
(t)	Aug. 14th receipt B & A		5,000.00	35,954.05
(u)	Aug. 2nd Office	13.40		35,940.65
(v)	Aug. 19th Trfr C & H C139	19,960.00		15,980.65
(w)	Sept. 18th Trfr K K525	4,500.00		11,480.65
(x)	Nov. 6th Cheque	15,000.00		3,519.35DR
	<u>1997</u>			
(y)	Jan 31st A V S		3,519.35	NIL

* (on behalf of purchase & Sale for Mrs H)

72 The Investigation Accountant reported that no documents were seen to suggest that the items mentioned below were in anyway connected with Mrs H and it appeared that her sale proceeds and subsequently other clients' funds were misused as follows -

Payments - (c)(d)(e)(h)(i)(l)(m)(n)(o)(q) totalling	£35,900.13
Less receipts - (j)(p) totalling	<u>25,500.00</u>
	10,400.13
Amount available	<u>354.18</u>
Debit balance at 16th July 1996	<u>10,045.95</u>

Funds received were as follows -

From B & A	£46,000.00
From A.V. Sanghani item (y)	<u>3,519.35</u>
	49,519.35

The Monies were used to fund the following payments

Debit balance at 16.7.76	£10,045.95	
Transfer to Office	13.40	
Transfer to C & H C139	19,960.00	
Transfer to K K525	4,500.00	
Cheque - unknown	<u>15,000.00</u>	<u>49,519.35</u>
		<u>NIL</u>

- 73 With regard to item (e) the firm acted for Miss A in connection with her purchase of a property for £62,500.00 and Mr. Sanghani had conduct of the matter. A review of the client ledger account showed the following transactions -

<u>Date</u>		<u>Client Account</u>		<u>Balance</u>
		<u>Debit</u>	<u>Credit</u>	
<u>1996</u>				
May 3rd	Receipt		£5,500.00	£5,500.00
May 20th	Receipt		51,750.00	57,250.00
May 24th	F	£57,000.00		250.00
May 9th	Transfer H H385		5,250.00	5,500.00
May 9th	Deposit	5,500.00		NIL

- 74 The completion statement on the client matter file showed that Miss A would have to provide £6,225.50 to complete the matter but no documentation was seen to indicate that Miss A had forwarded that amount to the firm and the completion statement showed that the bookkeeper had been instructed to 'transfer £5,250.00 from H A/C'
- 75 With regard to (s) and (t) the firm acted for Mrs B in connection with litigation and Mr Sanghani had conduct of the matter.
- 76 By an Order dated 1st July 1996 Mrs B had been awarded £55,000.00 in satisfaction of her claim and it was directed that sums of £41,000.00 and £5,000.00 be paid to her solicitors. On the 6th and 14th August 1996 respectively those amounts were lodged in the firm's client bank account.
- 77 No ledger account was maintained, at this time, in the name of Mrs B and the two amounts totalling £46,000.00 were credited to the ledger account of H & C and utilised as described above. No funds were paid to or on behalf of Mrs B.

- 78 Subsequently a ledger card in the name of Mrs B was maintained which revealed the following transactions -

<u>Date</u>	<u>Debit</u>	<u>Client Account</u>		<u>Balance</u>
			<u>Credit</u>	
<u>1997</u>				
February 27th received HMPG			£31,500.00	£31,500.00
February 27th paid - client	£31,000.00			500.00

- 79 No confirmatory details had been seen to indicate where the £31,500.00 had come from. The Investigation Accountant considered that the implication was that it had been introduced by Mr Sanghani. It appeared that the firm had a liability to Mrs B in the sum of £15,000.00.

- 80 With regard to the transfer to C & H of £19,960.00, the firm acted for Mr C in his purchase of a property in Forest Gate. Mr Sanghani had conduct of the matter.

- 81 Completion took place on the 1st July 1996 and transactions recorded on a ledger account headed ' A C & H C139' were as follows -

<u>Date</u>		<u>Debit</u>	<u>Client Account</u>		<u>Balance</u>
				<u>Credit</u>	
<u>1996</u>					
June 28th	Receipt		£35,000.00		£35,000.00
July 3rd	Receipt		3,000.00		38,000.00
July 3rd	Receipt		6,000.00		44,000.00
July 16th	Receipt		2,440.00		46,440.00
July 16th	Receipt		9,000.00		55,440.00
July 16th	Receipt		2,000.00		57,440.00
July 19th	Mid. M N A	10,000.00	67,440.00		
July 19th	Habib Bank		*10,000.00		77,440.00
July 1st	Hunters	£77,400.00			40.00
July 19th	Unpaid	10,000.00*			9,960.00DR
July 30th	Unpaid - Mid.	10,000.00			19,960.00DR
August 19th	Trfr H & C H385		19,960.00		NIL

(* These items never appeared on the bank statement.)

- 82 The deposit for the purchase of £8,500.00 appeared as entry (h) above and was funded by a like amount from the Halifax Building Society item (j). It appeared that owing to there being insufficient funds to enable the purchase to take place part of Mrs B's money had been misappropriated to complete the matter. A review of the relevant client's matter file revealed that the vendors' solicitors were under the impression that the purchaser of the property was a Mr F S and that was the name that appeared on the Transfer Deed signed by the vendors.

- 83 The correspondence file also revealed that Mr Sanghani had, on behalf of the firm, given an undertaking to National Westminster Bank on the 24th June 1996 in the following terms -

"If you provide facilities to my/our client A C for the purchase of the Freehold property (at Forest Gate) we undertake

- a) that any sums received from you or your customer for the purchase of this transaction will be applied solely for acquiring a good marketable title to such property and in paying any necessary deposit legal fees costs and disbursements in connection with such purchase. The purchase price contemplated is £85,000 gross and together with costs disbursements and apportionment is not expected to exceed £86,401.75.
- b) after the property has been acquired by my/our client and all necessary stamping and registration has been completed, to send the documents of title to you, and in the meantime to hold them to your order."

84 No evidence was seen to indicate the involvement by H in the purchase and at the time of the inspection stamping and registration had not been attended to .

85 The property was sold on the 14th March 1997 and a ledger account headed 'A C sale property at Forest Gate' revealed the following transactions -

<u>Date</u>		<u>Client Account</u>		<u>Balance</u>
		<u>Debit</u>	<u>Credit</u>	
<u>1997</u>				
March 14th	S V & Co.		£115,000.00	£115,000.00
March 17th	A C	*£70,183.76		44,816.24

* (paid to National Westminster Bank)

86 The Investigation Accountant had seen correspondence indicating not only that Mr A C was claiming his entitlement to the £44,000.00 remaining in client bank account but Messrs Peter Silver & Co., solicitors, who then employed Mr Sanghani, were saying that either the money belonged to Dr V Sanghani or to Mr Sanghani himself.

87 With regard to item (w) the firm acted for N K who was thought to be a personal friend of Mr Sanghani.

A ledger account headed N K showed the latest transactions to be as follows -

<u>Date</u>		<u>Client Account</u>		<u>Balance</u>
		<u>Debit</u>	<u>Credit</u>	
<u>1996</u>				
September 18th	Hamlin Stave	£4,500.00		£4,500.00DR
September 18th	Trfr H & C		£4,500.00	NIL

88 No evidence was seen to indicate that payment to Hamlin Stave should have been funded by monies transferred from the account of Mrs H.

89 The firm acted for a Mr G H H in connection with the sale of a property at Wembley. Completion took place on the 7th October 1996, and the relevant client's ledger account indicated that the sale proceeds of £95,000.00 had been disbursed in the following way -

<u>Date</u>		<u>Client Account</u>		<u>Balance</u>
		<u>Debit</u>	<u>Credit</u>	
<u>1996</u>				
October 7th	S V		£95,000.00	£95,000.00
October 7th	Halifax	£83,015.83		11,984.17
October 7th	Miss S P A	11,516.05		468.12
November 1st	Office	361.12		107.00
November 1st	Office	107.00	-	NIL

A preliminary completion statement showed the following position -

Sale proceeds		£95,000.00
Less		
Our costs & VAT	£323.12	
Office copy entries	16.00	
Mortgage redemption	83,015.83	
Search	22.00	
Loan	<u>4,696.00</u>	<u>88,178.95</u>
		<u>£6,821.05</u>

- 90 The property register showed only that the title belonged to Mr G H H and the only mortgagee was Halifax Building Society. There was no authority from Mr G H H to Mr Sanghani authorising him to transfer money into the account of Miss A at Abbey National Plc. It seems that the funds in that account were used to rectify a shortage on the firms' client account.

The submissions of the applicant

- 91 Mr Karalliedde falsely described himself as a solicitor to Mr and Mrs T. He failed in his duty to carry out the terms of his retainer with due care and skill proper diligence and promptness and failed in his duty to keep his clients properly informed.
- 92 Mr Karalliedde failed to report to his principal or to the Solicitors Complaints Bureau the conduct of Mr Sanghani which clearly fell short of the proper standard of conduct of the solicitors profession. Mr Sanghani, clearly in the knowledge of Mr Karalliedde, had accepted instructions to act for two clients where there was a conflict or a significant risk of a conflict between the interests of those clients and having acquired relevant knowledge concerning former clients during the course of acting for them had accepted instructions to act against them.
- 93 With regard to Mr Sanghani, it was clear that he had accepted instructions to act for two clients where there was a conflict or a significant risk of a conflict between the interests of those clients and /or having required relevant knowledge concerning former clients during the course of acting for them he accepted instructions to act against them.
- 94 With regard to the matters contained in the second statement of the applicant by his acts or omissions Mr Sanghani breached or was a party to a breach of Principle 10.2 of the Solicitors Accounts Rules 1991 relating to the loans from Mr S K. The borrowing from Mr S K involved also a breach of principle 15.01 of the Guide to Professional Conduct of Solicitors (6th Edition). In conduct there is a conflict of interest where a solicitor in his or her personal capacity borrows from his or her own

client. The Principle is equally applicable when a member of a solicitor's staff is so interested and therefore Mr Sanghani was a party to the breach.

95 The first Investigation Accountant's Report revealed that Mr Sanghani drew money or knew of the drawing of money from a client account other than was permitted by Rule 7 of the Solicitors Accounts Rule 1991 contrary to Rule 8 of those Rules.

96 The second Investigation Accountant's Report revealed a misuse of clients' funds by Mr Sanghani and serious breaches of Rules 7,8 and 11 of the Solicitors Accounts Rules.

97 In all of the circumstances it was right that an order be made in respect of each of the respondents restricting each in their future employment within the solicitors' profession.

The submissions of the respondents.

98 Mr Karalliedde had not made any submissions either in writing or at the hearing.

99 Mr Sanghani was not represented at the substantive hearing and submissions were therefore not made on his behalf. There had however been correspondence with Mr Sanghani between the Solicitors Complaints Bureau and the applicant. Mr Sanghani had responded to the Bureau by letter dated the 21st July 1995 and he had responded to the applicant in letters dated 1st March 1996 and 27th August 1996. In addition the Solicitors Complaints Bureau had received a letter from a firm of certified accountants, Messrs Vinney Vignes. All these letters were taken into account by the Tribunal.

100 The following matters were raised in the before mentioned correspondence by or on behalf of Mr Sanghani.

101 Mr Sanghani had sought further time in July 1995 in which to respond as he was taking examinations.

102 In their letter of the 20th December 1995, Messrs. Vinney Vignes confirmed that they had received some explanations from Mr Sanghani in connection with a ledger account which had been brought into question by the Investigation Accountant. He had also faxed to that firm letters of authority from some of the clients who authorised him to transfer monies from their accounts to his account during the period from April 1994 to April 1995. They said that based on Mr Sanghani's explanations they had rewritten a ledger card and had enclosed photo-copies of the ledger account together with photo-copies of the letter from Mr Sanghani and letters of authority from clients to be considered by the Solicitors Complaints Bureau.

103 They went on to say that it appeared that the errors found were due to poor accounting systems and lack of prompt advice from the bookkeeper to the partnership. It was Messrs Vinney Vignes's opinion that the partners of the practice might not be subjected to any disciplinary proceedings on the basis of those errors.

104 In his letter of the 27th August 1996 addressed to the applicant Mr Sanghani confirmed that he had obtained prior authority from Mr S K for the loan which was made.

- 105 Mr Sanghani in his March letter addressed to the applicant said that there had never been any question of dishonesty or fraudulent behaviour on his part. He had always made his position known to the accountants and the bookkeeper and had never had anything to hide. The accounts were operated openly and with the consent of all concerned. There was nothing clandestine about it. He referred to the report of Messrs Vinney Vignes that problems had been created by poor accounting systems and lack of prompt advice from bookkeepers. In the submissions of Mr Sanghani it was clear that he was not at fault.
106. All these submissions were taken into account by the Tribunal.

The Findings of the Tribunal

The Tribunal Find in respect of Mr Karalliedde that the allegations that he falsely described himself as a solicitor to Mr & Mrs T and failed in his duty to carry out the terms of his retainer with due care, skill proper diligence and promptness and failed to keep his clients properly informed, have been substantiated to their satisfaction and beyond all reasonable doubt.

The Tribunal accept that Mr Karalliedde must have been aware of the fact that Mr Sanghani had accepted instructions to act for two clients where there was a conflict or a significant risk of a conflict between the interests of those clients or where he had acquired relevant knowledge concerning his former clients during the course of acting for them and then accepted instructions to act against them. The Tribunal consider that it would be a proper course of action for a clerk to report that matter to his principal who would then take the matter further if he considered it appropriate. The Tribunal did not feel that it was a clerk's responsibility to report such matter to the Solicitors Complaints Bureau or the Law Society and as a result the Tribunal were not satisfied beyond reasonable doubt that the third allegation had been substantiated. i.e. the allegation set out in paragraph 11 of the Applicant's statement dated 30th January 1996.


The Tribunal took the view that Mr Karalliedde's failings in respect of the two allegations substantiated against him were of such a nature that an Order should be made pursuant to Section 43 of the Solicitors Act 1974. They were content to make an Order for the fixed costs notified to them by the applicant.

The matters alleged against Mr Sanghani were of an even graver and weightier nature. The Tribunal FOUND all of the matters alleged against Mr Sanghani to have been substantiated beyond all reasonable doubt. There were indications in the papers before the Tribunal that Mr Sanghani had been a solicitor's clerk for many years and clearly was a man of some experience of the practice of the law and of the solicitors' profession. His behaviour had been totally unacceptable. It was clear that he had manipulated lay clients and their money to suit his own ends without any regard for the fundamental principle that the interest of the client is paramount and with a total disregard for the Solicitors Accounts Rules. Compliance with these Rules is fundamental to the fair and proper dealing with clients' money. Mr. Sanghani had also failed to grasp the fundamental requirements of integrity, probity and trustworthiness.

The Tribunal was deeply concerned that this man could, in the future, be employed in a position of trust as a clerk to a solicitor and ORDERED that he be subject to the restriction imposed by Section 43 of the Solicitors Act 1974 and further ordered that he should pay the costs of the applicant in the fixed sum notified to the Tribunal by the applicant.

DATED this 30th day of January 1998

on behalf of the Tribunal


G.B. Marsh
Chairman

Findings filed with the
Court on the 4th
day of February 1998