

IN THE MATTER OF **RESPONDENT 1** AND  
LAURENCE ALAN REEFE, solicitors

- AND -

IN THE MATTER OF THE SOLICITORS ACT 1974

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Mr. A G Gibson (in the Chair)  
Mr. J R C Clitheroe  
Dame Simone Prendergast

Date Of Hearing: 4th March 1997

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## FINDINGS

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

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An application was duly made on behalf of the Office for the Supervision of Solicitors by David Rowland Swift solicitor of 19 Hamilton Square, Birkenhead on the 4th September 1996 that **RESPONDENT 1** of Stokenchurch, Buckinghamshire and Laurence Alan Reefe of Sentinel House, Sentinel Square, Brent Street, London, NW4 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 that the respondents had been guilty of conduct unbefitting solicitors in each of the following particulars, namely that they had:-

- (i) contrary to Rule 5 of the Solicitors Accounts Rules 1991 failed to pay funds received from clients in respect of undisbursed liabilities into a client account;
- (ii) contrary to Rule 8 of the Solicitors Accounts Rules 1991 drawn money out of client account other than as permitted by Rule 7 of the said Rules;

- (iii) utilised clients' funds for the purposes of other clients;
- (iv) utilised clients' funds for their own purposes;
- (v) misappropriated clients' funds;
- (vi) obtained loans from a client without ensuring that the client was separately represented.

The application was heard at the Court Room, No.60 Carey Street, London, WC2 on the 4th March 1997 when Geoffrey Williams solicitor and partner in the firm of Messrs. Cartwrights Adams & Black of 36 West Bute Street, Cardiff appeared for the applicant and neither respondent appeared or was represented.

By letter of the 10th February 1997 the second respondent (Mr Reeve) wrote to the Tribunal saying that he had just seen the advertisement in the Law Society's Gazette of the 22nd January. He protested at the manner of the service of the proceedings and in view of his short notice of the hearing he requested an adjournment. He indicated that correspondence addressed to him at 19 Sentinel House, Sentinel Square, London, NW4 would have reached him. The Tribunal was aware that attempts to serve Mr Reeve by post had led to the return of those documents by the Post Office. The applicant had caused an enquiry agent to make enquiries the result of which indicated that Mr Reeve had left the United Kingdom and was resident in Israel. In view of that the Tribunal had made an Order that Mr Reeve might be served by way of advertisement both in the United Kingdom by publication in the Law Society Gazette and in Israel by publication in the Jerusalem Post. In view of the seriousness of the allegations the Tribunal considered it proper to reject the respondent's written application for an adjournment and to proceed to a full hearing. The Tribunal was told that **RESPONDENT 1** was in Florida.

The evidence before the Tribunal included the admissions of **RESPONDENT 1** contained in correspondence addressed by him to the Solicitors Complaints Bureau. In correspondence Mr Reeve denied the matters set out in the report of the Investigation Accountant of the Law Society.

The Tribunal accepted the contents of the written Investigation Accountant's Report dated 27th October 1995. Although Mr Shaw, the Investigation Accountant, was available to give evidence that was not considered necessary.

At the conclusion of the hearing the Tribunal **ORDERED** that the respondent **1** of Stokenchurch, Buckinghamshire, HP14 solicitor, be suspended from practice as a solicitor for the period of five years to commence on the 4th March 1997 and they further ordered him to pay the one third of the costs of and incidental to the application and enquiry fixed in the sum of £8087.96.

The Tribunal **ORDERED** that the respondent Laurence Alan Reeve of Sentinel House, Sentinel Square, Brent Street, London, NW4 2EN, solicitor, be Struck Off the Roll of Solicitors and they further ordered that he pay the two thirds of the costs of and incidental to the application and enquiry fixed in the sum of £8087.96.

The facts are set out in paragraphs 1 to 16 hereunder.

1. **RESPONDENT 1** born in 1933, was admitted a solicitor in 1957. Mr Reeve, born in 1937, was admitted a solicitor in 1968. At the material times they carried on in practice in partnership under the style of Nairnsey Reeve & Co. at Sentinel House, Sentinel Square, Brent Street, NW4 and 2 Kings Row, The Common, Stokenchurch, Buckinghamshire. Mr Reeve was the resident partner at Sentinel House and **RESPONDENT 1** was the resident partner at Stokenchurch. They had practised in partnership since the 15th July 1993 conducting a mainly conveyancing practice assisted by a staff of six including one assistant solicitor. Separate books of account were maintained for each office.
2. On the 27th September 1995 the Investigation Accountant of the Law Society began an inspection of the respondents' books of account notice first having been duly given. His report dated the 27th October 1995 was before the Tribunal.
3. With regard to the books of account at Sentinel House, the Investigation Accountant reported that they did not comply with the Solicitors Accounts Rules.
4. A list of liabilities to clients as at 31st August 1995 was produced for inspection and totalled £141,226.42 after adjustments. The items were in agreement with the balances shown in the clients' ledger but did not include further liabilities to clients of £76,057.37. The total liabilities were therefore £217,283.79 at the time when cash available was £112,687.81 leaving a cash shortage of £104,595.98. The cash shortage arose in the following way:-

(i)	Personal Payment	£17,000.00
(ii)	Clients' funds improperly transferred from client to office bank account	75,136.12
(iii)	Unallocated improper transfer from client to office bank account	4,400.00
(iv)	Clients' funds improperly lodged in office bank account	2,952.00
(v)	Overpayments	2,666.85
(vi)	Improper overtransfers from client to office bank account	1,519.76
(vii)	Clients' funds improperly held in office bank account in respect of unpaid professional disbursements	<u>921.25</u>
		<u>£104,595.98</u>

5. The cash shortage was partially rectified by the payment of stamp duties from office bank account in the sum of £6,296.75. **RESPONDENT 1** explained that he was not in a position to replace the balance of the cash shortage on client bank account of £98,299.23 but he had reported Mr Reeve's apparent dishonesty both to the Law Society's Compensation Fund and his insurers and he would be making claims in due course. He went on to explain that each office had maintained separate office and client ledger accounts and **RESPONDENT 1** had been unaware of any discrepancies in the

accounts at Sentinel House until they were pointed out by the Investigation Accountant.

6. With regard to the personal payment of £17,000, one of the firm's clients bank accounts was charged with a payment in that amount which was not allocated to any individual account in the clients' ledger but debited to a suspense account headed "suspense/transfer". Under caution Mr Reeve had admitted to the Investigation Accountant that the cheque was payable to "L. Reeve". Mr Reeve told the Investigation Accountant he would give him a written explanation on Tuesday 17th October 1995 but the letter handed to Mr Shaw by Mr Reeve on that date did not provide an explanation of his conduct nor did it answer questions put to him.
7. During the period 2nd September 1994 to 31st August 1995 client bank account was charged with transfers totalling £75,136.12 to the office bank account, which at the time was overdrawn. The transfers related to stamp duties and Land Registry fees which remained unpaid in respect of sixty four clients. Despite asking for the production of all of the relevant files only twelve files had been produced to the Investigation Accountant for inspection. Details of two matters were set out in the Report. In one a transfer of £1,550 from client to office account was written up with the narrative "stamp duty" but no evidence of the stamped transfer or completion of land registration was found on the file, and in the second matter £2,650 was transferred from client to office account and shortly thereafter office account was charged with a cheque for £2,350 narrated as "Inland Revenue". The transfer had been made and the cheque drawn in June 1995 but the office bank account reconciliation as at 31st August 1995 showed that the cheque had not been presented. No evidence of a stamped transfer or completion of land registration was found on the file.
8. On the 13th February 1995 a client bank account was charged with a transfer of £4,400 to the overdrawn office bank account. The payment was not allocated to any individual account in the clients' ledger but debited to a suspense account headed "miscellaneous".
9. On the 1st September 1993 the respondents had taken over the practice of Julius Back & Co. and received and disbursed a number of subvention grants from the Law Society's Compensation Fund. At the date of the inspection £269,293.21 was held by the firm on behalf of the Law Society.
10. The Investigation Accountant's inspection of the Stokenchurch office revealed the following position.
11. The books of account did not comply with the Solicitors Accounts Rules. A list of liabilities to clients as at the 31st August 1995 was produced for inspection and totalled £425,553.68 after adjustments. The items were in agreement with the balances shown in the clients' ledger and a comparison of its total with cash held on client bank accounts at that date after allowance for uncleared items revealed the following position:-

Liabilities to clients	£425,553.68
Cash available	<u>282,836.75</u>
Cash shortage	<u>£142,716.93</u>

12. **RESPONDENT 1** agreed the existence of the cash shortage which was accounted for by overpayments totalling £139,062.13 and overtransfers from client to office bank account of £3,654.80.
13. The cash shortage was reduced by £67,073.62 before and during the course of the inspection by office client account transfers totalling £2,331.94 and receipts from clients of £64,714.68. **RESPONDENT 1** said he was in a position to replace £458.31 of the remaining shortage and the balance of £75,185.00 would be rectified from proceeds of the sale of a property at Worthing. The apparent shortfall of £75,185.00 had arisen in a matter of which **RESPONDENT 1** had conduct on behalf of Mr H, being the purchase of the property at Worthing. The purchase was to be assisted by a mortgage advance of £72,000 from Halifax Building Society for whom the firm also acted. Contracts had been exchanged on the 4th May 1994 and **RESPONDENT 1** had instructed his bankers approximately two weeks before completion to make a telegraphic transfer of the completion monies of £74,765.00 on the 27th May 1994 to the vendors' solicitors. In their letter of the 13th May 1994 Halifax Building Society informed **RESPONDENT 1** that they were "not at present in a position to allow completion" followed by a letter of the 20th May stating that the Society formally withdrew its offer of mortgage to Mr H. **RESPONDENT 1** had notified the vendors' solicitors and requested a four week extension of the completion date, but had inadvertently not rescinded his instructions to his bank and who had on the 27th May 1994 remitted the balance of the purchase monies to the vendors' solicitors as previously instructed. **RESPONDENT 1** had attempted to recover the funds from the vendors' solicitors but they had considered the matter closed. **RESPONDENT 1** accepted that he had made an improper payment and had used other clients' funds to complete Mr H's purchase leading to the cash shortage of £75,185.00 on client bank account at the 31st August 1995. At the time of the inspection a draft contract for the sale of the property at £75,000 had been issued on the 13th October 1995 and completion was anticipated by the end of November when substantial recoupment of the overpayment would be achieved. **RESPONDENT 1** had informed his insurers.
14. In another conveyancing matter **RESPONDENT 1** had completed the purchase of a property using client account funds before the Woolwich Building Society advance cheque had been paid in. The advance cheque in the sum of £60,500.00 had been paid in on the following day, correcting the position.
15. The partners also maintained an office at Amersham at which **RESPONDENT 1** was the supervising partner. The books of account at that office were not in compliance with the Solicitors Accounts Rules. A list of liabilities to clients as at the 31st August 1995 was produced for inspection and totalled £55,348.23 after adjustments. The items were in agreement with the balances shown in the clients' ledger and a comparison of its total with cash held on client bank account at that date after allowance for uncleared items revealed cash available of £52,545.43 producing a cash shortage of £2,802.80.

16. **RESPONDENT 1** agreed the existence of the cash shortage which was accounted for by overpayments of £1,819.13, overtransfers from client to office bank account of £723.39 and bank charges and interest incorrectly charged to client bank account of £210.28. The cash shortage was reduced by £301.29 during the course of the inspection by a transfer from the office to the client bank account. **RESPONDENT 1** said he was in a position to rectify the remaining shortage of £2,501.51 and would inform the Solicitors Complaints Bureau when he had done so.

### **The Submissions of the Applicant**

17. The details set out in the Investigation Accountant's Report supported the allegations made against the respondents. At all times the office account had been in substantially overdrawn.
18. A personal payment had been engineered by Mr Reeve. If his explanation was that he was entitled to £17,000 then it should properly have been paid into office account and a payment made to him. A client account cheque should not have been drawn in favour of Mr Reeve.
19. Improper payments from client account to office account reduced the burden of the respondents' overdraft and it was clear that they thereby derived a benefit.
20. The matters before the Tribunal had led to a serious impact on the Law Society's Compensation Fund. Grants had been made the sum of £554,687.92. Pending claims totalled £292,364.01 and the costs incurred by the fund had been over £87,000. Some recoveries had been made but at the time of the hearing the deficiency was in the region of £639,000.
21. It was the applicant's view that Mr Reeve had been personally culpable for the defalcations which had taken place at the Sentinel House office. It was accepted that **RESPONDENT 1** had been ignorant of those defalcations until they had been pointed out to him by the Investigation Accountant. Shortfalls were revealed at the two offices of which **RESPONDENT 1** had control. The greatest sum contributing to the shortfall resulted from an error made by **RESPONDENT 1** which he had at the time of the inspection admitted. It appeared that he would be in a position to rectify that matter shortly thereafter.

### **The Findings of the Tribunal**

The Tribunal FOUND all of the allegations to have been substantiated. Mr Reeve's behaviour amounted to conduct unbecoming a solicitor at the most serious end of the scale. There was no doubt in the minds of the members of the Tribunal that he had dishonestly taken clients' monies for his own use. Such behaviour would not be tolerated and the Tribunal made an order that Mr Reeve be struck off the Roll of Solicitors. In view of Mr Reeve's nefarious activities, the Tribunal considered it right that he should pay two thirds of the costs of the applicant in connection with the application and enquiry. The Tribunal fixed the costs due to the applicant.

RESPONDENT 1 the Tribunal was satisfied, had not been aware of Mr Reeve's activities. However RESPONDENT 1 had made serious errors. The Tribunal gave him credit for the frank explanation given to the Investigation Accountant. However he had not taken steps to replace the shortfall on client account of which he had been aware without delay but rather had waited for the matter to be rectified in the passage of time, following an action to secure the Worthing property and sell it on. His mistake had been a serious one and his failure to grasp the nettle could not be ignored. The Tribunal ordered that RESPONDENT 1 be suspended from practice for a period of five years and in view of the lesser degree of culpability attributable to RESPONDENT 1 they ordered that he should pay one third of the fixed costs.

DATED this 23rd day of April 1997

on behalf of the Tribunal



A G Gibson  
Chairman

Meeting held with the  
new Council on the 25th  
day of APRIL 1997