

IN THE MATTER OF PANIKKOS MICHAEL PANAYI, solicitor

- AND -

IN THE MATTER OF THE SOLICITORS ACT 1974

Mr A H Isaacs (in the chair)
Mr A N Spooner
Lady Bonham Carter

Date of Hearing: 1st March 2005

FINDINGS

of the Solicitors Disciplinary Tribunal
Constituted under the Solicitors Act 1974

An application was duly made on behalf of The Law Society by Inderjit Singh Johal, a Barrister employed by The Law Society of Victoria Court, 8 Dormer Place, Leamington Spa, Warwickshire, CV32 5AE on 26th August 2004 that Panikkos Michael Panayi of Barnet, Hertfordshire, (now of Redbridge, Ilford), 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 against the Respondent were that he had been guilty of conduct unbefitting a solicitor in each of the following respects:-

- (i) That he withdrew monies from client account other than as permitted by Rule 22 of the Solicitors Accounts Rules 1998;
- (ii) That he failed to pay client money without delay into client account contrary to Rule 15 of the Solicitors Accounts Rules 1998;
- (iii) That he claimed costs from clients in circumstances which he knew, or ought to have known, were not justified;

- (iv) That he utilised clients' funds for his own purpose and/or misappropriated the same.

The application was heard at the Court Room, Third Floor, Gate House, 1 Farringdon Street, London, EC4N 7NS on 1st March 2005 when Mr Inderjit Singh Johal appeared as the Applicant and the Respondent appeared in person.

The evidence before the Tribunal included the admissions of the Respondent. During the hearing the Respondent submitted a letter from the College of Law dated 24th February 2005 to the Tribunal.

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

“The Tribunal Orders that the Respondent, Panikkos Michael Panayi of Redbridge, Ilford, (formerly of Barnet, Hertfordshire) solicitor, be Struck Off the Roll of Solicitors and they further Order that he do pay the costs of and incidental to this application and enquiry fixed in the sum of £6,000.00.”

The facts are set out in paragraphs 1 to 11 hereunder:-

1. The Respondent, born in 1965, was admitted as a solicitor in 1991 and his name remained on the Roll of Solicitors. At all material times the Respondent carried on practice as an equity partner in the firm of Heckford Norton solicitors of 29 High Street, Stevenage, Hertfordshire, SG1 3BU. The Respondent was expelled from the firm on 28th April 2003 and was not currently practising as a solicitor.
2. Following a report from Mr P, an equity partner of Heckford Norton, that the Respondent had misused client funds, the FIU carried out an inspection of Heckford Norton's books of account and certain of the Respondent's matters commencing on 4th June 2003. A copy of the FIU report together with appendices dated 24th September 2003 showed that Heckford Norton's books of account in their Stevenage office were not in compliance with the Solicitors Accounts Rules 1998. There were numerous unrecorded additional liabilities to clients causing a cash shortage of £42,624.31 in respect of eleven client matters. The shortage was caused entirely by the misappropriation of funds by the Respondent.
3. Mr P became aware of the Respondent's wrongdoing after he received a complaint from a client, Mr R, on 13th April 2003. The firm had acted for the client in connection with a contract dispute. The complainant said that he had drawn two cheques, which were sent to the Respondent. The first cheque was for £4,553.13 and was payment for Heckford Norton's final fee and a cheque for £1,800 which was for the other party's Barrister. Both of these cheques were paid into the Respondent's personal accounts. The Respondent had suggested that Mr R leave the payee's name blank in order for him to complete the names of the firm and the Barrister on each, indicating that he could not remember the name of the Barrister and that he would stamp the name of the firm. The Respondent, however, paid both cheques into his own account.
4. On 18th April, three of the partners confronted the Respondent with the complaint from Mr R. The Respondent immediately confessed to them. The partners have said that the Respondent stated that financial pressures were such that he had to obtain

money and he had concocted certain figures as due from Mr R. The Respondent has disputed that he stated that he was under financial pressure. The Respondent was dismissed from his position at Heckford Norton by resolution of the partners on 28th April 2003.

5. On the same date as the partners' meeting, the firm received a letter from the Respondent's solicitor, Mr Edwards of TV Edwards, which referred to a list of other clients where money had been improperly obtained by the Respondent. The list of clients in the letter mirrored the list of clients on which the cash shortages existed in the FIU report as set out below. The total amount of money improperly obtained and for which Mr Edwards admitted an "account was required" was £42,627.02, approximately the same as the shortage that existed.
6. On 8th and 9th May 2003 funds were received from the Respondent who rectified the minimum cash shortage. The funds were placed in Heckford Norton's office bank account and were utilised on behalf of clients involved or transferred to the appropriate client ledger account.
7. The cash shortages on the 11 client matters are set out below. In all matters the Respondent acted for the clients on behalf of Heckford Norton.

(i) Mrs S - £8,482.00

The Respondent acted for the above client in connection with a personal injury claim and the client was legally aided. The claim was settled by way of a court Order dated 19th December 2002 under which the client obtained damages for £85,500.00. The Defendant was ordered to pay Heckford Norton's costs. The Respondent, through his solicitor, Mr Edwards, admitted receiving a cheque from the client payable to himself for £8,482.00, which was paid into his personal bank account on 12th February 2003. In a letter dated 8 May 2003 Mr Edwards said that:

"this is an amount that the client agreed to pay towards Heckford Norton's costs and was received by cheque payable to the Respondent."

After investigating the matter, the firm concluded that there was no sustainable argument for Heckford Norton to be entitled to any payment direct from the client in respect of any costs.

(ii) Mrs B - £8,287.29

The Respondent acted for the client in respect of a personal injury claim. The client was successful in recovering damages and legal costs were to be paid by the Defendant. On 18th March 2003 the Respondent purportedly sent a letter to the client enclosing a cheque from the client bank account for £8,287.29 by way of reimbursement. A review of a copy of the returned cheque revealed that the cheque had been made payable to Mr S who had no connection with the affairs of the above client. Mr P said that as far as the partners were aware, Mr S was a former colleague of the Respondent and was currently

employed by a firm of solicitors in London. In a letter dated 11th August 2003 Mr Edwards stated that:

“the cheque [for £8,287.29] in relation to NB was indeed paid to Mr S but for Mr Panayi’s benefit”

(iii) Mrs DR - £6,689.38

The Respondent acted for the above client in a property ownership dispute. The Respondent, through his solicitor, admitted taking a total of £6,689.38 which was paid into the Respondent’s personal bank account on 14th November (£3,000) and 22nd February 2003 (£3,689.38). In his letter dated 8th May 2003, Mr Edwards stated that:

“these amounts were received from the client by two separate cheques made payable directly to the Respondent and were in relation to work undertaken on the client’s behalf for which an invoice should have been raised.”

(iv) Mr R and Miss CA - £6,353.13

The Respondent acted for the above clients in connection with a contract dispute. Details of this case are referred to at paragraph 3 above. In Mr Edwards’s letter dated 8th May 2003 he stated:

“the sum of £4,353.13 was received in respect of work undertaken for which a bill would have been rendered in due course. The sum of £1,800 was received in respect of counsel’s fees which were purportedly due to the Claimant’s counsel but which were not.”

(v) Ms HH - £4,500.00

The Respondent acted for the above client in connection with a legally funded medical insurance claim. The Respondent, through his solicitor, admitted taking £4,500.00. In his letter of 8th May 2003, Mr Edwards stated that:

“this was an amount, which the client agreed prior to the conclusion of the matter would be paid towards Heckford Norton’s costs. This was received in cash by the Respondent directly from the client.”

The client’s claim for damages was settled in the sum of £35,000.00. The Respondent had settled Heckford Norton’s costs at precisely the figure he had put to the Defendant’s solicitors, without argument. Accordingly, the firm’s view was that there was no basis on which the firm could seek such additional costs from the client directly in any event.

(vi) Ms LP - £3,834.55

The Respondent acted for the above client in connection with a property dispute. The Respondent, through his solicitor, admitted to taking a total of £3,834.55, which was paid into his personal bank account as follows:

13 th September	£1,410.00
1 th November 2002	£766.00
16 th January 2003	£1,658.55

In his letter dated 8th May 2003, Mr Edwards stated that:

“these amounts were received from the client by three cheques made payable directly to Mr Panayi and were in relation to work undertaken on the client’s behalf for which an invoice should have been raised”.

Heckford Norton stated that it was difficult to see how the Respondent could justify the assertion that the £3,834.55 should belong wholly to Heckford Norton. The Respondent, in a letter to the Applicant dated 21st January 2005, said the money was due to the firm as it related to work he had done but not recorded on the file.

(vii) Mr TW – £1,202.64

The Respondent acted for the above client in connection with a debt under personal guarantee. The Respondent admitted taking £1,202.64 which was paid into his personal account on 14th October 2002. In his letter dated 8th May 2003 Mr Edwards stated that:

“this money was received by cheque from the client at the conclusion of the matter. Work has been undertaken on this matter reflecting the amount received and an invoice should have been raised.”

(viii) Mrs MS - £1,132.50

The Respondent acted for the above client in connection with a claim for possession. The Respondent, through his solicitor, admitted taking £1,132.50 which was paid into his personal bank account on 2 January 2003. In his letter dated 8th May 2003 Mr Edwards stated that

“again this money received by cheque payable directly to Mr Panayi. Work has been undertaken on this file to this value including an outstanding court fee and an invoice should have been raised”.

On 2nd June 2003 a bill of costs was raised and delivered to the client and an equivalent amount was transferred from the monies received from the Respondent to the client ledger.

(ix) Mr NS - £1,000.00

The Respondent acted for the above client in connection with a commercial matter. The Respondent, through his solicitor, admitted taking £1,000.00 which was paid into his personal bank account on 19th December 2002. Mr Edwards, in his letter of 8th May 2003 stated that:

“this was a sum received from the client on account of costs by cheque payable to Mr Panayi in respect of which work has been undertaken and an invoice should have been raised.”

(x) Mr NG - £600.00

The Respondent acted for the above client in connection with the dissolution of a partnership. The Respondent, through his solicitor, admitted to taking £600.00 from the client. Mr Edwards again set out in his letter that:

“these were monies received on account in cash from the client during the case for which work has been done and should have been invoiced to the client”.

(xi) Mr RM - £542.82

The Respondent acted for the above client in connection with a personal injury matter. On 22nd January 2003 the Respondent purportedly sent a cheque to the client from the client bank account for £542.82 by way of a refund. A review of a copy of the returned cheque revealed that the cheque had been made payable to the Respondent personally. The Respondent through his solicitor, admitted taking the £542.82 which was paid into his personal bank account on 23rd January 2003. Mr Edwards in the letter dated 8th May 2003 stated that:

“the amount should have actually been retained in respect of Heckford Norton profit costs and invoiced to the client and is not due back to the client at all.”

8. On 11th August 2003 Mr Edwards wrote to the Investigation Officer indicating that on legal advice the Respondent did not intend to take part in a general unstructured interview. On the same date Mr Edwards wrote to Heckford Norton denying any further deception on the Respondent’s behalf.

9. In a letter dated 24th October 2003 Mr Edwards provided on behalf of the Respondent a response to the FIU Report. Mr Edwards said that:

“Mr Panayi took no pleasure in what has occurred and acknowledges the breaches of accounts rules ... Mr Panayi has always found it difficult to explain his actions ... the best he has been able to do is indicate that substantial promises were made to him when the invitation to join the partnership was made ... at the time the accounts seemed healthy and promised a substantial income ... in fact matters never turned out that way and the income was very much smaller than he anticipated ... he felt misled and let down ... he does not seek to excuse his actions in that way; it is however, the best explanation he can give.”

10. Mr Edwards confirmed that the Respondent was no longer in practice and had no intention of renewing his practising certificate.
11. On 27th November 2003 Heckford Norton confirmed to the Law Society that they had not become aware of any further shortages since the inspection and believed all had been reported to The Law Society.

The Submissions of the Applicant

12. All the allegations had been put on the basis of dishonesty. This had been made clear to the Respondent who had admitted all the allegations including the allegations of dishonesty.
13. The Respondent disputed certain facts, in particular the Respondent disputed saying to the partners of his firm that he had been under financial pressure. In the submission of the Applicant the motivation was irrelevant. The Respondent had committed serious breaches of the Solicitors Accounts Rules, misappropriated clients' funds and unjustifiably obtained moneys from clients.
14. Most of the money taken had been money due to the firm. In the case of Mrs S, Ms HH and Mrs LP, the firm had concluded that the money did not represent costs due to the firm and that these sums had been made up by the Respondent. The Respondent had disputed this in the case of Mrs LP.
15. The Tribunal was asked to note that in two of the matters the Respondent had simply made out client account cheques supposedly for client reimbursement but in fact for himself. This represented some £9,000 of clients' money.
16. The Respondent in his statement had said that he had not spent any of the money taken and had deposited it in one specific account. Appendix B to the FIU report, however, only indicated that some £30,000 had been placed in that account and not used. There was no evidence as to where the remaining money had been deposited. It was accepted that the Respondent had repaid all the moneys.

17. The letter of 23rd October 2003 from the Respondent's solicitor appeared to indicate that the Respondent had had a desire to get even with his partners for promises not kept.
18. This was a very serious case of dishonesty and the Respondent had fallen well below the standards required of solicitors. It was vital for the public to be able to trust the proper stewardship of clients' funds held by solicitors and that trust had been tainted by the action of the Respondent.

The Submissions of the Respondent

19. The Respondent deeply regretted what had occurred. He had reflected upon it every day for the past two years and had found it difficult to look at himself in the mirror. He could not give a full explanation other than the points he would raise in mitigation.
20. The Respondent denied having been under any financial pressure at the time and said this was shown by the fact that the bulk of moneys had remained in tact in the account where they had been deposited. He had not told the partners that he was under financial pressure.
21. The Respondent repeated his assertion in his letter of 21st January 2005 that the moneys relating to Mrs LP had been due to the firm.
22. The reason the full amount of money taken was not shown in the account at Appendix B of the FIU report was because some of the money had been taken in cash and that had been retained in cash by the Respondent and kept at home. He had also used that money to pay the firm back.
23. In mitigation the Respondent relied on his statement of 5th January 2005, the medical report of 31st January 2005, two character references, and a letter from his current employer, The College of Law, which they had offered to him without his having requested it. The College of Law had not known of the allegations at the time he had joined them as a lecturer although they now knew of the nature of the allegations, the amount involved and the fact of the hearing today. The Respondent fully acknowledged the gravity of the allegations against him.
24. The Tribunal was asked to consider the medical report. The Respondent had at the time been in a state of serious emotional imbalance for various reasons. He had behaved in a way which was grossly wrong and was inconsistent with anything he had done in his previous ten years of practice. The Respondent had never even contemplated such action before. He had lost control of his conscious thinking and logical judgment pattern and could not fully explain what had happened.
25. The Tribunal was asked to consider the Respondent's witness statement and especially the fact that while he could not prove he had not utilised the money, the fact that he was able to repay the sums promptly indicated that he had not utilised the bulk of it and that it was still in the bank account or in cash.
26. The Respondent's actions had been immoral and wrong and he regretted them. He had tried to rehabilitate himself. He felt guilt towards the partners in the firm, the

clients, and his own family. The Respondent had now removed himself from the practice environment and taught full time at The College of Law. He had been suspended from practice as a solicitor and understood why he should remain indefinitely suspended. If he was removed from the Roll however, he would be unable to continue with his current employment which required him to remain on the Roll. The Respondent submitted that an indefinite suspension would prevent him from offending again and would ensure the protection of the public, and that confidence in the profession and the good name of the profession would remain intact. The Respondent pleaded with the Tribunal not to remove his name from the Roll but to impose an alternative punishment.

The Findings of the Tribunal

27. The Tribunal found the allegations to have been substantiated, indeed, they were not contested.
28. The Tribunal considered very carefully the Respondent's submissions in mitigation, his witness statement, and the character references including the letter from his current employer. The Tribunal had read with great care the medical report. The report had suggested some reasons for the Respondent's state of mind at the time and had referred to his course of behaviour as being "almost certainly not under his normal clear judgment and conscious control" the report also, however, referred to the fact that it was clear that the Respondent dishonestly appropriated the money although it was suggested that there was no intention permanently to deprive. The Tribunal gave due weight to the report but noted that the Respondent had admitted dishonesty and that the report had not indicated that his mental state was such that he had lost all ability to tell right from wrong. This had not been an isolated incident. The Respondent had taken money belonging to the firm and to clients over a protracted period and in respect of eleven different clients. While taking full account of the medical report the Tribunal's primary function was to protect the public and the reputation of the profession. In the face of such serious misconduct the Tribunal, supported by judicial authority, considered that striking off is seen as all but automatic. The Respondent had asked the Tribunal to hold back from that punishment to enable him to continue in his current employment as a College of Law lecturer. He had submitted that an indefinite suspension would provide equal protection for the public. The Tribunal had in mind the comments of the then Master of the Rolls in *Bolton v The Law Society* where it was said that:

"It often happens that a solicitor appearing before the Tribunal can produce a wealth of glowing tributes from his professional brethren. He can often show that for him and his family the consequences of striking off or suspension would be little short of tragic. Often he will say, convincingly, that he has learnt his lesson and will not offend again ... none of them touches the essential issue which is the need to maintain among members of the public a well-founded confidence that any solicitor whom they instruct will be a person of unquestionable integrity, probity and trustworthiness"
29. The Tribunal was aware that by striking the Respondent from the Roll he would lose his current employment. However, the fact that his current post required him to be on the Roll of Solicitors placed him in a position where the finding of dishonesty so

compromised his authority that he should not be entrusted with teaching the next generation of the profession how they should conduct themselves as solicitors. The Respondent had been guilty of such a level of dishonesty going to the heart of the relationship between clients and their solicitors that neither other members of the profession nor the public would think it right that he remain a member of the profession. Public confidence in the profession required that his name be removed from the Roll and the Tribunal would so order, together with an order that the Respondent pay the Applicant's agreed costs.

30. The Tribunal Ordered that the Respondent Panikkos Michael Panayi of Redbridge, Ilford, (formerly of Barnet, Hertfordshire) solicitor, be Struck Off the Roll of Solicitors and they further Ordered that he do pay the costs of and incidental to this application and enquiry fixed in the sum of £6,000.

DATED this 12th day of April 2005

on behalf of the Tribunal

A H Isaacs
Chairman