

SOLICITORS DISCIPLINARY TRIBUNAL

IN THE MATTER OF THE SOLICITORS ACT 1974

Case No. 12538-2024

BETWEEN:

SOLICITORS REGULATION AUTHORITY LTD. Applicant

and

DENNIS KO First Respondent

ANDREW STUART COATES Second Respondent

Before:

Mr M N Millin (in the chair)

Mr C J Cowx

Mrs L McMahon-Hathway

Date of Hearing: 18 November 2024

Appearances

James Counsell KC of Outer Temple Chambers instructed by Capsticks LLP for the Applicant.

Helen Evans KC of 4 New Square Chambers instructed by DAC Beachcroft LLP for the First Respondent.

Ben Hubble KC of 4 New Square Chambers instructed by Clyde & Co for the Second Respondent.

JUDGMENT ON AN AGREED OUTCOME

Allegations

Mr Ko admitted that whilst he was practising as a solicitor at Kennedys Law LLP (“the Firm”), and in respect of the purchase of, and subsequent sale of units in the Grosvenor Hotel Bristol:

1. Between around 7 December 2016 and 22 September 2017, he failed to conduct adequate client due diligence, and, in doing so:
 - 1.1. Breached either or both Principles 7 and 8 of the SRA Principles 2011 (“the SRA Principles”);
 - 1.2. Failed to achieve outcome 7.5 of the SRA Code 2011 (“the SRA Code”);
 - 1.3. Caused the Firm to breach Regulation 7 of the Money Laundering Regulations 2007 (“the MLRs 2007”); and
 - 1.4. For conduct taking place from 26 June 2017, caused the Firm to breach Regulation 27 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (“MLRs 2017”).
2. Between around 7 December 2016 and 22 September 2017, he failed to conduct sufficient ongoing monitoring of the business relationship with his client and, in doing so:
 - 2.1. Breached either or both Principles 7 and 8 of the SRA Principles 2011;
 - 2.2. Failed to achieve Outcome 7.5 of the SRA Code;
 - 2.3. Caused the Firm to breach Regulation 8 of the MLRs 2007;
 - 2.4. For conduct taking place from 26 June 2017, caused the Firm to breach Regulation 28 of the MLRs 2017.
3. Between around 7 December 2016 and 22 September 2017 he caused, allowed or acted in transactions which bore the hallmarks of fraud and, in doing so, breached any or all of Principles 6 and 10 of the SRA Principles 2011.
4. Between around 23 May 2017 and 12 July 2017, he authorised or allowed payments to be made to be made to Mr Varma totalling up to £925,000, to KD Law of £10,000 and to Casa Investments Ltd totalling up to £133,500 in circumstances which bore the hallmarks of fraud. In doing so he:
 - 4.1. Breached Principle 6 of the SRA Principles 2011;
 - 4.2. Breached Rule 14.5 of the SRA Accounts Rules.
5. Given Mr Ko’s admissions, the Applicant applied to withdraw the pleaded breaches of Principle 2 (in relation to allegations 3 and 4) and recklessness. It was submitted that following the service of Mr Ko’s Answer, Witness Statements and his skeleton argument, it was no longer in the public interest or the interests of justice to proceed

with those matters. The Tribunal determined that following the extensive admissions made, and the proposed sanction, it was appropriate for the denied matters to be withdrawn.

Documents

6. The Tribunal had before it the following documents:-
- Rule 12 Statement and Exhibit HWP1 dated 10 January 2024
 - Mr Ko's Answer and documents in support dated 19 February 2024
 - Applicant's Reply to Mr Ko's Answer
 - Statement of Agreed Facts and Outcome for Mr Ko dated 17 November 2024

Background

7. Mr Ko was admitted to the Roll in October 2002. He held a current unconditional practising certificate. From 1 May 2014 to 22 September 2017, he was a manager at the Firm. He was the matter partner in relation to the Grosvenor Hotel transaction.

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

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

Findings of Fact and Law

9. The Applicant was required to prove the allegations on the balance of probabilities. The Tribunal had due regard to its statutory duty, under section 6 of the Human Rights Act 1998, to act in a manner which was compatible with Mr Ko's rights to a fair trial and to respect for their private and family life under Articles 6 and 8 of the European Convention for the Protection of Human Rights and Fundamental Freedoms.
10. The Tribunal reviewed all the material before it and was satisfied on the balance of probabilities that Mr Ko's admissions were properly made.
11. The Tribunal considered the Guidance Note on Sanction (10th edition - June 2022). In doing so the Tribunal assessed the culpability and harm identified together with the aggravating and mitigating factors that existed. The Tribunal found that sanctions such as No Order or a Reprimand did not reflect the seriousness of his misconduct. He had admitted to numerous failings that continued over a number of months. The Tribunal did not consider that the misconduct was so serious that there should be any interference with his ability to practise. The Tribunal determined that a financial penalty was appropriate and proportionate to the seriousness of his misconduct. The Tribunal assessed the misconduct as falling within its Indicative Fine Band Level 4, as it assessed the misconduct as very serious. The parties had agreed that a fine in the sum of £27,500 was appropriate. The Tribunal found that this amount was proportionate to the admitted misconduct. Accordingly, the Tribunal approved the agreed sanction.

Costs

12. The parties agreed costs in the sum of £25,000. The Tribunal determined that this was reasonable and accordingly ordered Mr Ko to pay costs in the agreed sum.

Statement of Full Order

13. The Tribunal ORDERED that the Respondent, DENNIS KO, solicitor, do pay a fine of £27,500.00, such penalty to be forfeit to His Majesty the King, and it further Ordered that he do pay the costs of and incidental to this application and enquiry fixed in the sum of £25,000.00.

Dated this 20th day of December 2024

On behalf of the Tribunal

M.N. Millin

M.N. Millin
Chair

JUDGMENT FILED WITH THE LAW SOCIETY
20 DECEMBER 2024

SOLICITORS REGULATION AUTHORITY LIMITED

Applicant

and

DENNIS KO

First Respondent

and

ANDREW STUART COATES

Second Respondent

STATEMENT OF AGREED FACTS AND OUTCOME FOR THE FIRST RESPONDENT

Introduction

1. By a statement made by Hannah Pilkington on behalf of the Solicitors Regulatory Authority Limited ("the SRA") pursuant to Rule 12 of the Solicitors (Disciplinary Proceedings) Rules 2019, dated 10 January 2024, the SRA brought proceedings before the Tribunal making allegations of professional misconduct against the First Respondent. Definitions and abbreviations used herein are those set out in the Rule 12 Statement. The Tribunal made Standard Directions on 15 January 2024, which have since been varied. There is a Substantive Hearing listed for 18 – 26 November 2024.
2. As set out below, the First Respondent is prepared to make admissions to all the Allegations he faces (save for those identified below), including the specified Outcomes of the Code, the Principles and the relevant Regulations of both the Money Laundering Regulations 2007 ("MLRs 2007") and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("MLRs 2017"). However, the First Respondent continues to deny (i) the breaches of Principle 2 in

relation to Allegations 3 and 4; and (ii) Allegation 5. The factual basis of the admissions to Allegations 1 to 4 is set out more fully below. This document sets out the Agreed Facts in the proceedings between the Applicant and the First Respondent; it is not intended to bear upon or impinge upon the case against the Second Respondent.

Application to withdraw

3. The Applicant applies to withdraw the pleaded breaches of Principle 2 in relation to Allegations 3 and 4, and Allegation 5 in its entirety. Following service of the Answer, Witness Statements (including a character statement from a member of the judiciary) and the Skeleton Argument on behalf of the First Respondent, the Applicant has carefully reviewed its case. In light of the fact that the First Respondent has now offered to make additional admissions in relation to Allegations 1, 2, 3 and 4 (to include breaches of Principle 6 and a breach of Regulation 27 of the MLRs 2017 for Allegation 1), thereby admitting to breaching all Principles and Outcomes alleged on the factual basis below, save for Principle 2, the Applicant no longer proposes to proceed with the lack of integrity elements to Allegations 3 and 4 and with Allegation 5 (the recklessness Allegation).

Admissions

4. The First Respondent admits that whilst he was practising as a solicitor at Kennedys Law LLP (“the Firm”), (on the factual basis set out below, and adopting the numbering of the allegations in the Rule 12 Statement):

“1. Between around 7 December 2016 and 22 September 2017, he failed to conduct adequate client due diligence, and, in doing so:

- 1.1. Breached either or both principles 7 and 8 of the SRA Principles 2011 (“the SRA Principles”);*
- 1.2. Failed to achieve outcome 7.5 of the SRA Code 2011 (“the SRA Code”);*
- 1.3. Caused the Firm to breach Regulation 7 of the Money Laundering Regulations 2007 (“the MLRs 2007”); and*
- 1.4. For conduct taking place from 26 June 2017, caused the Firm to breach Regulation 27 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (“MLRs 2017”).*

2. *Between around 7 December 2016 and 22 September 2017, he failed to conduct sufficient ongoing monitoring of the business relationship with his client and, in doing so:*
 - 2.1. *Breached either or both Principles 7 and 8 of the SRA Principles 2011;*
 - 2.2. *Failed to achieve Outcome 7.5 of the SRA Code;*
 - 2.3. *Caused the Firm to breach Regulation 8 of the MLRs 2007;*
 - 2.4. *For conduct taking place from 26 June 2017, caused the Firm to breach Regulation 28 of the MLRs 2017.*

3. *Between around 7 December 2016 and 22 September 2017 he caused, allowed or acted in transactions which bore the hallmarks of fraud and, in doing so, breached any or all of Principles [...] 6 and 10 of the SRA Principles 2011.*

4. *Between around 23 May 2017 and 12 July 2017, he authorised or allowed payments to be made to be made to Mr Varma totalling up to £925,000, to KD Law of £10,000 and to Casa Investments Ltd totalling up to £133,500 in circumstances which bore the hallmarks of fraud. In doing so he:*
 - 4.1. *breached [...] Principles [...] 6 of the SRA Principles 2011;*
 - 4.2. *Breached Rule 14.5 of the SRA Accounts Rules;*

Agreed Facts

The First Respondent

5. The First Respondent was admitted as a solicitor on 1 October 2002. From 1 May 2014 to 22 September 2017 he was a Manager of the Firm. He holds a current practising certificate free from conditions.

Background

6. The Firm acted in the purchase of the Grosvenor Hotel, Bristol. The former hotel was to be redeveloped into student accommodation and the refurbishment work was to be funded by the off-plan sale of individual units within the property. The First Respondent was the partner with oversight of the matter until he left the Firm on 22 September 2017 and was assisted by Mr Joseph Dean (a solicitor) and Ms Neha Gafur (a paralegal). Some time before 1 August 2017 he had handed in his Notice. Mr Jeremy Orpen-Palmer, the other partner in the Firm's Property Department, took over the matter after the First Respondent left and was involved with it before the First Respondent left as set out below.

7. The units were to be sold to investors who largely each paid an initial, non-refundable fee of £5,000 and then a deposit of 50% of the purchase price on exchange of contracts. The deposits were ostensibly to be used to fund the development of the property and save in respect of 4 units, were held by the Firm as agent for the seller. The investors had their own solicitors.

8. The First Respondent was instructed by Sanjiv Varma who confirmed the instructions in an email of 7 December 2016. The email stated that Mr Varma had agreed to buy the property, a former hotel, from a friend. The property was to be bought by his friend, through a Guernsey company for £2.5 million. The contract would then be assigned for a premium of £3million so it would cost £5.5 million in total. Mr Varma said that there would be six months between exchange and completion and that, during that period, he would have access to the property to carry out works. The intention was to convert it into student accommodation. It was hoped to have the student pods ready to rent in July /August in time for the beginning of the academic year in September (2017).

9. Mr Varma also instructed the Firm at various times in relation to the following matters:

Date file opened	Details	Value	Outcome
16 November 2016	Purchase of 4 Blackburne Mews, London W1K 2LG	£2,600,000	Did not complete
3 January 2017	Purchase of flat 1, 2 Green Street, London W1K 6RR	£2,600,000	Did not complete
24 January 2017	Purchase of 33 Charles Street, London W1	£7,250,000	Completed by the First Respondent after leaving the Firm. However Mr Varma later defaulted on the loan
10 July 2017	Purchase of sixth floor, 80 Park Street, London W1K 6NQ	£3,950,000	Did not complete
Total		£16,400,000	

10. The FIO was unable to find any client care letter or letter of engagement relating to the Grosvenor Hotel transaction on the Firm's file. The Firm's initial client ledger recorded Mr Varma as the client. Although Mr Varma initially represented that he intended to buy the property himself, the plan changed so that the property was to be purchased by Grosvenor Property Developers Limited ("GPDL"). In correspondence with Fladgate, the vendors' solicitors, in January 2017, the First Respondent referred to "*my clients*". Further, on 31 January 2017, the First Respondent sent an amended draft of the Deed of Assignment in which GPDL replaced Mr Varma as the Assignee. It was subsequently executed by Mr England on behalf of GPDL.
11. Companies House records show that GPDL was incorporated on 16 December 2016, after Mr Varma initially approached the Firm. The sole director was Mr Jonathan England until 9 June 2018. Mr England was also the sole shareholder. However, most of the instructions came from Mr Varma. There is no mention of Mr Varma in connection with GPDL in Companies House documents. On 27 January 2017, Mr England emailed the First Respondent confirming that his shares were held in trust for Mr Varma and that Mr Varma was in fact the beneficial owner of the company, but no evidence or explanation of this was requested by or provided at any point during the transaction.
12. Throughout the transactions, instructions were provided by Mr Varma and the file for the purchase of the property was opened in Mr Varma's name. The files for 65 of the unit sales were also opened in his name until 26 June 2017. From that date a further 63 unit sales files were opened in the name of GPDL.
13. When he was interviewed by the FIO on 19 June 2020, the First Respondent stated that the files opened in Mr Varma's name should have been transferred to GPDL and he accepts that this should have been done.
14. Contracts for the purchase of the Grosvenor Hotel were exchanged on 6 March 2017. Completion was initially scheduled for 31 July 2017. The Deposit was to be payable in three equal instalments of £91,666.66 totalling £275,000. According to the client ledger for Mr Varma, the deposit instalments were paid on the following dates:

Date	Amount
3 March 2017	£91,666.66
10 April 2017	£45,000
22 May 2017	£44,500
26 May 2017	£93,832.66
Total	£274,999.32

The second and third instalments were not paid on the due dates. On 5 April 2017, 4 May 2017 and again on 19 May 2017, Fladgate wrote to the First Respondent chasing payment.

15. The first payment on 3 March 2017 was funded by two payments of £50,000 received into the Firm's client account from Casa Investments. A further payment of £45,000 was received from Casa Investments on 10 April 2017 and this amount was then transferred to Fladgate the same day. The payment of £44,500 on 22 May 2017 was funded by the deposit paid by the purchaser of unit 318 of the development. The payment of £93,832.66 on 26 May 2017 was funded by the deposit received from the purchaser of 12 units.
16. Therefore, none of the monies for payment of the Deposit came from GPDL. In interview, the First Respondent explained that:

"... I think we were told at the time that Grosvenor didn't have a bank account... so they couldn't make any payments".

In fact, it appears that GPDL did not have a bank account until shortly before 31 July 2017 when Mr England wrote to the First Respondent on 31 July 2017, copied to Mr Varma.

17. The First Respondent was told Casa Investments was "connected" with Mr Varma and that it was the contractor or involved in the construction of the property. He accepts that he saw no documentary evidence of this. According to documents on Companies House, Casa Investments was owned by Jonathan England.
18. On 23 June 2017, the SRA issued a *Warning Notice on Investment Schemes (including conveyancing)*. This warned about solicitors facilitating dubious investment schemes. It

included reference to schemes which *“are being presented as routine conveyancing when our view is that they involve consumer clients unwittingly financing high risk or fraudulent property development”*.

19. The Warning Notice referred specifically to schemes where, as with the Grosvenor Hotel, the buyers' money was being used to finance a development or refurbishment, the use of high deposits and the release of the deposit to the seller. The latter *“carries substantial risks such as the money being misappropriated...”*.
20. On 26 June 2017, the MLRs 2017 came into effect. From that date, all of the files opened by the Firm for the individual unit sales were opened in the name of GPDL. All unit sale files opened before that date had been in the name of Mr Varma. The following day, the First Respondent asked Mr England to resend his ID, which he did on 28 June 2017. The file shows that further ID was also obtained for Mr Varma on the same date.
21. On 29 June 2017, Mr Varma emailed Mr Dean asking him to pay £925,000 of the funds received from the unit sales to Grosvenor Consultants FZE, a company based in Dubai, which he said was the main building contractor for the Grosvenor Hotel development. He did not provide an invoice or any other evidence that the payment was properly due. Mr Dean explained that the Firm could not make the payment to Grosvenor Consultants but could make it to GPDL, which could then pay it on to the contractor as required. He asked for GPDL's account details. No note of the conversation has been located in the Firm's files, but Mr Varma responded confirming that he had spoken to the First Respondent and asked Mr Dean to instead send the money to his personal bank account so that he could send it on to the contractor. The funds were transferred the following day from various unit-sales ledgers. Mr Orpen-Palmer counter-signed the payment slip (having also previously signed slips on 3 payments to Casa Investments as set out at Paragraph 76 below).
22. The First Respondent has explained that at the time of this payment, GPDL did not have its own bank account. It opened an account on 31 July 2017, which was also the original intended completion date for its purchase of the Grosvenor Hotel. From that date onwards, all of the deposit funds that the Firm received from the individual unit sales were released to GPDL (save for one fee payment in relation to 4 Blackburne Mews on 31 October 2017 after the First Respondent had left).

Concerns in July 2017

23. By around the end of June or beginning of July 2017, there were concerns about the lack of progress of the development. It was brought to the First Respondent's attention by solicitors acting for unit purchasers that they suggested that the development bore some of the hallmarks of the schemes referred to in the SRA's *Warning Notice on Investment Schemes (including conveyancing)* issued on 23 June 2017.
24. On 25 July 2017, the First Respondent emailed Mr Varma regarding a series of concerns that had been raised by the unit buyers' solicitors. The First Respondent's email stated, amongst other things:
- 24.1. *From speaking to Joe [Mr Dean] and Neha [Ms Gafur] and also from looking at the correspondence from buyers' solicitors on the current deals, there seems to be a consistent message being relayed to us which is uncertainty: that is over your ownership, over the planning situation and over the actual works. That is what is holding up exchange of these deals...*
 - 24.2. *As for the ownership point, I note that we have now extended the deadline for completion until the end of the year but it would give our buyers much comfort if we completed and owned the site outright;*
 - 24.3. *As for the planning situation, I note that you were going to apply for change of use but wanted to wait until the project was complete on I believe the architect's advice... Again it would give our buyers comfort if we were to put the application in now;*
 - 24.4. *As for the actual works, you mentioned that you would be sending me a video of the project and its progress and that it would be useful to show to buyers. Are you also able to send me photographs? One of the buyers has sent us a photo of the development taken from last Friday (21 July) and also referred us to a photo of the site from June 2016... and there does not appear to be a great deal of difference although of course the works are to the interior*
25. The First Respondent's email also referred to the SRA's Warning Notice of 23 June 2017 and stated that several of the buyer's solicitors had drawn comparisons with it. The First Respondent asked Mr Varma if he could visit the site the following weekend. On the same day, Mr Varma sent the First Respondent two videos purporting to show work at the property.

26. On 27 July 2017, Mr Varma emailed the First Respondent to confirm that Able Constructions, who he described as the lead contractors for the development, needed to be paid before they could start working. He forwarded an email purporting to be from Able. He asked the First Respondent to put pressure on the solicitors acting for the unit buyers to push them towards exchange so that they could be in funds to pay the contractors. The First Respondent replied "we are pushing".
27. On 27 July 2017, Mr Dean visited the site and later that day reported back to the First Respondent that there were no signs of activity and he had been unable to gain access to the site. In response the First Respondent suggested that there might be internal works going on but without seeing them it was difficult to say. He suggested speaking the next day.
28. On 28 July 2017, Mr Dean and Ms Gafur reported his concerns to Ms Fender of the Firm's Compliance team. According to Mr Dean's note of the call, he stated that:

...on review of the Law Society note on investments [the 23 June 2017 Warning Notice] a number of key points appear to be applicable to this transaction. The difference here however is that each buyer is separately represented by a firm of solicitors and so they are receiving their own independent legal advice.

29. On 31 July 2017, Mr Dean emailed Ms Fender stating that GPDL had now opened a bank account so that "removes one of the issues we were discussing".
30. Ms Fender informed Mr Dean that she would discuss the matter with the Second Respondent.

Meeting at the Firm on 1 August 2017

31. At 10.44 am on 1 August 2017 Mr Dean sent Ms Fender the Warning Notice.
32. At 11.16 am on 1 August 2017 the First Respondent emailed the Second Respondent stating that he understood that he had spoken to Mr Orpen-Palmer and asking to meet and "speak soonest". At 11.45 am Mr Orpen-Palmer emailed the Second Respondent

stating that his concerns were not about matters to date “*but our involvement going forward in any discussions and decisions taken*”. He copied in the Second Respondent into that pre-existing email chain. Mr Orpen-Palmer’s email was headed “Grosvenor Developers Ltd- Bank Account”. At the foot of the chain was Mr Dean’s email dated 31 July 2017 about GPD opening a bank account. The First Respondent was copied into the chain at 11.55 am.

33. At around 2pm on 1 August 2017, the First Respondent met with the Second Respondent and Mr Orpen-Palmer to discuss the issues with the Grosvenor Development.

34. At some point before that meeting, Mr Orpen-Palmer had a discussion with Mr Dean, and made a record of that discussion in the first part of his handwritten note. The note records that the following matters were discussed:

- 34.1. *High Deposits paid to developer as agent.*
- 34.2. *Payment dates do not reflect progress on site.*
- 34.3. *First Completions due in September –... Is development on target*
- 34.4. *No guarantees available to investors. No protection scheme for deposits.*
- 34.5. *One group of Chinese investors has paid approx GBP 1.2 in deposits and will pay 75%-80% of full purchase price prior to... Completion*
- 34.6. *No Planning Permission for change of use – unusual to carry on with [word crossed out] development before all consents available*
- 34.7. *First site visit by Kennedys no apparent work being carried out. This is conversion not new build*
- 34.8. *Pressure to release deposits ... to Client so he can pay Contractors.*
- 34.9. *Kennedy’s fees will be paid at least in part from Investor’s deposits following... change of Contractors.*

35. Although the First Respondent does not clearly recall what happened when he met the Second Respondent and Mr Orpen Palmer, he accepts that the second part of Mr Orpen-Palmer’s handwritten note of the meeting is likely to be an accurate account of what was discussed.

36. This part of the note lists the following:

- 36.1. *No evidence of fraud. At present project may not be well managed but no evidence that client misappropriating deposit monies*
 - 36.2. *Each investor independently represented by solicitors – albeit local solicitors some of whom may have been recommended by selling agents*
 - 36.3. *Client had demonstrated previously he had access to funds from various sources around the world. and client had instructed DK on other projects*
 - 36.4. *Deposits should continue to be paid to client and whilst continuing to be vigilant we should continue to act and seek payment of ... fees*
 - 36.5. *DK should make site visit asap. To check that work was proceeding on site*
37. After the meeting, it was Mr Dean who in fact contacted Mr Varma to make arrangements to visit the property. Thereafter, the Second Respondent's team asked Mr Dean if the site visit had taken place. On 24 August 2017, Mr Dean confirmed: *The surveyor has been round the site and produced their report for the insurers apparently. We are expecting insurance to be in place early next week.* He also stated that *"the view [was] that steps are being taken in relation to the works"*.

Events following 1 August 2017

38. Following the meeting on 1 August 2017, the Firm continued to act in the Grosvenor Hotel Development, with further exchanges of contracts for the sale of units taking place from 1 August 2017 to 24 November 2017. Although Mr Orpen-Palmer also became involved, the First Respondent continued to deal with the matter until he left the Firm.
39. On 23 August 2017, Mr Dean emailed Mr Orpen-Palmer saying:

"I have been chasing [Mr Varma] to get access to the site. Apparently the surveyor finished on Friday and it is with the insurers to issue the policy. We can then go in to view the site. [We]... do however have a couple of matters that are ready to exchange. [The First Respondent] has authority to sign on behalf of the company for exchanges. Are you happy to sign on behalf of the company...?"

Mr Orpen-Palmer agreed to do so on the basis that the surveyor had completed the inspection.

40. The First Respondent left the Firm on 22 September 2017, taking all of Mr Varma's ongoing files apart from the Grosvenor Hotel matter with him to his new firm, Boodle Hatfield.
41. Following the First Respondent's departure, Mr Dean proceeded with the exchanges but continued to receive queries and concerns from the buyers' solicitors, which he passed to Mr Varma.
42. The intended completion date for the purchase of the Grosvenor Hotel was postponed until December 2017 and then extended beyond that.

Firm ceases to act

43. On 9 February 2018, the Firm wrote to Mr Varma and Mr England setting out their concerns that the development had stalled and that GPDL would not be able to complete on the project. The letter set out a number of issues including:
 - 43.1. There was no planning permission for the conversion of the building into student accommodation;
 - 43.2. GPDL did not currently own the freehold or a substantial leasehold interest in the building. The contract for the purchase of the building expired on 31 December 2018 and the completion date was extended to 19 January 2018. That date had passed;
 - 43.3. Mr Varma had advised that bridging finance was being obtained to fund the purchase of the property but this was not in place;
 - 43.4. Works were apparently started in May/June 2017 but the Firm had not been able to verify this. Since July 2017, when the Firm sought but were unable to obtain access to the property, no works had taken place and the building had not been insured due to structural issues;
 - 43.5. The non-refundable reservation fee of £5000 was proving to be a contentious matter. The investors had not been able to obtain advice at the point of payment and were subject to high pressure sales techniques;
 - 43.6. On exchange, GPDL received 50% of the purchase price for the units. To date GPDL had received in excess of £6,500,000 and exchanged on 36 units. There was no evidence of any works having taken place and no works could have taken place since July 2017;

- 43.7. The Lease plans were not Land Registry compliant and GPDL had taken no action to deal with this since April 2017 when this was brought to their attention; and
- 43.8. A large number of buyers are not resident in the UK.
44. On 28 February 2018, Mr Dean informed Mr Varma and Mr England that the Firm could no longer act for them, and the matter was subsequently passed to Candey's Solicitors. The purchase of the Grosvenor Hotel did not complete and the development was never completed.
45. GPDL was wound up in November 2018. Solicitors acting for the joint liquidators issued proceedings against, amongst others, Mr Varma and Mr England. The First Respondent gave evidence in the proceedings against Mr Varma, in order to assist the joint liquidators. He was described as an "*entirely honest and straightforward*" witness.
46. In the course of these proceedings Mr Justice Falk found that "*There has been an undoubted substantial fraud in relation to [GPDL]*". Judgment was given against Mr Varma and his solely owned company in the sums of £5,543,973.00 and £3,845,406.00 respectively (including compound interest) reflecting significant sums misappropriated from investors. Mr Varma was found guilty of contempt of court to the criminal standard (including by breaching asset disclosure orders made in support of freezing orders, and of having made false statements both in witness statements and in affidavits) on 13 July 2020 and sentenced in his absence to 21 months in prison on 4 March 2021. So far as the SRA is aware he remains at large having failed to surrender himself. Mr Varma has been banned from acting as a Director of Companies for 13 years. Mr England was banned from acting as Director for 12 years.
47. The matter was reported to the SRA on 30 August 2018 by MSB Law Ltd.
48. In addition to the proceedings issued against Mr Varma and others, the joint liquidators also made a negligence claim against the Firm. This claim was settled and a "substantial" sum paid by the Firm.

Sale of individual units and payment of funds

49. The Firm was also instructed in the sale of the individual units of the development. The First Respondent was the partner with oversight of the matter and was responsible for

drafting the sale documentation. The Firm began opening files for the sales of individual units at the Grosvenor Hotel on 30 March 2017 and the first deposits for the unit sales were received on 19 May 2017. 65 unit sale files were opened in the name of Mr Varma between 30 March and 22 June 2017. 49 of those matters proceeded to exchange. From 26 June 2017 to 12 January 2018, 63 files were opened in the name of GPDL. 50 of these proceeded to exchange.

50. For all but four of the unit sales the contract of sale provided that the deposit was to be held by the Firm as agents for the seller (GPDL). On 20 March 2017, the First Respondent had sent a revised draft of the sale contract to Mr Varma stating:

“Deposit is held as agent for the seller so no need to refer to “Deposit Release Conditions” (which was in previous draft).”

51. The First Respondent accepts that it would be usual for NHBC or similar protection to be in place and that there was no such protection in this matter.

52. However, in relation to four contracts for the sale of units, the buyers’ solicitors, MSB Law, sought and obtained additional conditions relating to the payment of the deposit:

“The Seller confirms that in the event the deposit is to be used by the Seller prior to the Completion Date that the Deposit shall only be used to pay the agents fee and pay for works associated with the development of the building.”

“The Agent” was defined as “the architect or surveyor or other CML approved professional consultant appointed by the Seller from time to time to monitor the construction of the Property” There was no definition of “ works associated with the development of the building”.

53. The total amount of deposit monies received by the Firm was £6,729,142.57. The FIO’s analysis of the Firm’s ledgers shows that £6,729,142.48 was paid out between May and November 2017 as follows:

Recipient	Amount	Comment
KD Law	£10,000	Paid out on 16 June 2017 as a deposit on the purchase of 4 Blackburne Mews
Sanjiv Varma	£925,000	Paid as one amount on 30 June 2017 into an account in the name of <i>S Varma</i>
Casa Investments Ltd	£617,167.34	£145,000 had been received from Casa Investments and used to pay part of the £275,000 deposit on the Grosvenor Hotel.
Fladgate LLP	£138,332.66	Part of the £275,000 deposit on the Grosvenor Hotel
GDDL	£4,918,685.25	Paid out between 1 August 2017 and 24 November 2017
Retained by the Firm for payment of invoices	£119,957.23	References to invoices and client to office account transfers recorded on client ledgers for matters 853720, 853980, 854871 and 864529
Total	£6,729,142.48	

54. The total sum paid out before the First Respondent left the Firm was £5,233,497.11.
55. On 16 June 2017, £10,000 was paid to K D Law as a deposit on the purchase of 4 Blackburne Mews from the funds received from unit sales in the Grosvenor Hotel development. The First Respondent emailed Mr Varma on 20 June 2017 asking him to reimburse the sum of £10,000 to the Firm's client account but there is no evidence (either in the ledger that the deposit was paid from or in the ledger for the Blackburne Mews purchase) that he did so, or that the First Respondent chased this request.
56. The client ledger for the purchase of 4 Blackburne Mews shows that, in addition to the £10,000 deposit payment which was transferred directly from deposits from sales of units in the Grosvenor Hotel, monies used to pay the Firm's bill of costs totalling £18,433.31 came from the deposit monies from the sale of unit 406 in the Grosvenor Hotel. This payment took place on 31 October 2017, after the First Respondent left the Firm.

57. The payment of £925,000 to Mr Varma's personal bank account on 30 June 2017 was comprised of deposit monies received on the sale of 23 separate matters for the purchase of 35 units in the Grosvenor Hotel.
58. A chain of emails between Mr Varma and Mr Dean show that, on 29 June 2017, in an email copied to the First Respondent, Mr Varma asked how much was held in the Firm's client account. Mr Dean responded confirming that it held £925,000. Mr Varma then asked on 29 June 2017, again copied to the First Respondent, for that sum to be transferred to Grosvenor Consultants FZE. He said:

"As explained to Dennis [the First Respondent] yesterday, they are the main contractors for the Bristol development and this payment is against their invoice for the works."

No invoice was attached to this email and there is no evidence that any invoice was requested.

59. Mr Dean responded that the Firm could not do this. However, he said that they could send the funds to GPDL to pay to the contractor. Mr Varma then asked, *"Following my talk with Dennis..."*, and copied to the First Respondent, for the funds to be paid to his personal account. There was no attendance note on the Firm's file recording the conversations with the First Respondent which Mr Varma referred to in these emails. On or around 30 June 2017, £925,000 was transferred by the Firm to Mr Varma's personal bank account. Mr Orpen-Palmer was the other partner who authorised the payment.
60. The First Respondent accepts that this payment of £925,000 to Mr Varma personally should not have been made.
61. Between 23 May 2017 and 12 July 2017, a total of £617,167.34 was paid to Casa Investments. This was £472,167.34 more than Casa Investments had paid towards the deposits for the Grosvenor Hotel. Mr Orpen-Palmer was the signatory on the payment slips for all of these payments, save for a payment of £50,000 on 12 June 2017.
62. Although the First Respondent was told that Casa Investments was a contractor for the development or involved in it, there is no evidence to substantiate this or that this money was otherwise due to them in relation to the development.

63. Exchanges on the sale of 144 units took place and deposit monies totalling £6,609,000¹ were paid out by the Firm. However, the purchase of the Grosvenor Hotel never completed and the development was not completed. No planning permission was obtained. No buildings insurance was in place and no NHBC cover had been obtained by the developer to protect the deposits of the unit purchasers.

Client Due Diligence

64. Mr Varma was introduced to the First Respondent by a wealthy client based in the UAE. The Firm's file was opened in the name of Mr Varma as were 65 of the subsequent unit sales despite GPD L becoming the purchaser of the property. The First Respondent accepts that the files ought to have been opened in GPD L's name.
65. The SRA was provided by the Firm with copies of identification documents obtained for Mr Varma on 10 February 2017, 28 June 2017 and 10 August 2017. The due diligence information on the file obtained on 10 February 2017 included ID and utility bills.
66. The earliest due diligence information on the file for Mr England is a driving licence and utility bill. There is no record of when the Firm received and verified these documents, but the utility bill is dated 11 May 2017 so it must have been on that date or later. On 27 June 2017, the First Respondent wrote to Mr England saying he had mislaid his copy passport and utility bill that Mr England had provided when attending the office "*some months ago*" and asking him to resend his ID. Assuming that this was not referring to the ID dated 11 May 2017 (which may have been provided in response to the email of 27 June 2017), there is no evidence on file to show when this ID was originally requested or received from Mr England. In the absence of any such records, the earliest date that the Firm can now demonstrate that it had completed its due diligence checks for Mr England is 11 May 2017. By that time, the Firm had received £145,000 from Casa Investments and paid out £136,666.66 of that money to the vendor of the hotel.
67. The Second Respondent confirmed to the SRA that copies of Companies House documentation for GPD L had been saved to the electronic file on 22 November 2017. It was not clear when this documentation was obtained by the Firm.

¹ The precise figure is £6,609,185.25, but the Rule 12 Statement refers to the rounded figure of £6,609,000.

68. In his email of 27 January 2017, Mr England had confirmed that Mr Varma was the beneficial owner of GPDL. There is no evidence of any further enquiries being made by the First Respondent regarding the beneficial ownership.
69. On 23 February 2017, the Firm received a payment of £50,000 from Casa Investments Ltd ("Casa"). The following day, the First Respondent wrote to Mr Varma confirming receipt of £100,000² from Casa Investments and asking him to confirm his link to the company. Although the First Respondent was told that Casa Investments was a contractor or connected with the project, no due diligence checks were completed for Casa Investments and nor were any further checks made to confirm or verify why the funds were coming from Casa Investments. Companies House records show that Casa Investments was owned and run by Mr England at the time, and do not show any link with Mr Varma.

Allegation 1 (failure to conduct adequate client due diligence)

70. The client due diligence carried out by the First Respondent was inadequate in the following respects:
- 70.1. The First Respondent did not open files in GPDL's name after that company was incorporated and before June 2017;
 - 70.2. The First Respondent did not save documents on file in relation to GPDL before the establishment of the business relationship and before any funds were paid in or transferred to the Firm's client account;
 - 70.3. The First Respondent did not obtain documents (other than an email dated 27 January 2017 to substantiate that Mr Varma was the ultimate beneficial owner of GPDL;
 - 70.4. First Respondent did not obtain documents for Mr England until "some months" before June 2017 and the earliest documents on file are dated 11 May 2017, after funds had already been paid into the client account and out to the vendor of the hotel.

² The ledger shows that a second payment of £50,000 was received on 1 March 2017. It is unclear whether this is an error in recording the date in the ledger or whether Casa Investments had somehow notified the First Respondent on 23 February 2017 that the remaining funds were on their way. The SRA and the First Respondent agree that this is not material.

Allegation 2 (failure to conduct sufficient ongoing monitoring)

71. Between December 2016 (when the client matter was opened) and 26 June 2017 (when the MLRs 2007 were replaced by the MLRs 2017), the Firm received £145,000 from Casa Investments Limited. The First Respondent asked Mr Varma what his link was to Casa Investments, but this was only after the first tranche of money (£100,000) had been paid into the Firm's client account. Mr Varma represented that Casa Investments was connected with the project. However no documentary evidence was obtained to substantiate the alleged connection.
72. Further, no due diligence was carried out on Casa Investments.
73. During the same period, a total of £524,667.34 was paid to Casa Investments. It is possible that £145,000 of this was in repayment of the money Casa Investments had provided to pay the deposit, although no loan agreement or other documentation was sought or provided to verify that this had been a loan. If this is correct, the sum of £379,667.34 was paid to Casa Investments which was not related to the loan.

Allegation 3 (transactions bearing the hallmarks of fraud)

74. Although the First Respondent did not identify this at the time, by 1 August 2017, he now accepts there were mounting warning signs or hallmarks of fraud, as follows:
 - 74.1. The fact that Mr Varma's purported ownership of GPDL was not on the public record and although he gave instructions on behalf of the company he had no official status to do so. Furthermore Mr Varma had not advanced an explanation for this;
 - 74.2. The fact that the units in the property were being sold before GPDL (as the seller) owned the property, especially given the repeated delays in the completion date;
 - 74.3. GPDL's failure to open a bank account until 31 July 2017;
 - 74.4. The fact that the planning permission to change the use of the building from a hotel to student accommodation had not been obtained or applied for;
 - 74.5. The unsolicited receipt of large sums of client money from Casa Investments, a third-party company in respect of whose involvement no documentary evidence had been provided;

- 74.6. The size of the deposits paid by the unit buyers on exchange which amounted to 50% of the purchase price of the unit (considerably more than the traditional 10% deposit);
- 74.7. The lack of deposit insurance (or lack of any evidence of such insurance having been taken out), despite Mr Varma's assertion that this was to be put in place;
- 74.8. The information provided by Mr Dean following his visit to the site on 27 July 2017, that there was no external evidence of building work was actually being carried out on the development (despite over £1.3 million having been released purportedly to pay contractors by 25 July 2017);
- 74.9. Mr Varma's request on 29 June 2017 for a payment of £925,000 received in respect of unit sales to a third party, Grosvenor Consultants FZE, and his subsequent request to pay that amount to him personally;
- 74.10. Mr Varma's references on various occasions to three contractors for the development, one of which was based in Dubai (Grosvenor FZE) and another of which (Casa Investments) had alleged links to Mr Varma and had loaned funds for the purchase deposit;
- 74.11. Payments of funds received for unit sales totalling £617,167.34 being made to Casa Investments, a third party;
- 74.12. The fact that Casa was purportedly being paid as a contractor but had also loaned money to help pay the deposit on the purchase of the property, which was an unusual arrangement.

Allegation 4 – authorising payments which bore the hallmarks of fraud

75. As set out in paragraph 55 above, £6,729,142.48 of deposit monies in respect of units in the Grosvenor Hotel was received by the Firm. From these funds, the Firm made payments totalling £10,000 to KD Law, £617,167.34 to Casa Investments and £925,000 to Mr Varma.
76. On or around 30 June 2017, £925,000 was transferred into the personal bank account of Mr Varma following a request from him to pay these funds to Grosvenor Consultants FZE. This payment was authorised by the First Respondent and Mr Orpen-Palmer. Between around 23 May 2017 and 12 July 2017, a total of £617,167.34 was transferred to Casa Investments. Of this amount, payments totalling £233,334.34 were authorised by the First Respondent and payments totalling £567,167.34 were authorised by Mr Orpen-Palmer. The First Respondent also authorised the payment of £10,000 to KD Law.

77. Included in the payment of £925,000 to Mr Varma on 30 June 2017 was £133,500 received for the deposits on the sale of units 308, 309 and 312. Included in a payment of £92,500 to Casa Investments on 12 July 2017 was £44,500 received for the deposit on the sale of unit 306.
78. The First Respondent was aware that for units 306, 308, 309 and 312, MSB Solicitors had requested additional terms that gave more specific instructions as to when the funds could be released: namely *"The Seller confirms that in the event the Deposit is to be used by the Seller prior to the Completion Date that the Deposit shall only be used to pay the agents fee and pay for works associated with the development of the Building."* The Agent was defined as: *"the architect or surveyor or other CML approved professional consultant appointed by the Seller from time to time to monitor the construction of the Property."* No definition was given for 'works associated with the development of the building'.
79. On 30 June 2017, the full deposit monies (£44,500 per unit) received for each of units 308, 309 and 312 were paid directly to Mr Varma as part of the £925,000 payment on 30 June 2017 was, according to Mr Varma, required for payment to Grosvenor Consultants FZE. On 12 July 2017, the full deposit monies of £44,500 received for unit 306 were paid to Casa Investments.
80. The First Respondent did not request any evidence to demonstrate that any of the payments of the deposits for units 306, 308, 309, and 312 were required to pay the agents fee or for works associated with the development of the building and no such evidence was provided.
81. Although he did not appreciate it at the time, the First Respondent now accepts the factors listed at Paragraphs 74.1 to 74.7, 74.9, and 74.11-74.12 were mounting warning signs or hallmarks of fraud at the time these payments were made. So too was the factor listed at Paragraph 74.10 (save that the First Respondent had only been told about Casa Investments as a potential contractor prior to 29 June 2017, was told about Grosvenor FZE on 29 June 2017 and did not know about Able until after the payments in question were made).

Non-agreed Mitigation

82. The First Respondent advances the following points by way of mitigation but their inclusion in this document does not amount to acceptance or endorsement of such points by the SRA:
- 82.1. The First Respondent made significant admissions in his solicitors' letter of 30 September 2022, his Answer to the Rule 12 Statement and his witness statement. He has consistently recognised that he fell significantly short of the standards expected of him and apologises for this;
 - 82.2. At all times, the First Respondent believed that Mr Varma was a wealthy businessman and that the development of the Hotel was a legitimate transaction following a common structure. He thought that GPDL was poorly run or badly organised and did not suspect any involvement in a fraud;
 - 82.3. Although the First Respondent accepts that the CDD obtained fell short of what was required, he did obtain documents for Mr Varma and Mr England and he obtained an email confirming Mr Varma's status as UBO of GPDL. He also checked GPDL's status on Companies House;
 - 82.4. Although the First Respondent accepts that his enquiries into why Casa paid money into the client account, why it could receive money out of the client account, and why Mr Varma could receive money from the client account were inadequate, he did receive oral information that he regarded as satisfactory at the time;
 - 82.5. Although the First Respondent can now see that features of the Transaction were suspicious, he did not appreciate this at the time. He was comforted, for instance, by the video evidence that Mr Varma sent of work purportedly going on at the Hotel as well as the fact that the buyers had their own solicitors. The First Respondent was deceived by Mr Varma;
 - 82.6. Mr Orpen-Palmer and Mr Coates also both took the view, on what they knew, that it was appropriate for the Firm to continue to act, while remaining vigilant. The First Respondent does not seek to criticise them but instead relies on their view as support for his own approach;
 - 82.7. Similarly, the Firm did in fact continue to act for five months after the First Respondent left, and for almost seven months after the 1 August 2017 meeting. The First Respondent again does not seek to criticise the Firm, but

relies on this as showing that the exercise of 'joining the dots' was not straightforward;

82.8. There has never been any allegation that the First Respondent was dishonest. The SRA has accepted that he did not lack integrity and was not reckless;

82.9. The First Respondent was not motivated by financial gain;

82.10. The First Respondent has co-operated fully with the SRA's investigation. He also assisted with the litigation instigated by the Liquidators against Mr Varma, Mr England and others, including by providing witness evidence. The Judge in that case acknowledged his honest and straightforward evidence;

82.11. The SRA's investigation began in 2019 and its resolution has been slow. The First Respondent has found the investigation stressful and worrying and this has placed an enormous strain on his professional and personal life; and

82.12. The First Respondent has learned from his mistakes. In December 2021, he attended an online advanced AML Course. He also undertook AML Training at the two firms where he has been a partner since leaving the Firm. He also undertakes annual CQS (Conveyancing Quality Scheme) training at his current firm for his residential property work, an element of which involves risk and compliance training. He has also adopted a more cautious approach to when he can accept instructions and to making payments through client account.

Agreed Outcome

83. The First Respondent agrees to pay a fine of £27,500 and to pay a contribution to costs to the SRA in the sum of £25,000.

84. The parties consider and submit that in light of the admissions set out above and taking due account of the mitigation put forward by the First Respondent, the proposed outcome represents a proportionate resolution of the matter, consistent with the Tribunal's Guidance Note on Sanction (10th Edition).

85. It is agreed that:

- 85.1. The seriousness of the Allegations warrants sanction greater than a reprimand, but neither the protection of the public nor the protection of the reputation of the profession requires the First Respondent to be subject to restrictions, suspended or struck-off the Roll of Solicitors; and
 - 85.2. Considering the factors described below, the seriousness of the misconduct and giving effect to the purpose of sanction, this case falls in a bracket in which a mid-range Level 4 fine would be appropriate.
86. In respect of the level of culpability:
- 86.1. The First Respondent had been on the Roll for fourteen years at the time of the first of these Allegations;
 - 86.2. The First Respondent was a Partner at all material times;
 - 86.3. The First Respondent's failings, although not deliberate or motivated by financial gain, were spread out across a number of months and related to failing to identify that features of the transaction were suspicious.
87. In respect of the level of harm:
- 87.1. The joint liquidators had to bring civil proceedings to try and recover funds paid to GPD. The Firm's insurers settled one such claim although the amount paid is unknown;
 - 87.2. The sum paid out to Casa, Mr Varma and KD Law, net of the £145,000 paid into the Firm by Casa, was £1,407,167.34. Of the figures set out in paragraph 55 above, the total sum paid while the First Respondent was at the Firm through the client account on the matter was £5,233,497.11;
 - 87.3. The public are entitled to expect that members of the legal profession will adhere to the Money Laundering Regulations, and will be capable of identifying suspicious transactions. Failures to do so risk damaging the trust that the public places in the profession to (i) handle monies appropriately and (ii) guard against becoming involved in fraudulent transactions.
88. In respect of mitigating features, the First Respondent's mitigation is set out at paragraph 82 above. There is no evidence of dishonesty, the SRA has withdrawn allegations of

lack of integrity and recklessness, and the First Respondent has cooperated fully with his regulator, the SRA.

89. The Parties consider that in light of the admissions set out above and taking due account of the mitigation put forward by the First Respondent, the proposed outcome represents a proportionate resolution of the matter which is in the public interest.

Signed:

Date: 17/11/2024

Signed:

✓

On behalf of Solicitors Regulation Authority Limited

Date: