SOLICITORS DISCIPLINARY TRIBUNAL

IN THE MATTER OF THE SOLICITORS ACT 1974 Case No. 12616-2024

BETWEEN:

SOLICITORS REGULATION AUTHORITY LTD.	Applicant
and	
WGS SOLICITORS	First Respondent
JONATHAN RICHARD MAURICE GERBER	Second Respondent
BRIDGET CATHERINE MILLER	Third Respondent

Before:

Ms A Horne (in the chair)
Mr J Johnston
Mrs S Gordon

Date of Hearing: 9 December 2024

Appearances

Tom Broomfield, counsel, of QEB Hollis Whiteman, instructed by Capsticks LLP for the Applicant.

Paul Bennett, solicitor, instructed by WGS Solicitors for the First and Second Respondents.

Sian Darlington, solicitor for the Third Respondent.

JUDGMENT ON AN AGREED OUTCOME FOR THE FIRST RESPONDENT

Allegations

1. The allegations made against WGS Solicitors ("the Firm") by the Solicitors Regulation Authority Limited ("SRA") were that:

1.1. Between 3 May 2018 and 15 August 2020, it caused or allowed money to be received to and paid from the Firm's Client Account in circumstances other than in respect of an underlying legal transaction being undertaken by the Firm or in respect of the delivery by the Firm of normal regulated services.

And that in doing so, it breached or failed to comply with –

Insofar as the conduct took place before 25 November 2019:

1.1.1 Rule 14.5 of the SRA Accounts Rules 2011 ("the SAR 2011");
1.1.2 Principle 6 of the SRA Principles 2011 ("the 2011 Principles"); and
1.1.3 Principle 8 of the 2011 Principles;

Insofar as the conduct took place on or after 25 November 2019:

1.1.4 Rule 3.3 of the SRA Accounts Rules 2019 ("the SAR 2019");
1.1.5 Principle 2 of the SRA Principles 2019 ("the 2019 Principles"); and/or
1.1.6. Paragraph 2.1(a) of the SRA Code of Conduct for Firms ("the Code for Firms").

1.2. Between 26 June 2017 and 17 March 2021, being the 'Relevant Person' with ultimate responsibility for compliance with the prevailing anti-money laundering regulations, and as exemplified in the client matters identified in Appendix 2 to this statement, it failed adequately or at all to:

1.2.1 apply customer due diligence measures ("CDD"), contrary to Regulations 27 and 28 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("the 2017 MLR's");

1.2.2 apply enhanced customer due diligence measures ("EDD") and/or enhanced ongoing monitoring where indicated, contrary to Regulation 33 of the 2017 MLR's;

1.2.3 conduct ongoing monitoring of its business relationships with such entities, contrary to Regulation 28(11) of the 2017 MLR's;

1.2.4 conduct a risk assessment of the client and/or matter in accordance with Regulation 28(12) and 28(13) of the 2017 MLR's;

And that in doing so, it breached or failed to comply with:–

Insofar as the conduct took place before 25 November 2019:

1.2.1.1 Principle 6 of the 2011 Principles; and
1.2.1.2 Outcome 7.5 of the SRA Code of Conduct 2011;
1.2.1.3 Principle 8 of the 2011 Principles;

Insofar as the conduct took place on or after 25 November 2019:

1.2.1.4 Principle 2 of the 2019 Principles; and/or
1.2.1.5 Paragraph 2.1 of the Code for Firms.

2. The allegations made by the SRA against Mr Gerber were that he:

2.1. Between 3 May 2018 and 15 August 2020, caused or allowed receipts to and payments from the Firm's Client Account in matters for Person A or entities connected to Person A, in circumstances other than in respect of an underlying legal transaction being undertaken by the Firm or in respect of the delivery by the Firm of normal regulated services.

And that in doing so, he breached or failed to comply with–

Insofar as the conduct took place before 25 November 2019:

2.1.1 Rule 14.5 of the SAR 2011;
2.1.2 Principle 2 of the 2011 Principles:
2.1.3 Principle 6 of the 2011 Principles; and
2.1.4 Principle 8 of the 2011 Principles;

Insofar as the conduct took place on or after 25 November 2019:

2.1.5 Rule 3.3 of the SAR 2019;
2.1.6 Principle 2 of the 2019 Principles; and
2.1.7 Principle 5 of the 2019 Principles.

2.2. Between 3 May 2018 and 15 August 2020, being at all relevant times a member of the Firm and the partner with primary responsibility for its relationship with Person A1, in respect of matters connected to Person A1 he materially contributed to the Firm's anti-money laundering failures alleged at paragraph 1.2 above (or any of them).

And that, in doing so, he breached or failed to comply with:–

Insofar as the conduct took place before 25 November 2019:

2.2.1 Principle 6 of the 2011 Principles; and
2.2.2 Principle 8 of the 2011 Principles;

Insofar as the conduct took place on or after 25 November 2019:

2.2.3 Principle 2 of the 2019 Principles; and
2.2.4 Paragraph 7.1 of the SRA Code of Conduct for Solicitors, RELs and RFLs 2019 ("the Code for solicitors").

3. The allegations made by the SRA against Ms MiIller were that she:

3.1. Between 26 June 2017 and 1 November 2020, being a member of the Firm and, at all relevant times, the partner with primary responsibility for its relationship with Person B1, in respect of matters connected to Person B1 she materially contributed to the Firm's anti-money laundering failures alleged at paragraph 1.2 above (or any of them).

And that, in doing so, she breached or failed to comply with:–

Insofar as the conduct took place before 25 November 2019:

3.1.1 Principle 6 of the 2011 Principles; and
3.1.2 Principle 8 of the 2011 Principles;

Insofar as the conduct took place on or after 25 November 2019:

3.1.3 Principle 2 of the 2019 Principles; and
3.1.4 Paragraph 7.1 of the Code for solicitors.

4. The Firm admitted the allegations it faced.

Documents

5. The Tribunal had before it the following documents:-

- Rule 12 Statement and Exhibit MR1 dated 31 May 2024
- First Respondent's Answer dated 4 September 2024
- Second Respondent's Answer dated 4 September 2024
- Third Respondent's Answer dated 4 September 2024
- Applicant's Reply to the Respondents' Answers dated 18 September 2024
- Agreed Outcomes for the First and Third Respondents dated 9 December 2024
- Statement of Agreed Facts and Admissions as regards the Second Respondent dated 9 December 2024

Background

6. The Firm was a legal partnership and recognised body authorised for all legal services. As at the date of the Rule 12 Statement, based on the Applicant's records, it had 11 regulated people in the organisation and had begun trading as a partnership in April 2001. The Firm practised in the following areas: Probate and Estate Administration; Employment; Property - Residential; Landlord and Tenant (Commercial and Domestic); Litigation - Other; Family/Matrimonial; Property - Commercial; Wills, Trusts and Inheritance Tax Planning.

7. Mr Gerber was admitted as a solicitor in September 1991. He held a current unconditional Practising Certificate. At the material time, he was one of three equity partners in the Firm.

8. Ms Miller was admitted as a solicitor in December 1992. She held a current unconditional Practising Certificate. At the material time, she was a salaried partner of the Firm. She was not currently in paid work.

9. Between 17 March 2021 and 6 December 2021, the Firm submitted three reports to the SRA concerning Person A1 and Person B1, who had been clients of the Firm:

- 17 March 2021 - Report produced by Ince Gordon Dadds LLP;
- 23 September 2021 - Report produced by Pinsent Masons LLP; and
- 6 December 2021 - Report produced by Pinsent Masons LLP.

10. The reports identified concerns that the Firm had breached the 2017 MLR's and the SAR 2019 on matters connected with Person A1 and Person B1.

11. Following the Firm's reports, the SRA commissioned its own forensic investigation. This commenced on 13 September 2022, and ultimately resulted in the Forensic Investigation Report dated 12 December 2022 ("the Fl Report"), together with supporting appendices.

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

12. The parties invited the Tribunal to deal with the Allegations against the Firm 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

13. 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 the Firm's rights to a fair trial and its rights under Articles 6 and 8 of the European Convention for the Protection of Human Rights and Fundamental Freedoms.

14. The Tribunal reviewed all the material before it and was satisfied on the balance of probabilities that the Firm's admissions were properly made.

15. 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 the Firm had failed to have proper procedures in place in order to ensure its compliance with its regulatory obligations. It had direct control of those failings, which had continued over a significant period of time. It had allowed its client account to be used as a banking facility in circumstances where it had failed to ensure that proper checks were in place to militate against the risks of money laundering. The Tribunal determined that the appropriate sanction was a financial penalty that fell within its Indicative Fine Band Level 4. The parties had proposed a fine in the sum of £25,258.00. This took into account the Firm's turnover. The Tribunal determined that the proposed amount was reasonable and proportionate. Accordingly, the Tribunal approved the proposed sanction.

Costs

16. The parties agreed costs in the sum of £18,000. The Tribunal determined that the agreed sum was reasonable and proportionate in all the circumstances. Accordingly, the Tribunal ordered that the Firm pay costs in the agreed sum.

Statement of Full Order

17. The Tribunal ORDERED that the Respondent, WGS Solicitors, Recognised Body, do pay a fine of £25,258.00, such penalty to be forfeit to His Majesty the King, and it further Ordered that it do pay the costs of and incidental to this application and enquiry fixed in the sum of £18,000.00.

Dated this 16th day of January 2025
On behalf of the Tribunal

A Horne

A Horne
Chair

JUDGMENT FILED WITH THE LAW SOCIETY
16 JAN 2025

BEFORE THE SOLICITORS DISCIPLINARY TRIBUNAL
IN THE MATTER OF THE SOLICITORS ACT 1974 (as amended)
AND IN THE MATTER OF:

SOLICITORS REGULATION AUTHORITY LIMITED

Applicant

and

WGS SOLICITORS

First Respondent

and

JONATHAN RICHARD MAURICE GERBER

Second Respondent

and

BRIDGET CATHERINE MILLER

Third Respondent

STATEMENT OF AGREED FACTS AND OUTCOME FOR THE FIRST RESPONDENT

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1. By a statement made by Mark Rogers on behalf of the Applicant, the Solicitors Regulation Authority Limited (the "SRA"), pursuant to Rule 12 of the Solicitors (Disciplinary Proceedings) Rules 2019 and dated 31 May 2024 ("the Rule 12 statement"), the SRA brought proceedings before the Tribunal making allegations of misconduct against the First Respondent.

2. Definitions and abbreviations used herein are those set out in the Rule 12 Statement. The numbering of the allegations as outlined in the Rule 12 statement has also been retained in this document for ease of reference.

ALLEGATIONS

1. The allegations made by the SRA against the First Respondent, WGS Solicitors (SRA ID: 344440) ("the Firm"), are that:

   1.1. Between 3 May 2018 and 15 August 2020, it caused or allowed money to be received to and paid from the Firm's Client Account in circumstances other than in respect of

an underlying legal transaction being undertaken by the Firm or in respect of the delivery by the Firm of normal regulated services.

AND THAT, in doing so, it breached or failed to comply with–

Insofar as the conduct took place before 25 November 2019:

i. Rule 14.5 of the SRA Accounts Rules 2011 ("the SAR 2011");
ii. Principle 6 of the SRA Principles 2011 ("the 2011 Principles"); and
iii. Principle 8 of the 2011 Principles;

Insofar as the conduct took place on or after 25 November 2019:

iv. Rule 3.3 of the SRA Accounts Rules 2019 ("the SAR 2019");
v. Principle 2 of the SRA Principles 2019 ("the 2019 Principles"); and/or
vi. Paragraph 2.1(a) of the SRA Code of Conduct for Firms ("the code for Firms").

1.2 Between 26 June 2017 and 17 March 2021, being the 'Relevant Person' with ultimate responsibility for compliance with the prevailing anti-money laundering regulations, and as exemplified in the client matters identified in Appendix 2 to this statement[1], it failed adequately or at all to:

1.2.1 apply customer due diligence measures ("CDD"), contrary to Regulations 27 and 28 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("the 2017 MLR's");
1.2.2 apply enhanced customer due diligence measures ("EDD") and/or enhanced ongoing monitoring where indicated, contrary to Regulation 33 of the 2017 MLR's;
1.2.3 conduct ongoing monitoring of its business relationships with such entities, contrary to Regulation 28(11) of the 2017 MLR's;
1.2.4 conduct a risk assessment of the client and/or matter in accordance with Regulation 28(12) and 28(13) of the 2017 MLR's;

AND THAT, in doing so, it breached or failed to comply with:–

Insofar as the conduct took place before 25 November 2019:

[1] Being the Rule 12 statement

i. Principle 6 of the 2011 Principles; and

ii. Outcome 7.5 of the SRA Code of Conduct 2011;

iii. Principle 8 of the 2011 Principles;

Insofar as the conduct took place on or after 25 November 2019:

iv. Principle 2 of the 2019 Principles; and/or

v. Paragraph 2.1 of the Code for Firms.

ADMISSIONS

2. The First Respondent is prepared to make admissions to allegations 1.1 and 1.2 and the associated breaches of the Principles and Codes of Conduct referred to, as set out in this document.

3. The SRA has considered the admissions being made and whether those admissions, and the outcomes proposed in this document, meet the public interest having regard to the gravity of the matters alleged. For the reasons explained in more detail below, and subject to the Tribunal's approval, the SRA is satisfied that the admissions and outcome do satisfy the public interest.

4. The Parties invite the Tribunal to approve this Agreed Outcome on this basis. The Parties consider in all the circumstances that the proposed Agreed Outcome represents a proportionate outcome to the proceedings which is in the public interest.

AGREED FACTS

Parties

5. The Firm or "the First Respondent", is a legal partnership and a recognised body authorised for all legal services. As at the date of the Rule 12 Statement, based on the Applicant's records it had 11 regulated people in the organisation and began trading as a partnership in April 2001. The First Respondent practises in the following areas: Probate and Estate Administration; Employment; Property – Residential; Landlord and Tenant (Commercial and Domestic); Litigation – Other; Family / Matrimonial; Property – Commercial; Wills, Trusts and Inheritance Tax Planning.

6. Mr Gerber, the Second Respondent, was admitted as a solicitor on 16 September 1991. He holds a current Practising Certificate, free from conditions. At material times he was

one of three equity partners at the First Respondent, and is now understood to be one of two equity partners at the First Respondent.

7. Ms Miller, the Third Respondent, was admitted as a solicitor on 1 December 1992. She currently holds a Practising Certificate, free from conditions. At material times she was a salaried partner at the First Respondent, but is not currently in paid work.

Background

8. Between 17 March 2021 and 6 December 2021, the First Respondent submitted three reports to the SRA concerning Person A1 and Person B1, who had been clients of the First Respondent:

   8.1. 17 March 2021 – Report produced by Ince Gordon Dadds LLP;

   8.2. 23 September 2021 – Report produced by Pinsent Masons LLP;

   8.3. 6 December 2021 – Report produced by Pinsent Masons LLP; and

9. The reports identified concerns that the First Respondent had breached the 2017 MLR's and the SAR 2019 on matters connected with Person A1 and Person B1.

10. Following the First Respondent's report, the SRA commissioned its own forensic investigation. This commenced on 13 September 2022 and ultimately resulted in a forensic investigation report dated 12 December 2022 ("the FI Report"), together with supporting appendices.

Summary: Person A1

11. Person A1 was a client of the First Respondent. He was a high-net-worth individual who was president of a commodities Company which included business in the oil and energy industry, operating globally including in Russia and Eurasia. Person A1 worked in Russia and Eurasia, held or previously held Israeli and Canadian passports, used offshore companies and some of the funds provided to the First Respondent came from outside of the UK. The First Respondent and/or its officers state that they knew that Person A1 had a home in London because the Second Respondent met Person A1 at his London home and understood that Person A1 also had a home in Jerusalem (as evidenced by the file).

12. Following a request on behalf of Person A1, the First Respondent allowed its client account to be used to facilitate purchases of high value art for the convenience and anonymity of the client and a connected holding company registered in the Seychelles, with funds sent to the First Respondent from Person A1's personal bank account and a bank account in the name of a Marshall Islands Company of which Person A1 was the ultimate beneficial owner.

13. Person B1 was a client of the First Respondent (or a predecessor firm) from 1997, predominantly in relation to property purchases and re-mortgages. Between 6 February 2015 and 27 September 2019, the First Respondent received 113 deposits into its client account in relation to Person B1's matters totalling £1,498,048.00, which were described as 'remittances' on the bank statements. The number of individual 'remittances' increased substantially from 2016 onwards: from 3 (a total of £67,000) in 2016, to 13 (£184,500) in 2017, all of which post-dated the introduction of the 2017 MLRs on 26 June 2017, to 48 (£356,100) in 2018; while in 2019 the First Respondent received 34 such deposits totalling £787,820.00 up to 27 September 2019. On 12 November 2020, the First Respondent's bank identified to the First Respondent that the deposits into the client account by Person B1 and recorded as 'remittances' between 26 February 2018 and 27 September 2019 were made in cash. Further, Person B1 had requested that the First Respondent open a "general" client account ledger rather than ledgers for each transaction, for his own convenience. This was opened on request in February 2015. The funds held on this general ledger were transferred to other matters as required.

14. When from July 2019 the Third Respondent had queried the source of funds of cash deposits, after the bank raised queries with the First Respondent, Person B1 gave different responses to the second enquiry made of him, as compared to his responses to the first enquiry.

Allegation 1.1: provision of banking facility

Person A1

15. The First Respondent was initially instructed by Person A1 in 2010 to provide matrimonial advice. The First Respondent subsequently acted for Person A1 in various property transactions:
    15.1. Purchase of a property in Road A for £3,250,000.00 in April 2011;
    15.2. Sale of a property in Road A for £3,880,000.00 in June 2011;
    15.3. Purchase of a property in Road L for £2,900,000.00 in July 2011;

15.4. Purchase of a property in Road S for £4,390,000.00 in July 2014; and

15.5. Purchase of House L for £1,175,000.00 in December 2015.

16. Between May 2018 and August 2020, Person A1 instructed the First Respondent (matter K3311) to facilitate the purchase of artwork.

17. On 3 May 2018, Person A2, Person A1's personal assistant, emailed the Second Respondent stating:

> *"Jonathan hi. We have set up a company and [Person A1] wants to buy some art using this company. He would prefer to keep his dealings private and was wondering if he could arrange purchase via you just like we would do for a house for example?"*

18. The Second Respondent replied to this email on 4 May 2018 stating:

> *"Hi—Id need more details about this from a money laundering perspective. Is it an offshore company? But in principle happy to help"*

19. Person A2 replied to the Second Respondent the same day:

> *"Jonathan hi. Thanks for reverting. I have established a Seychelles company as an spv specifically for holding art as [Person A1] wants to start a collection. We will then most likely fold the spv into his family trust once that is officially established. [Person A1] just wants to try and keep the process as private as possible."*

20. In subsequent emails between the Second Respondent and Person A2, the Second Respondent agreed that the First Respondent could assist with the transfer as regards confidentiality. On 10 May 2018, Person A2 emailed the Second Respondent stating:

> *"...We have decided to proceed with the art purchase and again [Person A1] would prefer confidentiality where possible regarding the art collection. We have established an SPV to hold the art and would be grateful if you could pay for the first acquisition on our behalf. The sum is USD1m and I can send you over the details and the funds when you are back."*

21. The client ledger demonstrates a payment of $1,000,000.00 was made on 22 May 2018 with the reference "ART PURCHASE FM [PERSON A1] [Company 1] ART PURCHASE TO [ART GALLERY A].

22. The First Respondent and the Second Respondent went on to assist Person A1 in respect of a further seven art purchases. In respect of all of the purchases, the First Respondent received the following amounts from Person A1 or his company, Company 2, into its client account:

Date	Amount ($)	Amount (€)	Name on Account
22/05/2018	1,000,000.00		Person A1
04/06/2018		2,950,000.00	Person A1
24/07/2018	735,000.00		Person A1
05/09/2018	29,000.00		Person A1
20/03/2019	2,200,000.00		Person A1
22/03/2019		1,850,000.00	Person A1
10/07/2019		30,000.00	Person A1
26/11/2019		146,000.00	Person A1
12/03/2020	4,150,000.00		Person A1
30/06/2020		35,000.00	Company 2
04/08/2020	2,515,000.00		Company 2
Total	**10,629,000.00**	**5,011,000.00**	

23. The following payments were made from the client account in respect of art purchases:

Date	Amount ($)	Amount (€)	Gallery	Invoice

22/05/2018	1,000,000.00		Art Gallery A	01/05/2018
04/06/2018		2,950,000.00	Art Gallery B	30/05/2018
25/07/2018	735,000.00		Art Gallery A	12/07/2018
21/03/2019	2,200,000.00		Art Gallery B	18/03/2019
26/03/2019		1,850,000.00	Art Gallery B	18/03/2019
28/11/2019		145,900.00	Art Gallery B	20/11/2019
18/03/2020	4,150,000.00		Art Gallery A	29/02/2020
12/08/2020	2,500,000.00		Art Gallery A	22/07/2020
Total	10,585,000.00	4,945,900.00		

24. Following the receipt of $2,200,000.00 on 21 March 2019, the Second Respondent emailed Person A2 stating:

"Ok 2.2m US received. Just remind me why you are paying this through my firm and not direct"

25. Person A2 responded stating:

"[Person A1] is putting together collection but he wants in (sic) completely private including our bank. We have done few times before. Nothing more than this. Can you do today as I am under pressure we can lose painting."

26. The First Respondent also made the following payments from the client account relating to the associated costs of the above artwork purchases, e.g. for shipping, storage and insurance:

Date	Amount ($)	Amount (€)	Gallery	Invoice
12/09/2018	27,901.17		II	22/05/2018 16/07/2018 04/09/2018

12/07/2019		29,624.43	AP	21/06/2019
10/07/2020		13,614.15	MT	15/06/2020
10/07/2020		18,755.00	AP	25/06/2020
13/08/2020	13,330.52		MT	23/07/2020
Total	41,231.69	61,993.58		

27. All of the transactions in the First Respondent's US dollar account in the period 1 January 2018 to 1 March 2021 related to the art purchases or transactions relating to interest earned.

28. All of the transactions in the First Respondent's Euro account in the period 29 October 2016 to 11 May 2021 related to the art purchases or interest on money held (save for one payment seemingly received and then made on another matter between 3 and 7 September 2018).

29. The payment request forms for the transactions outlined at paragraphs 24 and 25 above were unsigned and did not record who requested or authorised the payments. In response to being asked to provide this information by the Forensic Investigation Officer ("FIO"), the First Respondent stated through its then representatives:

> *"We understand that the Firm's operating procedure is for the fee earner to request the CHAPS transfer forms for payments from the office and client accounts and the completed CHAPS transfer forms are then reviewed and inputted within the Finance Team by [SS] before being authorised with the third level of approval by one of the Firm's equity partners. For this period in question in relation to the Person A1 transfers the three equity partners were Jonathan Gerber, Jerome Shapiro and [SWP]. As the fee earner, Mr Gerber would arrange for the CHAPS transfer forms to be completed and we are instructed that the completed CHAPS transfer forms would then be passed to SS for further review and inputting before being authorised by either Mr Shapiro or [SWP] or Mr Gerber in their capacity as equity partner."*

30. On 28 October 2020, Person A2 emailed the Second Respondent asking if the First Respondent could assist with the purchase of a further painting. On 3 November 2020, the Second Respondent replied stating:

> *"Hi—IM (sic) afraid as a firm we are not allowed to be used simply as a bank to pay invoices for clients. I really should not have done this before. Apologies."*

31. Person A2 responded the same day indicating:

> *"for the record Jonathan we did not want to use you as a bank as we have many banks we simply wanted to keep the collection as private as we could – this was the reason but your position is noted and understood and apologies if I put you in a position but the intention was purely to maintain confidentiality."*

32. Between 15 October 2018 and 15 September 2020 the First Respondent issued invoices to Person A's holding company headed "Purchases of Art" or "Further Purchases of Art", with narratives in summary of "Receiving purchase monies from you and remitting to sellers" or similar such as "Receiving purchase monies and monies for storage and insurance from you; attendance on telephone with Gallery and storage company; remitting funds to Gallery and storage company". The total invoices rendered by the First Respondent for the art purchased came to a total of £2,256.34. On 20 October 2020 and 30 March 2021 the First Respondent issued credit notes to negate the bills, so there was no financial gain to the First Respondent.

33. When asked by the First Respondent's client account provider bank, to provide details of payments received from Person A1 together with the rationale for a UK solicitor being required for certain transactions, the Second Respondent replied by email on 26 November 2020 stating:

> *"...In 2018 he [Person A1] started to put together a substantial private art works collection. He established a stand alone company [Company 1] for the purpose of holding this collection. He had a strong desire to keep the details of the art collection private hence why he used a nominee company for the art purchases. He did not want his bank to have all the exact details of the art works purchased. The Galleries were aware that Person A was purchasing the art works for his personal collection."*

Allegation 1.2 – First Respondent's failures to discharge its AML obligations adequately or at all

34. The First Respondent's AML Policy was set out in its Office Manual. That document summarised the key requirements of the AML regulations, but for 'detailed guidance' fee earners were directed to a link to the Law Society Anti-Money Laundering Practice Note dated October 2013.

35. In response to the SRA's question regarding when the First Respondent's AML policy was first drafted, the First Respondent's former legal representatives stated "June 2017". Despite this answer, no document has been provided to corroborate a written policy being in place in June 2017.

36. On 28 October 2022, the First Respondent provided a PDF document titled "2018" which contained a selection of policies relating to AML and other compliance matters. These documents appeared to be template documents from the Law Society that had not been tailored to the First Respondent. Mr SWP, then a partner in the First Respondent, explained in his interview with the SRA that he had purchased a version of the Law Society Anti-Money Laundering Toolkit published in 2018, which he used to create the First Respondent's AML and related policies.

37. A PDF document titled "2019" was also provided to the SRA on 28 October 2022. This document contained two undated, typed notes, one summarising the policies and the other titled "*ADVICE FROM SRA AND LAW SOC and my thoughts*".

38. On 3 January 2020, SWP wrote a memo to the First Respondent's staff in the following terms:

> *"I will in the next few days be circulating a Memorandum and a ring binder with up to date anti money laundering (AML) documents. The SRA emphasise the importance of this and we are all aware of this in any event. I am going to ask each of you to deal with those with whom you work most closely to make sure that you and your immediate colleagues are familiar with all the AML documents and deal with them accordingly. The ring binder will contain a Memorandum and notes on our updated AML procedure with a copy of all the documents which we should use in every case and risk assessments for every file. This is not optional. The SRA require it and I have, as COLP, been asked to sign a Declaration which I must deliver to the SRA before January 20th confirming that we as a firm and all of you colleagues in particular are dealing with all of our AML obligations in accordance with the SRA regulations. I am*

sorry to burden you with further administrative matters. I wish it were not the case but unfortunately we have no choice but to meet these demands"

39. The Second and Third Respondents received "*CQS AML and Risk Training*" in May 2018 and April 2019. Extracts from that demonstrated that the training modules highlighted the following as money laundering 'red flags':

    39.1. Purchases of very high value properties by overseas companies and trusts;

    39.2. Purchases involving money from high risk countries; and

    39.3. Purchase transactions that do not fit with the lifestyle/wealth of the client.

40. The training also outlined that in order to prevent money laundering you must:

    40.1. Carry out proper customer due diligence on clients;

    40.2. Verify a client's identity and check the source of funds;

    40.3. Check the circumstances of the proposed transaction;

    40.4. Be aware of the warning signs for money laundering risks; and

    40.5. Be very careful to avoid the client account being exploited.

41. Following the events noted in the matters exemplified herein, and notification from its then bank of the closure of its accounts, the First Respondent introduced new AML procedures and policies in 2021, including instructing external third parties to advise on the same and provide training.

Exemplified Matter 1 - Person A1

42. The First Respondent held the following due diligence documents relating to Person A1:

    42.1. Canadian passport (expiry date 10 December 2014);

    42.2. Israeli passport (expiry date 18 March 2025);

    42.3. Utility bills for a property in Jerusalem dated 27 December 2019 and 26 June 2020 with an English translation certified by a law firm in Tel Aviv; and

    42.4. A World-Check One report dated 11 March 2021 showing there were no exact matches to Person A1.

43. The First Respondent provided a table stating when the above documents were obtained from Person A1. Based on the table, the First Respondent did not hold a copy of a valid

identity document for Person A1 between the expiry of his Canadian passport on 10 December 2014 and obtaining his Israeli passport on 19 December 2018. The only address verification provided by the First Respondent for Person A1 was obtained on 26 November 2020 (after the artwork purchases were completed). This was requested by the Second Respondent on 25 November 2020 as that was the date of the first transaction queried by the First Respondent's then bank.

44. The First Respondent held the following due diligence documents relating to Company 2 (the company which provided part of the money used to purchase the artworks):

    44.1. Certificate of Incorporation from the Marshall Islands dated 3 April 2014;

    44.2. Declaration signed by a Mr FP on 3 April 2014 to the effect that he was holding the shares in Company 2 as a nominee for the benefit of Person A1; and

    44.3. Certificate of Incumbency dated 19 May 2014 which stated that the company was in good standing and the sole shareholder was Mr FP.

45. The table provided by the First Respondent outlined that the above documents were not obtained until August 2020, i.e. after the artwork purchases were completed.

46. The First Respondent held the following due diligence documents relating to Company 1 (the company which was incorporated to hold the artwork):

    46.1. Certificate of Incorporation from the Seychelles dated 2 October 2017;

    46.2. Memorandum and Articles of Association;

    46.3. Share Certificates;

    46.4. Certificate of Incumbency dated 27 April 2018 which stated that the shares in the company were held half by [WSL] and half by [BVL];

    46.5. Two declarations of trust, one each from WSL and BVL, both dated 27 April 2018 signed by the directors of those companies stating that the shares in Company 1 were held upon trust for Person A1;

    46.6. An Ultimate Beneficial Owner Declaration form dated 9 October 2020, i.e. after the transactions, signed by a director of WSL stating that Person A1 was the ultimate beneficial owner of Company 1 (referring to the address in Jerusalem for which the First Respondent obtained utility bills);

    46.7. Articles of Incorporation, Certificate of Incumbency and Certificate of Good Standing for corporate shareholder WSL; and

46.8. Articles of Incorporation, Certificate of Incumbency and Certificate of Good Standing for corporate shareholder BVL.

47. On 23 September 2022, the First Respondent confirmed that the above documents constituted all of the Know Your Client (KYC) and due diligence documents held in respect of Person A1 and his companies.

48. On 28 September 2022, the FIO requested any documents obtained by the First Respondent to verify the source of funds on Person A1's transactions together with any written records of his source of wealth or funds. No information or documentation was provided in response to this request.

49. On 14 October 2022, the First Respondent's former legal representatives confirmed that no matter risk assessments had been recorded in relation to Person A1's matters after the introduction of the MLRs 2017 until the exercise to improve the First Respondent's AML PCPs undertaken in 2021. The art transactions had concluded in 2018 – 2020, with no matter risk assessment undertaken and recorded.

Exemplified Matter 2 - Person B1

50. Person B1 first instructed the First Respondent (or its predecessor firm) in 1997. From 2011 onwards, the Fee Earner on Person B1's matters was the Third Respondent. The First Respondent did not act for Person B1 after November 2020.

51. Between 3 December 1999 and 6 September 2019, the First Respondent represented Person B1 in respect of 28 property purchases. The total purchase price across those transactions was £12,324,338.09 against borrowing of £5,808,575.50. Seven of the purchases were cash purchases, i.e. funded without borrowings.

52. The First Respondent held the following due diligence documents relating to Person B1:

    52.1. UK driving licence (expiry date 2 May 2012);

    52.2. British passport (expiry date 11 September 2024);

    52.3. A current account bank statement in the name of Person B1 showing transactions between 20-27 July 2010;

    52.4. A savings account bank statement showing transactions from 2 September 2013 to 1 November 2013;

    52.5. A building society mortgage statement dated 1 November 2017; and

    52.6. An undated Vida Homeloans Property Portfolio Information;

53. In 2014, Person B1 asked whether the First Respondent could open one ledger with one reference number. The First Respondent stated this was as he had multiple transactions ongoing and he found it frustrating to remember which file number related to which transaction. In response to this request, file matter reference B3448 was opened with the matter description "*General Matters*" in February 2015.

54. The ledger for the B3448 matter demonstrates the following annual "REM" (Remittance) deposits made by or on behalf of Person B1:

Year	Number of Deposits	Amount (£)
2015	15	102,628.00
2016	3	67,000.00
2017	13	184,500.00
2018	48	356,100.00
2019	34	787,820.00
Total	113	1,498,048.00

55. The "REM" (remittance) deposits made into the B3448 client account after 26 June 2017, the date the MLRs 2017 came into force, was £1,328,420.00. These "REM" deposits typically comprised round sum payments directly into the First Respondent's client account.

56. The First Respondent, with the Third Respondent as the fee-earner and client/matter partner, completed six property purchases for Person B1 after the introduction of MLRs 2017.

57. No matter risk assessments had been undertaken or recorded in relation to Person B1's matters after the introduction of the MLR's 2017.

58. The FI Report exemplified three of the six property purchases completed after the introduction of the MLRs 2017, from June 2018 – August 2019. This exemplified and set out how most of the "REM" deposits were utilised, by transferring the funds internally to ledgers for specific property purchases that were either being made as significant cash

purchases, i.e. purchases with no borrowing (for the first and third properties exemplified), or with over £200,000 cash contribution (for the second property exemplified).

Queries from the First Respondent's then bank

59. On 16 September 2019, PK of the First Respondent's then bank's Business Banking Team emailed the Second Respondent and SS (Chief Cashier / Financial Controller) of the First Respondent to thank them for providing certain information relating to their query, and to notify them that *"If there has been a Risk Event that impacts you I will let you ASAP (sic)"*. It is understood from the First Respondent's self-report to the SRA of 17 March 2021 that the First Respondent's then bank had queried a cash deposit of £21,000.00 made by Person B1.

60. On 23 September 2019, PK emailed the First Respondent again to raise various questions:

> *"I have been asked further questions in relation to the matter we discussed earlier in the month. May I ask for a response from you [sic] chief Anti-Money Laundering officer to the following:*
>
> - *What level of customer due diligence was applied to [Person B1]?*
> - *How was the customer identified and by what documentation?*
> - *Was "source of funds" requested to evidence the origin of the cash funding and if so what evidence was provided and was it credible.*
> - *What is the purpose of the transaction?*
> - *Is the transaction related to a personal matter or a business matter.*
> - *Are/Were any concerns held over the cash credit activity? If so was a disclosure made to the authorities.*
> - *Please confirm if the cash activity seen between 07/05/19-13/05/19 also relates to [Person B1]?"*

61. SS of the First Respondent responded on the same day, querying whether the funds that came from Person B1 was cash as it did not show in this way on the First Respondent's bank statements.

62. On 24 September 2019, the Third Respondent emailed the Second Respondent and SS stating:

> *"[Person B1] has been a client for many years (more than 10 years) - he was originally [MF's] client. I have an up to date copy of his UK passport (I made the copy). I have in*

the past seen his bank statements - he banks with [Bank name]. I have met [Person B1] on many occasions. I queried source of funds with the client, the monies are from rental income, he owns many buy to let properties (which he usually purchases with a mortgage). "[Person B1's] purchase was of another buy to let property. [The bank] are referring to cash - if [Person B1] paid cash to [Bank name] I wasn't aware of this, the information we get from [Bank name] does not refer to a cash payment."

63. On 7 October 2019, the Third Respondent emailed Person B1 stating:

"I have been informed that you have paid £21,000 in cash into our client account. Please be aware we cannot accept cash into our client account. Please could you provide details of the source of the funds along with evidence confirming this."

64. Person B1 responded to this email on 10 October 2019, claiming that the source of that amount came from "*rentals*" of several stated properties. This information was broadly relayed to the First Respondent's then bank by the Second Respondent, on behalf of the First Respondent, on 22 October 2019.

65. On 12 November 2020, the First Respondent's bank again emailed the equity partners at the First Respondent and SS, this time outlining a number of additional queries and highlighting that between 26 February 2018 and 27 September 2019 a total of £1,109,920 had been deposited into the client account in cash credits under the reference B3448 [i.e. for Person B1].

66. On 26 November 2020, Person B1, following an enquiry from the Third Respondent, confirmed that payments specifically listed and queried, and made in cash to the client account between 26 February 2018 and 7 June 2019, were from his (unnamed) "business partner".

67. On 26 November 2020, the Second Respondent, on behalf of the partners of the First Respondent, responded to their then bank's email of 12 November 2020 to answer their queries in respect of Person B1, although not with the information of cash payments being now stated to be from his business partner rather than from rental income.

68. On 6 January 2021, the First Respondent's then bank wrote to the First Respondent, to advise that its bank accounts would be closed on 8 March 2021.

69. On 23 September 2022, the First Respondent's former legal representatives confirmed that the documents outlined at paragraph 52 above constituted all of the Know Your Client (KYC) and due diligence documents held in respect of Person B1.

70. As noted above, the First Respondent's former legal representatives confirmed that no matter risk assessments had been recorded in relation to Person B1's matters after the introduction of the MLRs 2017.

71. In relation to Person B1 there was no appropriate additional CDD or source of funds checks conducted and proper risk assessments should have been carried out, particularly given the increase in smaller, round sum payments being made by Person B1 after 26 June 2017. As alleged and admitted at allegation 1.2 above these facts should have prompted a change in approach[2]. Risk assessments should have noted cash only property transactions and, in particular, that the number of smaller, round-sum deposits had increased significantly in the context of cash-intensive purchases of property. There were no substantive enquiries made, even when a payment was returned to the third party to pay via Person B1. Where the explanation from Person B1 had been that payments were from rental properties, requests were not made for bank statements to evidence this. No checks on the position were made at all. Instead, queries were only raised after the First Respondent's Bank raised queries. In particular, with regards to Person B1, the following should have been carried out:

    71.1. client and matter risk assessments (CMRA) (Regulation 28(12));

    71.2. ongoing monitoring of the business relationship (Reg 28(11)) including, where necessary, the source of funds (Regulation 28(11)).

NON-AGREED MITIGATION

72. 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. The First Respondent states that:

    72.1. Neither of the current Equity Partners of the First Respondent were, at the relevant time of these matters, the Money Laundering Reporting Officer (MLRO) or the Compliance Officer for Legal Practice (COLP) but have admitted to the firm's errors in the initial self-report of March 2021, subsequently in two further self-reports and in terms of the changes which came into force on the 26 June 2017 with the heavily revised expectations on law firms under the 2017 MLRs.

    72.2. The Employer of Person A1 was at the material time a major international energy company with offices in Singapore, London and Geneva amongst other locations.

[2] The allegation relates to conduct from 26 June 2017 onwards, being the date on which the MLRs 2017 came into force.

72.3. Person A1 had at all material times homes in both London and Jerusalem. Person A1 also had a personal assistant who led on all communications with the Second Respondent who was based in Ireland. Therefore despite the overseas link of Person A1 these were primarily strong links with the UK, EU and wider European countries.

72.4. The use by the Bank of "REM" on bank records when notifying the First Respondent of monies received into the firm's client account did not refer to any cash receipts and expressed referred to the receipts as "Cleared Status" was therefore not an indicator for the First Respondent (and its staff) of cash being deposited per se, but simply of funds being remitted and received. The First Respondent (and its staff) therefore were not made aware by the Bank of any cash deposits by Person B1 until first alerted by the Bank in 2019 as to one cash deposit by B1 and further alerted in November 2020 as to further cash deposits from B1.

72.5. The First Respondent's failure to appreciate the nature and extent of the 2017 MLRs more extensive requirements is at the heart of this case and the admissions made, but this was compounded by the omission of any reference to cash receipts in the Bank's remittance notifications to the First Respondent by the Bank.

72.6. The First Respondent once it had received notice from the Bank in January 2021 that it was closing its accounts in March 2021 thought it may have made errors and thereafter sought extensive external support (to include a full review of the firm's client ledgers and files by the firm's former solicitors Pinsent Masons) for the following reasons:

72.6.1. To understand what it had got right and wrong historically given the bank closing its account without explanation;

72.6.2. To ensure that the SRA received a self-report of the historical errors;

72.6.3. To evolve its Policies, Procedures, Systems and Training to address the lack of internal understanding of the 2017 MLRs.

72.7. The First Respondent has spent the following sum addressing the historical errors and misjudgements:

72.7.1. [redacted] a KC and his assistant)--- £17,675 plus vat—total £21,210

72.7.2. [redacted] – one of two former solicitors referred to above - £12,057.50 plus vat—total £14,469

72.7.3. [redacted] the former Solicitors referred to above -£117,025 plus vat—total £140,430

72.7.4. [redacted] – an independent financial advisers to law firms £63,961 plus vat—total £76,754

72.7.5. [redacted] – a financial compliance consultancy - £33,034 plus vat—total £39,641

72.8. The total of £292,504 spent by the two Equity Partners of WGS Solicitors is an extraordinary sum in seeking to remedy matters. These costs were not insured so all were paid from the First Respondent's cash flow which naturally had a material impact on the firm's cash reserves during that period. These costs are dominated by the costs of identifying fully the issue and reporting it to the SRA (72.7.1 to 72.7.3) but also cover the support needed to implement the culture, systems and processes to remedy future risks (72.7.4 and 72.7.5).

72.9. The total invoices rendered by the First Respondent to Person A1 in respect of the art purchases was £2256.24 including disbursements of £126,34 (no Vat) due to the international nature of matters.

72.10. Person A1 was well known to the Second Respondent and an established client of the First Respondent of around 10 years standing. The Second Respondent had initially been recommended to Person A1 by the Second Respondent's brother-in-law. Person A1 also knew a close friend and longstanding client of the Second Respondent. The Second Respondent did various pieces of work for Person A1 over the years mainly in relation to the acquisition of residential properties, and met him on occasions, once at Person A1's London home in St. Johns Wood. The Second Respondent knew that Person A1 was very highly paid, with a London home and that there was low risk that any of the monies provided by him and his companies were the proceeds of crime. There has in fact been no evidence or allegation that any of the monies were the proceeds in crime. In respect of the art purchases, the Second Respondent was initially instructed for one matter only.

72.11. The success of the First Respondent's systemic corrections of its historical failures is supported by it having been subject to an SRA AML Audit in April 2022, from which it emerged without any current or further historical problems.

72.12. Further mitigation lies in the prolonged period since this matter was reported to the SRA, the SRA's task being made significantly easier by the candid and complete self-reports made to it by the two sets of former Solicitors which demonstrate the First Respondent's honesty and integrity in addressing the historical errors.

72.13. There was no money laundering or underlying concerns about the funds from respected business and professional clients, and the admissions above relate to breaches of the 2017 MLRs however the absence of any evidence of any underlying money laundering is a significant public interest point of mitigation This is a Policies, Controls and Procedures (PCP) issue and there is no evidence of criminality or laundering of funds.

72.14. It is noted that the SRA have not noted that Person B1 is a doctor and professional landlord, again implied points are made to undermine this individual but

the reality is there was no evidence of any criminality or money laundering, but a Policies, Controls and Procedures failure.

72.15. The remedial actions taken as noted above and the subsequent AML Audit demonstrate the First Respondent through its Equity Partners has invested heavily in addressing historical failures and ensured the errors of the past were self-reported to the SRA and not repeated.

72.16. The First Respondent did have an AML policy in place at all times which was updated in 2016 and 2018 but it accepts the policy failed to meet the 2017 MLRs which it only understood after the events in question following external advice.

72.17. Persons A1 and B1 are no longer clients of the First Respondent.

72.18. There has not been any dishonesty on the part of the First Respondent (or its Equity Partners) nor any financial losses arising from their actions referred to in their Self Reports to the SRA.

PROPOSED SANCTION, INCLUDING EXPLANATION OF WHY SUCH ORDER WOULD BE IN ACCORDANCE WITH THE TRIBUNAL'S GUIDANCE NOTE ON SANCTION

73. Subject to the Tribunal's approval, it is agreed that the First Respondent should be subject to a financial penalty of £25,258 as set out below. Neither the protection of the public nor the protection of the reputation of the legal profession requires a more serious sanction against the First Respondent.

74. The sanction outlined above is considered to be in accordance with the Tribunal's Guidance *Note on Sanctions* (10th edition) ("the Guidance Note"), taking into account the guidance set out in *Fuglers & Ors v Solicitors Regulation Authority* [2014] EWHC 179 (as per Popplewell J) and at paragraphs 8 and 17 to 30 of the Guidance Note, including as to the financial resources of the First Respondent.

75. The misconduct giving rise to the allegations is very serious. Given the nature of the alleged misconduct, lesser sanctions such as a Restriction Order or a Reprimand, would not be adequate or suitable.

76. This assessment takes into account that the level of the First Respondent's culpability in respect of the allegations above is impacted by the following factors:

76.1. The First Respondent had direct control of or responsibility for the circumstances giving rise to the misconduct, which continued over a long period of time;

76.2. The First Respondent was a long-standing firm and should have been aware of the relevant statutory requirements, Rules and Principles, and had proper procedures and checks in place to promote compliance.

77. As to the harm caused, the admitted failures and breaches of the Code and Principles caused the potential for significant harm, by firstly allowing the improper use of the client

account for large sums of money, which is objectionable in itself, and also by failing to ensure the proper steps to limit the risks of money laundering were taken. Such risks were foreseeable, with guidance and legislation in place in relation to the issues. In addition, it is considered that there was harm to the reputation of the profession as a result of such steps not being taken, and such harm was foreseeable. Although no allegations are made about the underlying client funds in these matters, the improper use of client account, and connected prevention of money laundering risks, is a priority concern for the SRA. The National Crime Agency have highlighted the important role that the profession has in preventing money laundering. Compliance with the anti-money laundering regulations is required, both in respect of meeting legal and regulatory obligations and for the wider societal issue of such compliance being a key method of potentially disrupting serious crime.

78. As to the principal factors which aggravate the seriousness of the misconduct:

78.1. The misconduct continued over a lengthy period of time, and in this respect was repeated, involving senior staff across both management and fee-earning;

78.2. The First Respondent knew, or collectively ought reasonably to have known, that the conduct complained of was in material breach of obligations to protect the public and the reputation of the legal profession.

79. As to the principle factors which mitigate the seriousness of the misconduct:

79.1. The First Respondent voluntarily notified the regulator of facts and circumstances giving rise to misconduct, and has fully co-operated with the SRA's investigation.

79.2. The First Respondent has demonstrated insight and made full and frank admissions.

79.3. There is no allegation or evidence of actual money laundering or any financial loss to any party involved in these matters. In addition to the use of a client account as a banking facility, the allegations relate to non-compliance with the 2017 MLRs, and with regards to failures of Policies, Controls and Procedures (PCPs) and training issues.

PROPOSED OUTCOME AND COSTS

80. Subject to the approval of this Agreed Outcome Proposal, and taking into account the First Respondent's financial circumstances, the SRA is agreeable to the following order the First Respondent does pay:

80.1. a financial penalty in the sum of £25,258;

80.2. costs in the sum of £18,000, the SRA being satisfied that this is a reasonable and proportionate contribution by the First Respondent in all the circumstances.

Signed: ...

On behalf of the SRA

Dated:

Signed: .

Jonathan Gerber

On behalf of the First Respondent

Dated:9th December 2024