

SOLICITORS DISCIPLINARY TRIBUNAL

IN THE MATTER OF THE SOLICITORS ACT 1974

Case No. 12645-2024

BETWEEN:

SOLICITORS REGULATION AUTHORITY LTD

Applicant

and

RESPONDENT AM

Respondent

Before:

Mr R Nicholas (in the chair)

Mrs C Evans

Mr B Walsh

Date of Hearing: 27 February 2025

Appearances

There were no appearances as the matter was dealt with on the papers.

JUDGMENT ON AN AGREED OUTCOME

Allegations

1. The allegations against Respondent AM made by the Solicitors Regulation Authority Ltd (“SRA”) were that, while in practice as the Recognised Sole Practitioner of the Firm:

1.1 Between 2015 and 2022 by failing to adequately or at all: (i) Keep the Firm’s accounting records up to date and appropriately recorded to show the Firm’s dealings with client and office money; and/or (ii) Undertake reconciliations when they fell due; he therefore breached any or all of:

For the period up to 25 November 2019

- 1.1.1 Principle 6 of the SRA Principles 2011 (“the 2011 Principles”);
- 1.1.2 Principle 7 of the 2011 Principles;
- 1.1.3 Principle 8 of the 2011 Principles;
- 1.1.4 Principle 10 of the 2011 Principles;
- 1.1.5 Rule 1.2(e) of the SRA Accounts Rules 2011 (“the 2011 Accounts Rules”);
- 1.1.6 Rule 1.2(f) of the 2011 Accounts Rules;
- 1.1.7 Rule 29.1 of the 2011 Accounts Rules;
- 1.1.8 Rule 29.12 of the 2011 Accounts Rules;
- 1.1.9 Rule 29.13 of the 2011 Accounts Rules;
- 1.1.10 Rule 8.5(e) of the SRA Authorisation Rules 2011 (“the 2011 Authorisation Rules”); and

For the period from 25 November 2019

- 1.1.1 Principle 2 of the SRA Principles 2019 (“the 2019 Principles”);
- 1.1.12 Rule 8.1 of the SRA Accounts Rules 2019 (the 2019 Accounts Rules);
- 1.1.13 Rule 8.3 of the 2019 Accounts Rules;
- 1.1.14 Paragraph 9.2 of the SRA Code of Conduct for Firms 2019

1.2 Between 2015 and May 2021 he failed to remedy, either promptly or at all, issues which had been identified by reporting accountants in respect of the Firm’s books of account; and therefore breached any or all of:

For the period up to 25 November 2019

- 1.2.1 Principle 4 of the 2011 Principles;
- 1.2.2 Principle 6 of the 2011 Principles;
- 1.2.3 Principle 7 of the 2011 Principles;
- 1.2.4 Principle 8 of the 2011 Principles;
- 1.2.5 Principle 10 of the 2011 Principles;
- 1.2.6 Rule 7.1 of the SRA Accounts Rules 2011;

For the period from 25 November 2019

- 1.2.7 Principle 2 of the 2019 Principles;
- 1.2.8 Principle 7 of the 2019 Principles; and
- 1.2.9 Rule 6.1 of the 2019 Accounts Rules.

- 1.3 Between April 2018 and May 2021, he failed to ensure that client money was kept separate from the Firm's own money and therefore breached any or all of;

For the period up to 25 November 2019

- 1.3.1 Principle 4 of the 2011 Principles;
- 1.3.2 Principle 6 of the 2011 Principles;
- 1.3.3 Principle 7 of the 2011 Principles;
- 1.3.4 Principle 8 of the 2011 Principles;
- 1.3.5 Principle 10 of the 2011 Principles;
- 1.3.6 Rule 1.2(a) of the 2011 Accounts Rules;
- 1.3.7 Rule 14.2 of the 2011 Accounts Rules;

For the period from 25 November 2019

- 1.3.8 Principle 2 of the 2019 Principles;
- 1.3.9 Principle 7 of the 2019 Principles;
- 1.3.10 Rule 4.1 of the 2019 Accounts Rules;
- 1.3.11 Paragraph 4.2 of the Code for Solicitors, RELs and RFLs 2019 (2019 Code for Solicitors);
- 1.3.12 Paragraph 5.2 of the SRA Code for Firms (2019 Code for Firms).

- 1.4 Between July 2019 and June 2020, he failed to deliver two consecutive Accountant's Reports to the SRA within six months of the end of the relevant accounting periods, and therefore breached any or all of:

For the period up to 25 November 2019

- 1.4.1 Principle 7 of the SRA Principles 2011;
- 1.4.2 Rule 32.1 of the 2011 Accounts Rules;

And for the period from 25 November 2019

- 1.4.3 Rule 12.1 of the 2019 Accounts Rules;
- 1.4.4 Paragraph 9.1 of the Code for Firms; and
- 1.4.5 Paragraph 9.2 of the Code for Firms.

- 1.5 Between March 2020 and May 2021, he allowed transfers to be made from the Firm's client account to its business account in circumstances where:

- (i) The relevant clients had not been billed or notified; and/or
- (ii) The transfers were in excess of the notification of costs that had been provided to the clients. and therefore breached any or all of:

- 1.5.1 Principle 2 of the 2019 Principles;
- 1.5.2 Principle 5 of the 2019 Principles;
- 1.5.3 Principle 7 of the 2019 Principles; and
- 1.5.4 Rule 4.3 of the 2019 Accounts Rules.

- 1.6 On or around 10 September 2020, he signed a Sale and Purchase Agreement regarding the Firm's sale to the ABS which contained clauses which he ought to have known he could not fulfil and therefore breached either or both of:
- 1.6.1 Principle 2 of the 2019 Principles; and
1.6.2 Principle 5 of the 2019 Principles.
- 1.7 Between September 2020 and May 2021, failed to inform the Firm's clients that he had agreed to sell it to the ABS and therefore breached any or all of:
- 1.7.1 Principle 2 of the 2019 Principles;
1.7.2 Principle 5 of the 2019 Principles;
1.7.3 Principle 7 of the 2019 Principles;
1.7.4 Paragraph 8.6 of the 2019 Code for Solicitors; and
1.7.5 Rule 5.1 of the 2019 Accounts Rules.
2. Respondent AM admitted the allegations save that allegations 1.5.2, 1.6.2 and 1.7.2 were denied. The Applicant, having (i) reviewed the documentary evidence relied upon by Respondent AM, (ii) considered the medical evidence provided and (iii) in light of the proposed sanction considered that it was not in the public interest or proportionate to pursue the denied matters. Accordingly, the Applicant applied to withdraw the denied matters.
3. The Tribunal considered all of the material. The Tribunal agreed that it was disproportionate and contrary to the public interest for the matters to be pursued. Accordingly, the application for permission to withdraw those matters was granted.

Documents

4. The Tribunal had before it (amongst others) the following documents:-
- Rule 12 Statement and Exhibit ECP1 dated 16 July 20224
 - Respondent's Answer dated 15 August 2024
 - Statement of Agreed Facts and Indicated Outcome dated 25 February 2025

Background

5. Respondent AM was admitted to the Roll of Solicitors in 1978. They were the sole owner and manager of the Firm until its sale. Respondent AM had intended to work for the successor practice for a period of two years, but their employment was terminated shortly after the sale. Prior to its closure, Respondent AM was the Firm's COLP and COFA. Respondent AM did not hold a current Practising Certificate, their last Practising Certificate having been issued for the 2020/21 practice year.

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

6. The parties invited the Tribunal to deal with the Allegations against the Respondent in accordance with the Statement of Agreed Facts and Indicated 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

7. 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 Respondent'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.
8. The Tribunal reviewed all the material before it and was satisfied on the balance of probabilities that the Respondent's admissions were properly made.
9. The Tribunal considered the Guidance Note on Sanction (11th Edition/February 2025). In doing so the Tribunal assessed the culpability and harm identified together with the aggravating and mitigating factors that existed. Respondent AM was an experienced solicitor. Whilst their conduct was inadvertent, they were responsible for that conduct. The Tribunal noted that only one client had suffered loss as a result of Respondent AM's misconduct. Their conduct was repeated and had continued over a period of time. In mitigation, Respondent AM had fully co-operated and made frank and open admissions.
10. The Tribunal determined that given the nature of the misconduct and the fact that it had continued over a number of years, sanctions such as No Order, a Reprimand or a Financial Penalty did not reflect the seriousness of the misconduct. The Tribunal determined that there was a need to protect the public and the reputation of the profession from future harm but that such protection did not necessitate Respondent AM being indefinitely suspended from practise or being struck off the Roll. The Tribunal considered that a fixed suspension for a period of 3 months, as suggested by the parties, did not provide the requisite level of protection for the public and the repute of the profession. In order to protect the public and the repute of the profession, Respondent AM should also be subject to restrictions on his practice, namely that they should not:
 - Practise as a sole practitioner or sole manager or sole owner of an authorised or recognised body;
 - Be a Head of Legal Practice/Compliance Officer for Legal Practice or a Head of Finance and Administration/Compliance Officer for Finance and Administration;
 - Hold client money;
 - Be a signatory on any client account.
11. Given the time period over which the misconduct had taken place, the Tribunal determined that the conditions imposed should be indefinite, requiring Respondent AM to apply to the Tribunal for the variation or removal of any of the conditions.
12. The Tribunal contacted the parties who agreed that those restrictions were appropriate. Accordingly, the Tribunal approved the approved the amended sanction proposed by the parties.

Costs

13. The parties agreed costs in the sum of £23,000.00. The Tribunal considered that given the investigation into the matter, the costs agreed were reasonable. Accordingly, the Tribunal ordered Respondent AM to pay costs in the agreed sum.
14. Accordingly, the Tribunal approved the application for the matter to be dealt with by way of an Agreed Outcome.

Statement of Full Order

15. The Tribunal ORDERED that the Respondent, RESPONDENT AM, solicitor, be SUSPENDED from practice as a solicitor for the period of 3 months to commence on the 27th day of February 2025 and it further Ordered that he do pay the costs of and incidental to this application and enquiry fixed in the sum of £23,000.00.
16. Upon the expiry of the fixed term of suspension referred to above, the Respondent shall be subject to conditions imposed by the Tribunal as follows:
17. The Respondent may not:
 - Practise as a sole practitioner or sole manager or sole owner of an authorised or recognised body;
 - Be a Head of Legal Practice/Compliance Officer for Legal Practice or a Head of Finance and Administration/Compliance Officer for Finance and Administration;
 - Hold client money;
 - Be a signatory on any client account.
 - There be liberty to either party to apply to the Tribunal to vary the conditions set out at paragraph 2 above.

Dated this 6th day of March 2025

On behalf of the Tribunal

R. Nicholas

Mr R. Nicholas
Chair

JUDGMENT FILED WITH THE LAW SOCIETY

6 MARCH 2025

BEFORE THE SOLICITORS DISCIPLINARY TRIBUNAL

Case No: 12608-2024

IN THE MATTER OF THE SOLICITORS ACT 1974 (as amended)

AND IN THE MATTER OF:

SOLICITORS REGULATION AUTHORITY LIMITED

Applicant

And

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Respondent

**STATEMENT OF AGREED FACTS
AND INDICATED OUTCOME**

Please Note: *The Memorandum dated 21 October 2024 of the Case Management Hearing which took place on 17 October 2024 stated, at paragraph 8.1 that the Substantive Hearing be heard in private and the Cause List and Judgment be anonymised.*

1. By an application dated 16 July 2024, accompanied by the statement made pursuant to Rule 12(2) of the Solicitors (Disciplinary Proceedings) Rules 2019, the Solicitors Regulation Authority Limited (the SRA) brought proceedings before the Solicitors Disciplinary Tribunal concerning the conduct of ██████████ (the Respondent).
2. The allegations made against the Respondent, by the SRA are that, while in practice as the Recognised Sole Practitioner of ██████████ (the Firm):

Allegation 1

2.1 Between 2015 and 2022 by failing to adequately or at all:

- (i) Keep the Firm's accounting records up to date and appropriately recorded to show the Firm's dealings with client and office money; and / or
- (ii) Undertake reconciliations when they fell due;

The Respondent therefore breached any or all of:

For the period up to 25 November 2019

- 2.1.1 Principle 6 of the SRA Principles 2011 (the 2011 Principles);
- 2.1.2 Principle 7 of the 2011 Principles;
- 2.1.3 Principle 8 of the 2011 Principles;
- 2.1.4 Principle 10 of the 2011 Principles;
- 2.1.5 Rule 1.2(e) of the SRA Accounts Rules 2011 (the 2011 Accounts Rules);
- 2.1.6 Rule 1.2(f) of the 2011 Accounts Rules;
- 2.1.7 Rule 29.1 of the 2011 Accounts Rules;
- 2.1.8 Rule 29.12 of the 2011 Accounts Rules;
- 2.1.9 Rule 29.13 of the 2011 Accounts Rules;
- 2.1.10 Rule 8.5(e) of the SRA Authorisation Rules 2011 (the 2011 Authorisation Rules); and

For the period from 25 November 2019

- 2.1.11 Principle 2 of the SRA Principles 2019 (the 2019 Principles);
- 2.1.12 Rule 8.1 of the SRA Accounts Rules 2019 (the 2019 Accounts Rules);
- 2.1.13 Rule 8.3 of the 2019 Accounts Rules; and
- 2.1.14 Paragraph 9.2 of the SRA Code of Conduct for Firms 2019

- 2.2 Between 2015 and May 2021 the Respondent failed to remedy, either promptly or at all, issues which had been identified by reporting accountants in respect of the Firm's books of account; and therefore breached any or all of:

For the period up to 25 November 2019

- 2.2.1 Principle 4 of the 2011 Principles;
- 2.2.2 Principle 6 of the 2011 Principles;
- 2.2.3 Principle 7 of the 2011 Principles;
- 2.2.4 Principle 8 of the 2011 Principles;
- 2.2.5 Principle 10 of the 2011 Principles;

2.2.6 Rule 7.1 of the SRA Accounts Rules 2011;

For the period from 25 November 2019

2.2.7 Principle 2 of the 2019 Principles;

2.2.8 Principle 7 of the 2019 Principles; and

2.2.9 Rule 6.1 of the 2019 Accounts Rules.

2.3 Between April 2018 and May 2021, the Respondent failed to ensure that client money was kept separate from the Firm's own money and therefore breached any or all of;

For the period up to 25 November 2019

2.3.1 Principle 4 of the 2011 Principles;

2.3.2 Principle 6 of the 2011 Principles;

2.3.4 Principle 7 of the 2011 Principles;

2.3.4 Principle 8 of the 2011 Principles;

2.3.5 Principle 10 of the 2011 Principles;

2.3.6 Rule 1.2(a) of the 2011 Accounts Rules;

2.3.7 Rule 14.2 of the 2011 Accounts Rules;

For the period from 25 November 2019

2.3.8 Principle 2 of the 2019 Principles;

2.3.9 Principle 7 of the 2019 Principles;

2.3.10 Rule 4.1 of the 2019 Accounts Rules;

2.3.11 Paragraph 4.2 of the Code for Solicitors, RELs and RFLs 2019 (2019 Code for Solicitors);

2.3.12 Paragraph 5.2 of the SRA Code for Firms (2019 Code for Firms).

2.4 Between July 2019 and June 2020, the Respondent failed to deliver two consecutive Accountant's Reports to the SRA within six months of the end of the relevant accounting periods, and therefore breached any or all of:

For the period up to 25 November 2019

2.4.1 Principle 7 of the SRA Principles 2011;

2.4.2 Rule 32.1 of the 2011 Accounts Rules;

And for the period from 25 November 2019

- 2.4.3 Rule 12.1 of the 2019 Accounts Rules;
- 2.4.4 Paragraph 9.1 of the Code for Firms; and
- 2.4.5 Paragraph 9.2 of the Code for Firms.

2.5 Between March 2020 and May 2021, the Respondent allowed transfers to be made from the Firm's client account to its business account in circumstances where:

- (i) The relevant clients had not been billed or notified; and / or
- (ii) The transfers were in excess of the notification of costs that had been provided to the clients.

and therefore breached any or all of:

- 2.5.1 Principle 2 of the 2019 Principles;
- 2.5.2 Principle 5 of the 2019 Principles;
- 2.5.3 Principle 7 of the 2019 Principles; and
- 2.5.4 Rule 4.3 of the 2019 Accounts Rules.

2.6 On or around 10 September 2020, the Respondent signed a Sale and Purchase Agreement regarding the Firm's sale to the ABS which contained clauses which they ought to have known they could not fulfil and therefore breached either or both of:

- 2.6.1 Principle 2 of the 2019 Principles; and
- 2.6.2 Principle 5 of the 2019 Principles.

2.7 Between September 2020 and May 2021, failed to inform the Firm's clients that they had agreed to sell it to the ABS and therefore breached any or all of:

- 2.7.1 Principle 2 of the 2019 Principles;
- 2.7.2 Principle 5 of the 2019 Principles;
- 2.7.3 Principle 7 of the 2019 Principles;
- 2.7.4 Paragraph 8.6 of the 2019 Code for Solicitors; and
- 2.7.5 Rule 5.1 of the 2019 Accounts Rules.

Admissions

The Respondent admits to all of allegations against them as set out at paragraph 2 above, save for paragraphs 2.5.2, 2.6.2 and 2.7.2, which are denied.

Application to Withdraw

3. The SRA has reviewed its position following receipt of the Answer and Witness Statement provided by the Respondent, in light of the medical evidence previously provided and the proposed agreed sanction. The SRA no longer considers it to be proportionate and in the public interest to proceed with the allegation of a lack of integrity and therefore it wishes to withdraw the pleaded breaches of Principle 5 of the SRA Principles 2019 in relation to allegations 2.5, 2.6 and 2.7 as set out above.

Professional Details

4. The following facts and matters are agreed between the SRA and the Respondent:
 - 4.1 The Respondent, who was born on [REDACTED], is a solicitor having been admitted to the Roll of Solicitors on [REDACTED].
 - 4.2 The Respondent was the sole owner and manager of the Firm until it was sold in 2021. The Respondent had intended to work for the successor practice for a period of two years but their employment was terminated shortly after the sale.
 - 4.3 Prior to its closing, the Respondent was the Firm's Compliance Officer for Legal Practice (COLP) and Compliance Officer for Finance Administration (COFA).
 - 4.4 A licensed body was established to serve as a successor practice to the Firm following the sale (the successor practice). All staff, including the Respondent moved to the Successor Practice.
 - 4.5 The Respondent had intended to work for the Successor Practice for two years following the sale acting as its COLP, but they were suspended shortly after the sale completed.
 - 4.6 The Respondent does not have a current Practising Certificate. Their last Practising Certificate was for the year 2020-2021 and was free from conditions.

- 4.7 On 20 May 2021 the SRA was sent a Qualified Accountants Report for the period 1 January – 31 December 2018 (the 2018 QAR) from the Firm's reporting accountants. The 2018 QAR reported multiple breaches of the SRA Accounts Rules 2011, including client side debit balances, office credit balances and unauthorised transfers. It also identified a number of round sum transfers.
- 4.8 The 2018 QAR should have been provided to the SRA by 30 June 2019. It is not known why it was so late, although in a letter to the reporting accountant dated 14 April 2021 the Respondent stated that *"The firm's bookkeeper became unwell during 2018 and passed away October 2018. As a result the record and bookkeeping fell behind and after his passing there was a lack of information and understanding of what had and had not been completed by him"*.
- 4.9 All of the Firm's Accountants Reports received for the period between 31 December 2015 and 31 December 2018 were qualified. The Firm's incomplete Accountant's Report for the period ending 31 December 2019 contained a list of client debit balances, many of which were unexplained. The Respondent was aware of the issues with the previous reports as they had been notified of them by the reporting accountants.
- 4.10 In interview, the Respondent stated that they relied on the Firm's accountant / bookkeeper, to maintain the books of account, prepare the client account reconciliations and address issues in the Accountants Reports. They did not check the Firm's client account reconciliations and was not aware of the specific issues until after the bookkeeper passed away.
- 4.11 By the time the 2018 QAR was received by the SRA, the Respondent had sold the Firm and was due to complete a Notice of Succession Form to name the Firm's successor practice.
- 4.12 In August 2021, a Forensic Investigation Officer employed by the SRA commenced an investigation into the Firm and the successor practice. Following his departure from the SRA, a second Forensic Investigation Officer (the FI Officer) took over the investigation, which culminated in a Forensic Investigation Report dated 18 January 2023 (the FI Report). This FI Report

focused on the conduct of the Firm and the Respondent prior to, and at the point of, the sale.

- 4.13 The FI Report showed that the Firm did not maintain accurate and contemporaneous accounting records, there were delays with the filing of Accountants Reports, money was transferred from the Firm's client account to its business account without bills first being raised, and the Firm did not keep client money separate from the Firm's own money.

Allegation 1 - Between 2015 and 2022 failing to adequately or at all (i) keep the Firm's accounting records up to date and appropriately recorded to show the Firm's dealings with client and office money; and / or (ii) undertake reconciliations when they fell due

- 4.14 The Firm did not maintain accurate and contemporaneous records, including client account cash books, client ledgers and client account reconciliations.

- 4.15 From the period ending 31 December 2015 onwards the Accountants Reports identified issues including client ledgers not being kept up to date, items being posted to suspense ledgers instead of specific client ledgers, duplicate postings, client-side debit balances and office-side credit balances.

- 4.16 The 2018 QAR identified concerns regarding the Firm's client account bank reconciliations, namely that *"large reconciling items at 30 June 2018 and 31 December 2018 where £1,051,659.23 and £1,065,647.24 respectively appeared consecutively on all the months brought forward from previous years and as at both dates selected for review"*

- 4.17 The 2018 QAR also described client-side debit balances, office-side credit balances, a failure to account residual client balances at the end of a matter and a *"widespread unjustified use of suspense accounts with large unidentified balances"*.

- 4.18 In their letter to the reporting accountant on 14 April 2021 the Respondent stated that:

- 4.18.1 The Firm's bookkeeper died in October 2018 and the bookkeeping "*fell behind*" because there was "*a lack of information and understanding of what had and had not been completed*".
- 4.18.2 The client side debits of £2,009,264.68, of which £578,879.16 had been corrected had arisen due to historic bookkeeping errors and "*correcting all the debit balances is not viable due to the cost and lack of documentary evidence to put it right*";
- 4.18.3 The office side credit balances amounting to £725,428.60 arose due to bookkeeping errors and "*have been accumulated over the years and correcting all of the credit balances is not viable due to the cost and lack of documentary information available to put it right.*"
- 4.18.4 The discrepancy of £1,065,647.24 between the cashbook and the bank statements as at 31 December 2018 "*represents outstanding / unchecked balances being carried forward from previous years. None of the clients have complained that they have any issues with their monies in the client account or written to the firm that monies have not been returned to them*".
- 4.19 A list of the client side debit balances as at 31 December 2018 totalling £2,009,264.68 contained explanations which were either "*don't know*" or referred to items being posted to incorrect ledgers. During their interview with the FI Officer, the Respondent said that they had "*no idea*" how the client debit balances had arisen.
- 4.20 A list of the office side credit balances totalling £725,428.60 as at the same date had explanations which were either "*don't know*" or "*invoices not posted*".
- 4.21 In their interview with the FI Officer on 6 October 2022 the Respondent stated that they relied on the Firm's accountant, to maintain the Firm's books of account, prepare the client account reconciliations and address issues raised in the Accountants Reports.
- 4.22 The Respondent told the FI Officer that the bookkeeper prepared the client account reconciliations every four weeks, but that the Respondent did not review them, saying "*I know really I should have signed them off, but I didn't, but he said he had done them because I kept asking him*". The Respondent

confirmed that they did not review them at all or see them notwithstanding the fact that they were the Firm's sole manager, COLP and COFA.

- 4.23 The Respondent also advised the FI Officer that they were unaware there were issues with the books of accounts when the bookkeeper passed away and that when the qualified Accountants Reports were received with the covering letters they would have given them to the bookkeeper *"to sort out and resolve it"*.
- 4.24 The Respondent said that with hindsight they wished they had kept a closer eye on the books of account and should have checked in with the bookkeeper more. They also said that they knew that not every ledger was up to date.
- 4.25 No client account reconciliations were undertaken by the Respondent or the Firm after the bookkeeper passed away in October 2018.
- 4.26 Due to the large number of ongoing issues that arose with the Firm's accounts, both before the bookkeeper passed away following thereon, the Respondent clearly failed to have systems and processes in place to ensure that the Firm's accounting records were properly kept up to date. They also failed to ensure that client account reconciliations were being properly completed, signed off and that all differences were resolved.
- 4.27 Due to the paucity of the accounting records, it was not possible for the FI Officer to calculate whether the Firm held sufficient funds to meet its liabilities to its clients at the date of sale.

Principle 6 of the SRA Principles 2011 / Principle 2 of the SRA Principles 2019

- 4.28 A member of the public would expect a solicitor to ensure that they complied with the Accounts Rules put in place by their regulator to ensure that client money was protected. A member of the public would also expect a solicitor to be fully aware of any issues with their Firm's accounts, and to ensure that any breaches or issues were promptly resolved. They would not expect a solicitor to place all responsibility for maintaining accurate accounting records, and undertaking client account reconciliations, on a bookkeeper, and to not review or look at those reconciliations at all or be aware of significant issues affecting the client money held by the Firm.

4.29 As the Firm's manager, COLP and COFA it was the Respondent's responsibility to ensure that the Firm complied with the SRA Accounts Rules 2011 for the period up to 25 November 2019 and the SRA Accounts Rules 2019 for the period thereafter.

4.30 By virtue of their failure to duly account for their dealings with client money in accordance with those rules, the trust the public placed in the Respondent, the solicitors' profession and the provision of legal services would necessarily be diminished. They therefore breached Principle 6 of the SRA Principles 2011 for the conduct up to 25 November 2019 and Principle 2 of the SRA Principles (2019) for the period thereafter.

Principle 7 of the SRA Principles 2011 and Principle 8 of the SRA Principles 2011

4.31 By failing to ensure that they complied with the requirements of the Solicitors Accounts Rules 2011, in that accurate accounting records were not kept properly written up to show their dealings with client money, they did not establish and maintain proper accounting systems, they did not review or sign the client account bank reconciliations, and was not aware of the significant longstanding issues with their Firm's accounts, for the period up to 25 November 2019, the Respondent failed to comply with their legal and regulatory obligations, and therefore breached Principle 7 of the SRA Principles 2011.

4.32 They also failed to run their business effectively and in accordance with proper governance and sound financial and risk management principles, and therefore also breached Principle 8 of the SRA Principles 2011.

Principle 10 of the SRA Principles 2011

4.33 The longstanding issues with the accounts were allowed to continue, which meant that the Respondent would not have been able to determine that sufficient funds were being held on behalf of their clients in the correct client ledgers. Moreover, due to the paucity of the Firm's accounting records, the SRA was not able to determine that the Firm held sufficient monies to match its liabilities to its clients. The Respondent therefore failed to protect client money and in so doing breached Principle 10 of the SRA Principles 2011.

Rules 1.2 (e), 1.2(f) and 29.1 of the SRA Accounts Rules 2011 / Rule 8.1 of the SRA Accounts Rules (2019)

4.34 By failing to establish and maintain proper accounting systems and proper internal controls over those systems, and failing to keep accurate and properly written up accounting records to show the Firm's dealings with client money and office money in respect of client matters from, at the earliest, 2013 to 2022 following the sale of the Firm, the Respondent breached Rules 1.2(e), 1.2 (f) and 29.1 of the SRA Accounts Rules 2011 for the period up to 25 November 2019 and Rule 8.1 of the SRA Accounts Rules (2019) for the period thereafter.

Rule 29.12, Rule 29.13 of the SRA Accounts Rules 2011 / Rule 8.3 of the SRA Accounts Rules 2019

4.35 By failing to ensure that reconciliations were correctly completed, signed off and had all differences resolved, as required under Rules 29.12 and 29.13 of the SRA Accounts Rules for the period up to 25 November 2019 and Rule 8.3 of the SRA Accounts Rules 2019 for the period therefore, and for failing to sign all reconciliations done after 25 November 2019, the Respondent breached Rules 29.12 and 29.13 of the SRA Accounts Rules 2011 for the period up to 25 November 2019 and Rule 8.3 of the SRA Accounts Rules 2019 for the period thereafter.

Rule 8.5 (e) of the SRA Authorisation Rules 2011 / Paragraph 9.2 of the Code of Conduct for Firms 2019

4.36 As the Firm's COFA, the Respondent was responsible for ensuring that the Firm, its managers (themselves) and its employees, including the bookkeeper, complied with the obligations imposed on them by the SRA Accounts Rules.

4.37 By failing to ensure that the Firm's accounts were properly and accurately maintained, and that the reconciliations were done properly when they fell due, they failed to ensure that the Firm, its managers and employees were complying with their obligations under the SRA Accounts Rules. They therefore breached Rule 8.5(e) of the SRA Authorisation Rules for the period up to 25 November 2019 and Paragraph 9.2 of the SRA Code of Conduct for Firms 2019 for the period thereafter.

Allegation 2 – Between 2015 and May 2021 they failed to remedy, either promptly or at all, issues which had been identified by reporting accountants in respect of the Firm’s books of account

4.38 All of the Firm’s Accountants Reports between the period 31 December 2011 and 31 December 2018 were qualified.

4.39 The Firm’s historic Accountants Reports show that similar issues were present from the period ending 31 December 2015, and that the Respondent had been notified of that by the reporting accountants. They also identified issues that still appeared in the 2018 QAR, and which were also identified by the FI Officer.

4.40 Paragraphs 4.16 to 4.20 and 4.24 above are repeated.

4.41 A table of issues identified in the Accountants Reports from 2013 which appears at paragraph 70 of the FI Report. This table shows that items being identified in some Accountants Reports were repeated in subsequent years, showing that the Respondent had not taken steps to rectify them promptly, or in some cases at all. These included duplicate postings client ledgers not being kept up to date, and costs transfers being posted to a clearing account not individual ledgers all being reported in the years 2015, 2016 and 2017, with the latter initially being reported in 2014 and the former started to be reported as early as 2013.

4.42 In their interview with the FI Officer on 6 October 2022 the Respondent stated that they relied on the Firm’s accountant, to maintain the Firm’s books of account, and address issues raised in the Accountants Reports.

4.43 However, as the Firm’s manager and COFA, the ultimate responsibility for ensuring that the accounts were in proper order, and that any issues identified were promptly rectified was the Respondent’s.

4.44 The 2018 QAR identified client-side debits of £2,009,264.68, of which £578,879.16 had been corrected, according to the letter in the Respondent’s name dated 14 April 2021 and office side credit balances of £725,428.60. The Respondent described these as having arisen due to historic bookkeeping errors.

- 4.45 In 2021 the Respondent advised the reporting accountant that that *“correcting all the debit balances is not viable due to the cost and lack of documentary evidence to put it right. We do not intend to write off those balances but instead carry them forward”*. The Respondent also made a very similar comment in respect of the office side credit balances.
- 4.46 In their interview with the FI Officer on 6 October 2022 the Respondent advised that they had never been specifically told that money was placed on suspense ledgers and they weren't aware there were issues at the point the bookkeeper died.
- 4.47 The Respondent also stated that the letter dated 14 April 2021 seemingly from the Respondent and bearing their electronic signature to the reporting accountants had in fact been drafted by the latter, although they agreed with the contents *“in principle”*.
- 4.48 The Respondent stated that the reporting accountants did not *“specifically sit down with [them] and explain to [them] the full detail and had they done so I would certainly have gotten on to it straight away”*. The Respondent also said that having received the report, and the accompanying letter from the reporting accountants, they would have passed them to the bookkeeper to *“sort it out and resolve it”*.
- 4.49 When asked by the FI Officer whether they should have again looked at the issues and resolved them the Respondent replied *“Hindsight is a wonderful thing and perhaps yes I should have done, but when you're trying to run a practice at the same time as managing staff it's not always possible”*.
- 4.50 Instead of action being taken to rectify the position regarding historic client-side debit balances, the work undertaken by the reporting accounts for the period 1 January to 31 December 2019 showed client-side debit balances of £1,760,415.25 as at 31 December 2019, which shows an increase of £330,029.73 from the previous year (after the sum of the corrections of £578,879.16 were taken into account).
- 4.51 The outstanding issues were not rectified before the Respondent sold the Firm.

Principle 4 of the SRA Principles 2011 / Principle 7 of the SRA Principles 2019

4.52 It was not in the best interests of the Respondent's / the Firm's clients for their monies to be placed at risk for several years because of the Respondent's failure to correct the significant ongoing issues with the Firm's books of accounts.

4.53 By failing to promptly correct the issues when they were advised of them, and instead by letting them continue over a period of years the Respondent failed to act in their client's best interests, and therefore breached Principle 4 of the SRA Principles 2011 for the period up to 25 November 2019 and Principle 7 of the SRA Principles 2019 for the period thereafter.

Principle 6 of the SRA Principles 2011 / Principle 2 of the SRA Principles 2019

4.54 A member of the public would expect a solicitor to ensure that they complied with the Accounts Rules put in place by their regulator to ensure that client money was protected. A member of the public would also expect a solicitor to be fully aware of any issues with their Firm's accounts, and to ensure that any breaches or issues were promptly resolved.

4.55 They would not expect a solicitor to attempt to place all responsibility for maintaining accurate accounting records, and undertaking client account reconciliations, on a bookkeeper, and not reviewing or looking at those reconciliations at all or being aware of significant issues affecting the money held by the Firm. Nor would they expect a solicitor to allow longstanding breaches to remain unresolved, and to continue to incur, over a period of several years, thereby putting client money at risk.

4.56 By virtue of their failure to remedy, promptly or at all, the longstanding issues with the Firm's accounts, and which were flagged in the yearly Accountants Reports, the trust the public placed in the Respondent, the solicitors' profession and the provision of legal services would necessarily be diminished. The Respondent therefore breached Principle 6 of the SRA Principles 2011 for the conduct up to 25 November 2019 and Principle 2 of the SRA Principles 2019 for the period thereafter.

Manifest incompetence

4.57 The Respondent's conduct in failing to rectify the historic breaches and issues referred to in the qualified Accountants Reports, so that breaches continued into the following year after being raised, was manifestly incompetent in that no reasonable and competent solicitor would have allowed serious breaches in their Firm's accounts to continue uncorrected, nor would they have abrogated responsibility for resolving any issues to a member of staff, in this instance the bookkeeper, without regularly checking in on that bookkeeper to ensure that the issues were being promptly resolved.

4.58 No competent solicitor would have so acted. Competent conduct in these circumstances would have involved, at the very least, taking steps to check what action had been taken to rectify the issues raised in the qualified accountants reports, whether that was discussing it with the bookkeeper, the reporting accountant and / or checking the accounting records themselves.

4.59 By reason of such manifest incompetence, the Respondent breached Principle 6 of the SRA Principles 2011 for the period up to 25 November 2019 and Principle 2 of the SRA Principles 2019 for the period thereafter.

Principle 7 of the SRA Principles 2011 and Principle 8 of the SRA Principles 2011

4.60 By failing to ensure that they rectified the longstanding breaches identified in the Accountants Reports either promptly or at all, for the period up to 25 November 2019, the Respondent failed to comply with their legal and regulatory obligations, and therefore breached Principle 7 of the SRA Principles 2011.

4.61 The Respondent also failed to run their business effectively and in accordance with proper governance and sound financial and risk management principles, and therefore also breached Principle 8 of the SRA Principles 2011.

Principle 10 of the SRA Principles 2011

4.62 The longstanding issues with the accounts were allowed to continue, which meant that the Respondent would not have been able to determine that sufficient funds were being held on behalf of their clients in the correct client

ledgers. Consequently, the potential issues surrounding client monies were allowed to continue, thus putting client money at risk. The Respondent therefore failed to protect client money and therefore breached Principle 10 of the SRA Principles 2011 for the period up to 25 November 2019.

Rule 7.1 of the SRA Accounts Rules 2011 / Rule 6.1 of the SRA Accounts Rules 2019

4.63 Rule 7.1 of the SRA Accounts Rules 2011 and Rule 6.1 of the SRA Accounts Rules 2019 states that you must correct any breaches promptly upon discovery. By failing to correct the breaches that were referenced in the qualified Accountants Reports for the period from 25 November 2019 either promptly or at all the Respondent breached Rule 6.1 of the SRA Accounts Rules 2019.

Allegation 3 - Between April 2018 and May 2021, they failed to ensure that client money was kept separate from the Firm's own money

4.64 The Firm failed to keep client money separate from money belonging to the Firm. Specifically, the Firm did not transfer the VAT element of its bills to a business or office account but instead retained that money in the client account. On a quarterly basis the Respondent transferred money from the Firm's client account to the business account to fund the VAT payments to HM Revenue & Customs.

4.65 A total of £117,988.98 was transferred from the Firm's client account to its business account between 3 April 2018 and 21 June 2021. A total of £85,707.88 was paid from the Firm's business account to HMRC in the same time period. Thus £32,281.10 more was transferred from the Firm's client account to the business account than was paid out of the business account in respect of HMRC payments.

4.66 During their interview with the FI Officer, the Respondent stated that *"the VAT was always retained in the, client account, and when the VAT was due for a payment the accountant would send me a report, the VAT was payable and how much is in the client account ... to cover the VAT ...and then I would do the transfer from the client account to the office and from that I'd pay the VAT"*.

4.67 The Respondent also advised that if a higher amount was transferred from the client account to the office than was required to pay the VAT to HMRC the balance would remain in the office account. The Respondent further explained that, for example in relation to the payments made on 8 April 2019 when £11,121.00 was transferred from the Firm's client account to the business account, but only £9,148.28 was paid to HMRC, the former larger amount was the total VAT payable on the fees generated in that quarter, and the smaller payment actually made to HMRC was the VAT of £11,121.00 less any VAT they could deduct on the report.

4.68 The FI Report shows that this practice was being followed for over three years, from April 2018 to June 2021. However, during their interview with the FI Officer, the Respondent stated that it had always been the Firm's practice to keep the VAT element of bills on client account since they had joined the Firm in the 1980s. The Respondent stated that the Firm had always used an overdraft facility and *"we knew if we put it into the office account it would be wiped out, it might reduce the overdraft substantially, but then you've got a three month tax bill later on, and then you've got to find that money, so instead of finding the money we kept it separate"*.

4.69 When asked by the FI Officer if it would have been *"cleaner"* to take that VAT money out of client account and set it aside in a different account or do something to ring fence it the Respondent replied *"We could have done but it just seemed easier just to keep it there ... because it would mean someone would have to go to the bank to pay it all in and there's only three of us there"*.

Principle 4 of the SRA Principles 2011 / Principle 7 of the SRA Principles 2019

4.70 It was not in the best interests of the Respondent's / the Firm's clients for monies belonging to the Firm to be held in the Firm's client account, so that there was not a clear distinction between client monies, and monies belonging to the Firm. There was a risk that the Firm's practices could have resulted in monies in excess of that which was required to be paid in respect of VAT to be transferred from the client account, thereby risking a shortage occurring on the client account.

4.71 By failing to ensure that monies belonging to the Firm was kept separate from monies belonging to the Firm's clients, the Respondent failed to act in

their client's best interests, and therefore breached Principle 4 of the SRA Principles 2011 for the period up to 25 November 2019 and Principle 7 of the SRA Principles 2019 for the period thereafter.

Principle 6 of the SRA Principles 2011 / Principle 2 of the SRA Principles 2019

4.72 A member of the public would expect a solicitor to ensure that they complied with the Accounts Rules put in place by their regulator to ensure that client money was protected.

4.73 They would not expect a solicitor to continue to allow client money to be placed at risk because of inaccurate accounting records and client monies being held alongside office monies, simply because it was easier for the Firm to keep the VAT element of bills in the client account as opposed to putting it in a separate designated account. They would expect a solicitor to take all necessary steps to ensure that client monies were protected at all times, even if this would cause additional work for the solicitor and / or the Firm.

4.74 By allowing office money that would be needed to pay VAT to HMRC to remain mixed in with client money in the Firm's client account, in breach of the Accounts Rules, until it was transferred to the Firm's business account when a VAT payment was due to HMRC, the trust the public placed in the Respondent, the solicitors' profession and the provision of legal services would necessarily be diminished. They therefore breached Principle 6 of the SRA Principles 2011 for the conduct up to 25 November 2019 and Principle 2 of the SRA Principles 2019 for the period thereafter.

Principle 7 of the SRA Principles 2011 and Principle 8 of the SRA Principles 2011

4.75 By failing to ensure that money belonging to the Firm's clients was kept separate from monies belonging to the Firm in accordance with SRA Accounts Rules, for the period up to 25 November 2019 the Respondent failed to comply with their legal and regulatory obligations, and therefore breached Principle 7 of the SRA Principles 2011.

4.76 They also failed to run their business effectively and in accordance with proper governance and sound financial and risk management principles, and therefore also breached Principle 8 of the SRA Principles 2011.

Principle 10 of the SRA Principles 2011 / Paragraph 4.2 of the Code for Solicitors, RELs and RFLs SRA Code for Solicitors 2019 / Paragraph 5.2 of the SRA Code for Firms 2019

4.77 Client money is sacrosanct. By failing to ensure that client money was kept separate from monies belonging to the Firm, the Respondent ran the risk that monies in excess of that left in the client account for VAT could be transferred to the Firm's office account when the VAT was due. They therefore failed to protect client money, and to safeguard money entrusted to them by clients and others. In doing so they breached Principle 10 of the SRA Principles 2011 for the period up to 25 November 2019 and Paragraph 4.2 of the Code for Solicitors, RELs and RFLs SRA Code for Solicitors 2019 and Paragraph 5.2 of the SRA Code for Firms 2019 for the period thereafter.

Rule 1.2(a) of the SRA Accounts Rules 2011 / Rule 4.1 of the SRA Accounts Rules 2019 and Rule 14.2 of the SRA Accounts Rule 2011

4.78 By retaining the VAT element of client bills in the Firm's client account when monies had been transferred to its business account to pay fees, as opposed to transferring it to either the Firm's office account along with the element of the bill in respect of the Firm's fees, or transferring the VAT to a separate designated account, the Respondent failed to keep client money separate from money belonging to the Firm. In doing so they breached Rules 1.2(a) and 14.2 of the SRA Accounts Rules 2011 for the period up to 25 November 2019 and Rule 4.1 of the SRA Accounts Rules 2019 for the period thereafter.

Allegation 4 - Between July 2019 and June 2020, failed to deliver two consecutive Accountant's Reports to the SRA within six months of the end of the relevant accounting periods

4.79 Rule 32.1 of the SRA Accounts Rules 2011 states that "*You must obtain an accountant's report for that accounting period within six months of the end of the accounting period and if the report has been qualified, deliver it to the SRA within six months of the end of the accounting period.*"

- 4.80 Rule 12.1 of the SRA Accounts Rules 2019 states that *“If you have, at any time during an accounting period, held or received client money, or operated a joint account or a client’s own account as signatory, you must:*
(a) obtain an accountant’s report for that accounting period within six months of the end of the period; and
(b) deliver it to the SRA within six months of the end of the accounting period if the accountant’s report is qualified to show a failure to comply with these rules, such that money belonging to clients or third parties is, or has been, or is likely to be placed, at risk”.
- 4.81 The QAR for the period 1 January to 31 December 2018 should have been obtained, and because it was qualified, a copy delivered to the SRA, by 30 June 2019, however a copy was not sent to the SRA until 20 May 2021, nearly two years later.
- 4.82 As with previous Accountants Reports, the QAR for the period 1 January to 31 December 2018 raised significant issues with the Firm’s accounts.
- 4.83 During their interview with the FI Officer on 6 October 2022, when asked about the delay with the report, the Respondent stated *“I have no idea apart from I understand I would have called the accountants in before June 2019 and I, you know, assumed they were in correspondence with yourselves and I was surprised it was submitted in 2021”.*
- 4.84 However, the FI Report details correspondence between the Respondent and their accountants regarding the Accountants Reports in January 2021 wherein the former was chasing the latter in respect of the report. By this point, the report for the year 2018 was already 18 months late.
- 4.85 The Respondent confirmed during interview with the FI Officer that they did not take any steps to confirm that the Report had been filed, they simply would have assumed that it had been done and there was no connection between the filing of the accountant’s report on 20 May 2021, and the sale of the Firm three days earlier.
- 4.86 The Firm’s reporting accountants undertook some preparatory work for the 2019 Accountants Report, but it was never completed. An Accountants

Report for the year 1 January – 31 December 2019 was never obtained or delivered to the SRA.

Principle 7 of the SRA Principles 2011

4.87 By failing to ensure that Accountants Reports were obtained within six months of the end of the relevant period, in breach of the SRA Accounts Rules, for the period up to 25 November 2019 the Respondent failed to comply with their legal and regulatory obligations, and therefore breached Principle 7 of the SRA Principles 2011.

Rule 32.1 of the SRA Accounts Rules 2011 / Rule 12.1 of the 2019 Accounts Rules and Paragraphs 9.1 and 9.2 of the SRA Code of Conduct for Firms

4.88 Rule 32.1 of the 2011 Accounts Rules and Rule 12.1 of the 2019 Accounts Rules specifies that an Accountants Report must be obtained within six months of the end of a firm's accounting period, and that if that report is qualified, it must be delivered to the SRA.

4.89 The Respondent was the Firm's COLP and COFA until the Firm closed. In these roles, the Respondent was responsible to ensure that the Firm complied with the SRA's regulatory requirements, including the Accounts Rules.

4.90 By failing to ensure that they obtained an Accountant's Report for the period 2018 within six months of the end of that Accounting Period and failed to obtain an Accountant's report for the period 2019 at all, the Respondent breached Rule 32.1 of the SRA Account Rules 2011 for the period up to 25 November 2019 and Rule 12.1 of the SRA Accounts Rules 2019. In doing so, they also breached Paragraphs 9.1 and 9.2 of the SRA Code of Conduct for Firms 2019 for the period from 25 November 2019.

Allegation 5 - Between March 2020 and May 2021, they allowed transfers to be made from the Firm's client account to its business account in circumstances where (i) The relevant clients had not been billed or notified; and / or (ii) The transfers were in excess of the notification of costs that had been provided to the clients.

- 4.91 The Intervention Agent who dealt with the SRA's intervention into the successor practice discovered an undated handwritten note to the Respondent from the bookkeeper which stated *"Attached is a list of cost transfers that need to be covered by fee invoices"*.
- 4.92 The Intervention Agent also discovered a list entitled 'Additional Invoices 2014' which listed 20 matters, between 21 September 2012 and 30 October 2014 with a total of £33,879.87.
- 4.93 In interview with the FI Officer, the Respondent stated that they would have prepared the bills, but they may not have been provided to the bookkeeper hence the handwritten request.
- 4.94 The Respondent also stated that they were certain that they would not have left *"as many of these invoices outstanding or not done"* which does suggest it was possible that at least some of the invoices may have been outstanding or not done.
- 4.95 The Accountant's Report for the period ending 31 December 2013 noted 38 instances of costs totalling £40,065.39 being transferred in the absence of a bill, and 21 instances totalling £33,879.87 were transferred the following year.
- 4.96 The 2018 QAR noted that *"Have seen round sum transfers between the client and office account. These amounts were transferred out of client account without authorisation ie no bill etc posted to the ledger"*.
- 4.97 The Respondent stated that *"From 2020 – 2021 there were no invoices raised because [their] secretary was not working as she should have been because of the amount of work"*.
- 4.98 The Respondent also stated that even though they were not billing *"[they] did transfer money to the office account, [they] did so twice a month, and [they know they] should not have done it"*.
- 4.99 During interview with the FI Officer, the Respondent confirmed that *"during the Covid-19 pandemic there were instances where costs were transferred prior to a bill being raised"*. They stated that they started having difficulties with getting anything typed as soon as Covid-19 started.

- 4.100 The Respondent also admitted to the FI Officer that they were aware that transferring money in respect of bills when they knew those bills weren't being raised was contrary to the SRA Accounts Rules.
- 4.101 Between 26 March 2020 and 31 May 2021, 67 costs totalling £194,555.07 were transferred to the Firm's business accounts, less two transfers back to client account totalling £6,580.00 which reduced the amount transferred in respect of costs to £187,975.07.
- 4.102 During the period 27 November 2020 and 10 May 2021, the period for which the SRA was able to recover bills during its investigation into the successor practice, there were 28 costs transfers totalling £92,033.18. When £6,580.00 was transferred back to the client account this left £85,453.18 transferred from the Firm's client account to its office account in that period.
- 4.103 The FI Officers were able to obtain invoices totalling £27,153.96, compared to the sum of £85,453.18 that was transferred from the client account to the business account ostensibly on account of costs. Assuming those bills were produced and sent to the clients before the costs were transferred, and in the absence of any other bills or records having been recovered, £58,299.22 was therefore transferred from the Firm's client account to its business account, ostensibly in respect of costs, without any bills being raised.

Principle 2 of the SRA Principles 2019

- 4.104 A member of the public would expect a solicitor to ensure that they complied with the Accounts Rules put in place by their regulator to ensure that client money was protected. These rules require a solicitor to give a bill of costs or other written notification to the paying party before any monies are transferred from a client account in respect of payment.
- 4.105 A member of the public would not expect a solicitor to knowingly disregard this requirement, and instead to make transfers from their Firm's client account to its business account, ostensibly on account of costs, without providing such prior written notification to clients, and thereby depriving them of the opportunity to query or object to the costs being claimed.

4.106 By virtue of their transferring significant amounts of money ostensibly in respect of costs without providing prior written notification to the clients, the trust the public placed in the Respondent, the solicitors' profession and the provision of legal services would necessarily be diminished and they therefore breached Principle 2 of the SRA Principles 2019.

Principle 7 of the SRA Principles 2019

4.107 It was not in the best interests of the Respondent's / the Firm's clients for monies to be transferred from the Firm's client account to its office account, ostensibly in respect of costs, but without bills or invoices, or other written notification, being sent to the clients before the monies were transferred. Clients were left in the vulnerable position whereby they were not able to query any monies being deducted in respect of bills and were not in control of monies rightfully belonging to them.

4.108 By failing to ensure that bills or other written notification was provided to the client before bills were transferred from the Firm's client account in respect of fees, the Respondent failed to act in their client's best interests, and therefore breached Principle 7 of the SRA Principles 2019.

Rule 4.3 of the SRA Accounts Rules 2019

4.109 Rule 4.3 of the SRA Accounts Rules 2019 states that when you are holding client money, and some or all of that money will be used to pay your costs you have to give a bill of costs or other written notification to the client or person paying the costs before the money is transferred from your client account to office account.

4.110 By transferring monies from the Firm's client account to its business account when they knew that bills of costs or other written notification was not being raised beforehand, the Respondent breached Rule 4.3 of the SRA Accounts Rules 2019.

Allegation 6 - On or around 10 September 2020, they signed a Sale and Purchase Agreement regarding the Firm's sale which contained clauses which they ought to have known they could not fulfil

- 4.111 On 10 September 2020 the Respondent signed a Sale and Purchase Agreement (the SPA) which stated that the successor entity would assume any pre-existing liabilities of the Firm except for “book debts” which would not be sold. The sale price was £1.00.
- 4.112 Clause 17.1.8 of the SPA stated that:
“all financial and other records in respect of the Practice
(a) Have been fully, properly and accurately prepared and have at all times been fully, properly and accurately maintained, and are properly written up to date;
(b) Is in the possession of the Seller;
(c) Constitute an accurate record of all matters that ought to appear in them;
(d) Do not contain any material inaccuracies or discrepancies”.
- 4.113 Clause 19.2 of the SPA stated that:
“The said Accountants shall reconcile the Clients Ledger Account with the Clients Account at Royal Bank of Scotland Bank plc, [REDACTED] Branch as at the Completion Date and certify such reconciliation within 30-working days of the Completion Date and any discrepancy shall be the Seller’s responsibility to rectify and reimburse”
- 4.114 At the time of signing the SPA, the Respondent would, or at the very least, should have known that they / the Firm would not be able to comply with Clause 17.1.8 due to the longstanding issues with the Firm’s accounts, which resulted in all of the Accountants Reports obtained since 2015 being qualified.
- 4.115 During interview with the FI Officer, the Respondent advised that the purchaser was aware that remedial work was being done on the Firm’s books of account prior to the sale of the Firm.
- 4.116 The Respondent stated that “*on reflection*” Clause 17.1.8 was not true, and with hindsight it should have been removed.
- 4.117 The Respondent also stated that “*when we came to sign [the agreement] [they] probably didn’t read it all over again so [they] probably didn’t appreciate the implications*” of clause 17.1.8.

4.118 The Respondent also informed the FI Officer that, in respect of Clause 19.2, it would not have been feasible to reconcile the client account within 30 days within 30 days of the Completion Date. They also said that *“when [they] signed it, [they] probably didn’t read it in detail as [they] should have done”*.

Principle 2 of the SRA Principles 2019

4.119 A member of the public would expect a solicitor to ensure that any documents they signed, especially a formal legal document such a Sale and Purchase Agreement in respect of the sale of their firm, was true and accurate, and that they were capable of complying with all of the requirements and obligations contained therein.

4.120 By signing a document which contained two clauses that they knew, or at the very least should have known, they could not comply with, the Respondent diminished the trust the public placed in the Respondent, the solicitors’ profession and the provision of legal services and therefore breached Principle 2 of the SRA Principles 2019.

Allegation 7 - Between September 2020 and May 2021, failed to inform the Firm’s clients that they had agreed to sell the Firm

4.121 Paragraph 4.111 above is repeated.

4.122 Clause 11.3 of the SPA says that immediately after the date of the agreement the Respondent will, at the Respondent’s expense, write to each client of the practice to notify them of the intended transfer of the practice. The Respondent advised the FI Officer that notwithstanding this clause, they didn’t take any actions to notify their clients of the sale as per the SPA. The Respondent said that they would have notified them, *“but not immediately”*.

4.123 The sale of the Firm was completed in 2021.

4.124 SRA Guidance on closing down a firm, including selling a firm as a ‘going concern’ states that:

“You must inform all clients for whom you are currently acting of your closure so that they can make informed decisions and understand the protection

afforded to them where appropriate (paragraphs 8.6 and 8.11 of the Code of Conduct for Solicitors, RELs and RFLs and applied to firms by paragraph 7.1(c) of the Code of Conduct for Firms). You should give them as much notice of your intended closure date as possible to enable them to instruct another firm. Remember that it is for the client to decide which firm they want to take over their matter. Bear in mind that if you hold clients' money, you do so on trust for the client and you need their (properly informed) consent to transfer it to someone else (rule 5.1 of the Accounts Rules)."

"As a matter of good practice, you should also notify any former clients who may be affected, for example those who have appointed you executor in a professional capacity and those clients for whom you hold documents, such as wills or title deeds. That may be an opportunity for them to collect such documents and reduce your future archiving cost."

"If you are selling your practice as a going concern, you must inform all your clients of the change in ownership and gain their consent to transfer of their files and money in advance (paragraphs 8.6, 8.10 and 8.11 of the Code of Conduct for Solicitors, RELs and RFLs, and rule 5.1 of the Accounts Rules)."

"You will therefore need to consider:

- the information which you should give to your clients to enable them to make a decision on an informed basis as to whether to instruct the 'new' firm, or to instruct a different firm, and*
- how to deal with the issue of confidentiality."*

4.125 During their interview with the FI Officer the Respondent stated that the clients were not informed of the sale, and that *"the intention was to, would be to not, you've got to bear in mind most of our clients were known to [them] for many years therefore [the Respondent] knew they wouldn't object to [them] continuing acting for the new firm continuing, providing [the Respondent] was there the intention would have been that as time went on we would notify the clients of the new succession"*.

4.126 The Respondent was not aware of the SRA Guidance at the time but they didn't think in hindsight it would have been in the clients' interests to have been made aware of the upcoming sale *"because ... the intention was for [the*

Respondent] to be retained as a consultant, and the fact that the majority of [the] clients, probably 80% - 90% of [the] clients were established clients of [the Respondent's] or the firm, they would have gone wherever [the Respondent had] gone, They would have come with [the Respondent]"

4.127 The Notice Recommending Referral to the Solicitors Disciplinary Tribunal (see below) details the case of Client B, wherein the Respondent was dealing with the administration of Client B's estate until it was transferred to a different firm of solicitors.

4.128 The Respondent was suspended from the Firm on 19 July 2021, by which time the beneficiaries of Client B's estate were not aware that the Firm had been sold. They were not aware that their matter had been transferred to the successor practice, and did not give their consent for their file to be transferred, nor were they aware that the Respondent was subsequently dismissed.

Principle 2 of the SRA Principles 2019

4.129 A member of the public would expect a solicitor to ensure that they informed their clients that they were planning on selling their firm, even if the intention was for them to continue acting on the matter at the new firm, so that the client could determine whether or not they were happy for their matter, and any client money, to be transferred to the new firm.

4.130 A member of the public would not expect a solicitor to unilaterally decide to transfer client files, and client money, to a new entity without giving clients the information that they needed to make an informed decision about whether or not to transfer their files to the new entity.

4.131 Although the Respondent has said that their intention was to remain with the successor practice for two years as a consultant, and that they were confident that their clients would have chosen to follow them to the new firm this was to a certain extent out of the Respondent's control, as shown by the fact they were dismissed approximately two months after the sale of the Firm completed.

4.132 By failing to notify their clients of the sale of the Firm, and transferring their files and client monies over without their consent, informed or otherwise, the Respondent diminished the trust the public placed in the Respondent, the solicitors' profession and the provision of legal services and therefore breached Principle 2 of the SRA Principles 2019.

Principle 7 of the SRA Principles 2019

4.133 It would clearly be in the clients' best interests to be fully informed about decisions regarding their matters and their money. It would not be in their best interests to have their matters and their monies transferred to a different entity, owned by a non-qualified individual, without being made aware that the Firm was being sold, and the differences between the Firm and the new firm including the latter's ownership, and the change in the Respondent's position therein.

4.134 Although the Respondent was satisfied that their clients would follow them, they could not have been certain of this, and it is entirely plausible that the clients may have been reluctant to transfer their matters and their money to an unknown run by an unqualified individual, and where the Respondent's position was much less secure than it was at the Firm.

4.135 By failing to give their clients sufficient information to enable them to make an informed choice as to whether or not they wanted to transfer their matters and their money to the new firm, but instead unilaterally deciding to transfer the files and money without their knowledge or consent, the Respondent failed to act in their clients' best interests and therefore breached Principle 7 of the SRA Principles 2019.

Paragraph 8.6 of the SRA Code of Conduct for Solicitors 2019

4.136 By failing to provide clients with information regarding the sale of the Firm and failing to ensure that they were in a position to make an informed decision about the services they need, how their matter was to be handled and the options available to them before transferring all of their files and client monies to the successor practice following the sale of the Firm, the Respondent breached Paragraph 8.6 of the SRA Code of Conduct for Solicitors 2019.

Rule 5.1 of the SRA Accounts Rules 2019

4.137 By transferring all of the monies held in the Firm's client account without instructions from clients to do so, in the absence of the other specifications of Rule 5.1 of the SRA Accounts Rules 2019, the Respondent withdrew client money from the Firm's client account in circumstances other than those permitted by Rule 5.1 of the SRA Accounts Rules 2019, and therefore breached that rule

The SRA's investigation

4.138 The SRA has taken the following steps to investigate the allegations which it makes against the Respondent.

4.139 On 16 November 2023 the Investigation Officer employed by the SRA (the Investigation Officer) sent a Notice Recommending Referral to the Solicitors Disciplinary Tribunal to the Respondent (the Notice).

4.140 The Respondent provided their response to the Notice via their solicitors on 26 January 2024 (the Response).

4.141 In the Response the Respondent stated that they accepted that their actions have resulted in breaches to the Solicitors Accounts Rules, however those breaches were inadvertent, and they took steps to remedy them, but that became impossible following the sale of the Firm.

4.142 On 21 February 2024 an Authorised Officer of the SRA decided to refer the conduct of the Respondent to the SDT.

Mitigation

5. The following mitigation is advanced by the Respondent and is not endorsed by the SRA Ltd:

5.1 The Respondent accepts that they did not run their practice in accordance with modern standards of business administration but denies that client money and assets were compromised as a result of their admitted failings.

5.2 The Respondent was a sole practitioner trying to maintain a busy practice and relied on the office bookkeeper to ensure that the accounts were kept up to date and that monthly reconciliations were duly completed. Following the bookkeeper's untimely death in 2018 the Respondent was keen to rectify matters and the new bookkeeper began the process of rectifying the issues but that process was delayed by the Covid-19 pandemic. The Respondent was also unaware that Accountant's Reports had not been submitted on time.

5.3 The Respondent also found it difficult to ensure invoices were prepared and sent to clients during the pandemic due to the furlough of staff and as the retained secretary fell behind. The Respondent maintains that they did not deduct money from client account for any sums, due to the work done, that they were not entitled to. Since the Respondent left the Firm they understood that files and documents were missing such that invoices may have been produced but are no longer available and this would have had an impact on the accounts figures.

5.4. Once the Respondent had decided to sell the Firm via an SPA so that they could eventually retire, the process of rectifying the breaches identified in the Accountants' Reports were underway and the Respondent believed that they would be resolved well within the 2 years the Respondent intended to remain as a consultant to the successor practice. The Respondent also intended to inform clients of the change of ownership during their consultancy period.

5.5 However, on 19 July 2021 the purchaser of the successor practice dismissed the Respondent without warning. The Respondent was powerless to prevent the purchaser from stealing client money. However, the Respondent immediately raised concerns as to the actions of the purchaser by contacting the SRA via telephone and email on 20 July 2021 and again by telephone on 13 August 2021.

5.6 The Respondent accepts that they should have been more careful and thorough but acted in good faith at all times and to the best of their knowledge, their clients continued to have trust and confidence in them throughout.

Outcome

6. Having considered the Solicitors Disciplinary Tribunal's Guidance Note on Sanctions (10th Edition), the SRA contends, and the Respondent accepts, that:

6.1 The Respondent was an experienced solicitor who was ultimately responsible for the misconduct described at paragraphs 2 and 4 above. However that misconduct was a result of inadvertence rather than deliberate actions. The Respondent's level of culpability is accordingly high.

6.2 However, the impact of the Respondent's actions upon the public was limited with only one client suffering actual loss, as an indirect consequence of their actions following after the Firm had been sold. Harm will nevertheless have been caused to the reputation of the profession.

6.3 Aggravating Factors: the principle factors which aggravate the Respondent's misconduct are that it continued over a period of time, and that it was repeated.

6.4 Mitigating Factors: the principle factors that mitigate the Respondent's actions are open admissions and cooperation with the SRA's investigation; there are no allegations that the Respondent was dishonest or that their actions lacked integrity, nor was there any attempt to conceal the wrongdoing.

6.5 The seriousness of the admitted allegations therefore warrants sanction greater than a reprimand or a fine, however neither the protection of the public nor the protection of the reputation of the profession requires the Respondent to be struck off the Roll of Solicitors.

6.6 Considering the seriousness of the misconduct described at paragraphs 2 and 4 above and giving effect to the purpose of sanction to protect the public and the reputation of the legal profession from future harm by removing the Respondent's ability to practise, an immediate period of suspension from practice for a period of three months would be an appropriate, proportionate and proper sanction.

6.7 Upon the expiration of the fixed term of suspension referred to above, the Respondent shall be subject to the following restrictions which shall remain in force indefinitely by the Tribunal:

6.7.1 The Respondent may not:

- Practise as a sole practitioner or sole manager or sole owner of an authorised or recognised body;

- Be a Head of Legal Practice/Compliance Officer for Legal Practice or a Head of Finance and Administration/Compliance Officer for Finance and Administration;
- Hold client money;
- Be a signatory on any client account;

Costs

7. The Respondent agrees to pay the SRA costs of the application in the sum of £23,000.

[Redacted signature]

Head of Legal and Enforcement
On behalf of the SRA

[Redacted signature]

[Redacted signature]

Dated 27 February 2025 | 12:27 GMT