SOLICITORS DISCIPLINARY TRIBUNAL

IN THE MATTER OF THE SOLICITORS ACT 1974 Case No. 12813-2025

BETWEEN:

SOLICITORS REGULATION AUTHORITY LTD Applicant

and

ALEXANDER WILLIAM BRUCE LEE Respondent

Before:

Mr E Nally (in the chair)
Ms C Evans
Mr C Childs

Date of Hearing: 10 – 11 and 31 March 2026

Appearances

Andrew Tabachnik KC, counsel of 39 Essex Chambers, 81 Chancery Lane, London WC2A 1DD, instructed by Blake Morgan LLP, for the Applicant.

Paul Parker, counsel of 4 New Square Chambers, Lincoln's Inn Fields, London WC2A 3RJ instructed by Clyde & Co LLP, for the Respondent.

JUDGMENT

Allegations

1. The allegation made against Mr Lee by the Solicitors Regulation Authority Limited ("SRA") was that:

1.1 In the period 31 March 2018 to 18 April 2019, he was the director (sole director between 31 March 2018 and 1 September 2018; and the owner of 50% of the shares from around 1 November 2018) of Global Security Trustees Limited ("GST"), whose role was to act as security trustee protecting the interests of bondholders, notwithstanding an obvious conflict in doing so (or significant risk thereof) given his previous and subsequent instructions (as a partner in Buss Murton Law LLP ("the Firm")) for the lender London Capital & Finance PLC ("LCF"). In doing so he breached any or all of Outcome 3.4 of the Code of Conduct 2011 and Principles 2 and 6 of the SRA Principles 2011.

Executive Summary

2. The Tribunal found the allegation proved in its entirety.

3. The Tribunal determined that a Fine in the sum of £30,000 was appropriate. The Tribunal's reasoning on sanction can be accessed [here].

Documents

4. The Tribunal reviewed all the documents submitted by the parties, which included (but was not limited to):

- Rule 12 Statement [here]
- Exhibit JW1
- The Respondent's Answer [here]
- The Applicant's Reply to the Respondent's Answer
- Applicant's Schedule of Costs dated 23 March 2026

Factual Background

5. Mr Lee was admitted as a lawyer in New Zealand in 1984, and as a solicitor in England & Wales in 1991. He worked in-house until 2012, then joined the Firm. He was made a partner in June 2013 responsible for corporate and commercial matters. Mr Lee held an unconditional Practising Certificate.

6. Mr Lee, when acting for LCF, took his instructions mainly from the CEO, Andy Thomson ("AT"). AT was a director of LCF from August 2013, and all shares were registered in his name.

7. Between 2013 and December 2018, LCF raised £237m from retail investors by selling mini bonds. There were about 11,625 bondholders, who purchased 16,706 mini-bonds. Mini bonds was not a regulated activity, and the marketing materials did not need to be approved by any listing authority. LCF advanced the money raised from mini bondholders to a small number of connected companies associated with 4 individuals (one of whom was AT). Mr Lee was aware at the material times that AT

had some form of *"residual interest"* in the borrowers. That position (namely the CEO of the lender having an interest in the borrowers) was not disclosed to bondholders.

8. In *LCF & others v Michael Andrew Thomson & others [2024] EWHC 2894 (ch)*, Miles J found that much of the security taken by LCF from the borrowers *"either had no value or a value significantly lower than that used by LCF".* Miles J concluded that LCF's business amounted to fraudulent trading and was in effect a Ponzi scheme. Mr Lee was not a defendant in those proceedings and there was no allegation of fraud or dishonesty against him.

9. In December 2018, LCF was raided by the FCA. In January 2019, LCF went into administration.

10. GST was incorporated on 28 October 2015. Initially the sole director and owner of GST was Mr Sedgwick, a solicitor and consultant at the Firm who acted for the borrowing companies in the 2015/18 period. On 14 February 2018, Mr Sedgwick was suspended by the Tribunal for a period of 12 months. As a result, he resigned and divested himself of his shares to an AT company at the end of March 2018. Mr Lee was appointed as the sole director of GST, and Security Trustee, between 31 March 2018 and 18 April 2019. He owned 50% of the shares in GST from around 1 November 2018 to December 2019.

11. In *LCF v GST [2019] EWHC 3339 (ch)*, Chief Master Marsh commented that *"the role of Security Trustee was clearly created in order to persuade bondholders that an investment in bonds offered by LCF offered limited risk"*.

12. Security Trust Deeds were executed on 5 November 2015, pursuant to which GST agreed to hold the "Trust Property" (being all rights and proceeds in relation to the Security covered by the Debentures) on trust for the Beneficiaries (the bondholders). GST was obliged to enforce the Security in the case of an Enforcement Event (e.g., a breach by LCF of its obligations to mini bondholders under the minibonds).

Witnesses

13. The following witness provided a written statement and gave oral evidence:

- Mr Lee

14. The written and oral evidence of the witness is quoted or summarised in the Findings of Fact and Law below. The evidence referred to will be that which was relevant to the findings of the Tribunal, and to facts or issues in dispute between the parties. For the avoidance of doubt, the Tribunal read all of the documents in the case and made notes of the oral evidence. The absence of any reference to particular evidence should not be taken as an indication that the Tribunal did not read, hear or consider that evidence.

Findings of Fact and Law

15. The Applicant was required to prove the allegation on the balance of probabilities. The Tribunal had due regard to its statutory duty, under section 6 of the Human Rights

Act 1998, to act in a manner which was compatible with Mr Lee's rights to a fair trial and to respect for his private and family life under Articles 6 and 8 of the European Convention for the Protection of Human Rights and Fundamental Freedoms.

Integrity

16. The test for integrity was that set out in Wingate and Evans v SRA and SRA v Malins [2018] EWCA Civ 366, as per Jackson LJ:

> *"Integrity is a useful shorthand to express the higher standards which society expects from professional persons and which the professions expect from their own members … [Professionals] are required to live up to their own professional standards … Integrity connotes adherence to the ethical standards of one's own profession."*

17. **Allegation 1.1 - In the period 31 March 2018 to 18 April 2019, he was the director (sole director between 31 March 2018 and 1 September 2018; and the owner of 50% of the shares from around 1 November 2018) of GST, whose role was to act as security trustee protecting the interests of bondholders, notwithstanding an obvious conflict in doing so (or significant risk thereof) given his previous and subsequent instructions (as a partner in the Firm) for the lender LCF. In doing so he breached any or all of Outcome 3.4 of the Code of Conduct 2011 and Principles 2 and 6 of the SRA Principles 2011.**

The Applicant's Case

17.1 The Applicant's case is detailed in the Rule 12 Statement which can be accessed using the link provided in the documents section of this Judgment above.

17.2 Mr Tabachnik KC submitted that there was a dispute between the parties as to what was expected of GST (and thus Mr Lee as the Security Trustee). In his 2019 witness statement, Mr Lee stated that *"there was nothing for GST to actually do"*. It was the Applicant's contention that this interpretation was demonstrably wrong, as it would subvert a Trustee's ordinary duty of care to protect and preserve trust assets (which was not excluded by the Security Trust Deeds) and would make a mockery of information provisions and numerous other covenants relating to the maintenance of the Security set out in the Debentures. Further and in any event, Mr Lee was the wrong person from whom to expect an independent appraisal as to what steps GST could and should take in bondholders' interests.

17.3 The parties to the Security Trust Deeds were LCF and GST. Accordingly, any disagreement with regards to the terms would put those entities in opposition of each other. Clause 3.2 of the Security Trust Deed stated:

> *"The Security Trustee shall at any time after the occurrence of an Enforcement Event be obliged to enforce the Rights."*

17.4 Mr Lee suggested that this was the extent of his duties as the Security Trustee. The Applicant did not accept that this was the extent of the duties owed. The duty of care and fiduciary duties of a Trustee were not excluded by the Trust Deeds.

Clause 5.3 stated:

> *"Notwithstanding anything to the contrary expressed or implied in this Deed, the Security Trustee shall not generally be under any obligations other than those for which express provision is made in this Deed and specifically not be under any obligation, trust or fiduciary relationship to any party to this Deed other than the Beneficiaries."*

17.5 Mr Lee suggested in his Answer that this clause was apt to exclude a Trustee's duty of care. Mr Tabachnik KC submitted that such an interpretation was both wrong and contrary to the language used. It did not create an absolute exclusion of those duties, on the contrary, it had the effect of preserving a Trustee's ordinary and fundamental duty of care to the beneficiaries. Any exclusion of those duties would need to be expressly stated; it was not.

17.6 That this was the position was supported by Clause 10 which stated: *"The powers conferred on the Security Trustee under this Deed shall be in addition to any powers which may from time to time be vested in it by general law".*

17.7 On 29 and 30 December 2015, Debentures were executed. By way of the Debentures, LCF agreed to pay the money owed to bondholders to GST (clause 2) and was granted fixed and floating charges (etc) over LCF's assets (including its rights against its borrowers) (clause 3). As a result of Clause 3, GST would, in essence, obtain a charge over anything that LCF had taken as security from its borrowers. Accordingly, if there was an Enforcement Event, the first party that GST would enforce against was LCF. Such an event would eventuate in a conflict between LCF and GST.

17.8 Mr Tabachnik KC submitted that the Debentures contained numerous provisions which would be meaningless if *"there was nothing for GST to actually do".* By way of example, clause 6.13 stated that LCF would give GST *"such information concerning the location, condition, use and operation of the Secured Assets as [GST] may require;"* other parts of clauses 6 and 7 related to covenants which were pointless if not monitored and enforced by GST.

17.9 Mr Tabachnik KC highlighted other clauses that, it was submitted, evidenced continuing obligations owed, such that the responsibility of the Security Trustee was more than acting in the event of an Enforcement Event. Those clauses, it was submitted, were all meant to apply pre any Enforcement Event, serving no purpose post any Enforcement Event. Mr Lee, it was submitted, did not seem to have taken these clauses into account when he agreed to become the Security Trustee.

17.10 Mr Lee explained that his appointment as director of GST was *"almost as a favour"* for AT. Mr Tabachnik KC submitted that this alone should have illustrated to him that he was the wrong person to take over. His initial instinct was to refuse the role, but he was persuaded to take it on. Mr Tabachnik KC submitted that taking on the role of Security Trustee *"almost as a favour,"* was obviously and clearly wrong from the outset.

17.11 Between April and December 2018 (while Mr Lee was a director of GST) LCF raised around £100 million of bondholder money which fell into the Ponzi scheme. Whilst

there was no suggestion that Mr Lee was involved in the fraud, the loss was a consideration for the Tribunal in its assessment of the seriousness of the misconduct alleged, and the assessment of the appropriateness (given the significant risk of a conflict) in Mr Lee acting as the Security Trustee.

17.12 At the time he agreed, as a *"favour"*, to become a director of GST, Mr Lee had acted for LCF for several years, taking instructions primarily from AT, and had also previously acted for AT personally. LCF instructed Mr Lee on numerous transactions between late 2015 and December 2018, principally relating to facility agreements and associated security for borrower entities. That pattern of work demonstrated the extent and continuity of his involvement in LCF's lending activities, including transactions funded by bondholder monies.

17.13 While serving as a director of GST, the Respondent continued to act for LCF on a further £30 million increase in lending to London Oil and Gas ("LOG"), pursuant to instructions commencing on 13 March 2018. Although the scope of work included due diligence if required, no such enquiries were requested. The instruction remained ongoing during the period in which Mr Lee was an in-post director of GST.

17.14 Mr Tabachnik KC submitted that this overlap lay at the core of the alleged conflict. As director of GST, the Respondent owed duties to safeguard and monitor security for the benefit of bondholders, duties which necessarily entailed enquiry and oversight. By contrast, his retainer for LCF implicitly excluded such scrutiny. In circumstances where AT did not wish for probing examination of LCF's position, the appointment of LCF's solicitor as director of GST materially reduced the likelihood of challenge. The duties owed to GST were therefore in clear tension with the Respondent's obligations to LCF.

17.15 Mr Tabachnik KC submitted that there were four key elements to the allegation:

<u>The consequence of Mr Lee having previously acted for LCF</u>

17.16 Mr Lee, it was submitted, should never have accepted the GST appointment and in any event should have resigned as soon as the FCA raided and imposed restrictions (alternatively when Administrators were appointed over LCF's assets). The Administrators were appointed following counsel's advice that LCF was insolvent. The Applicant's contention, which, it was submitted, was reflected in the opinion of Collings KC and the judgment of Chief Master Marsh, was that, in consequence of his earlier instructions for LCF and AT, Mr Lee would be and would be seen by a well-informed bondholder as, *"the lender's man."* This was in circumstances where:

- GST may have to enforce the Security <u>against</u> LCF in relation to distressed loans of bondholder money; and

- it was obvious that there could be disagreement between a truly independent security trustee and LCF as to (inter alia) how to deal with particular distressed loans.

17.17 Accordingly, it would be impossible for Mr Lee to demonstrate that he had discharged his duty of *"single-minded loyalty"* as per Millett LJ in *Bristol & West BS v Mothew [1998] Ch 1*:

> *"A fiduciary is someone who has undertaken to act for or on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence. The distinguishing obligation of a fiduciary is the obligation of loyalty. The principal is entitled to the single-minded loyalty of his fiduciary. This core liability has several facets. A fiduciary must act in good faith; he must not make a profit out of his trust; he must not place himself in a position where his duty and his interest may conflict; he may not act for his own benefit or the benefit of a third person without the informed consent of his principal."*

17.18 Mr Tabachnik KC submitted that there would always be a question-mark as to whether Mr Lee's independence had been tainted by his previous (and ongoing) instructions for LCF and AT. This was why it should have been *"obvious"* to him (in Chief Master Marsh's words) that he was never the right person for the job. The fact that Mr Lee accepted the role as a *"favour"* to LCF (whose position may not align with the bondholders when things *"go wrong"*), and because he thought there was *"nothing to do,"* should have been clear warning signs to him to decline. *This is a P6 and P2 issue.*

In his opinion, Mr Collings KC stated:

> *"As a trustee, the Security Trustee obviously owes fiduciary duties to the bondholder beneficiaries. It is the Security Trustee's duty to get in assets for the benefit of the bondholders in accordance with the debentures granted in its favour by LCF. I cannot see how it is appropriate for Mr Lee to be on both sides of that arrangement: as LCF's former solicitor, and as the human face of the Security Trustee. To put it another way, given Mr Lee's dual roles, I cannot see how the Security Trustee's undivided duty of loyalty is not compromised."*

17.19 Mr Lee, it was submitted, sought to answer the allegation in relation to the period 31 March and December 2018 by stating that he had no reason to think that LCF's business would collapse, and in consequence there was no actual conflict from his GST directorship and no significant risk of one either. That position was not accepted. Mr Tabachnik KC submitted that even if Mr Lee was right in his contention that he had *"nothing to do"* until LCF defaulted under the bonds, the whole point of an independent security trustee such as GST was to ensure the right people were in charge (and properly informed on underlying matters) and in place at the right time. It was nonsensical to contend that it was appropriate to hold a role one would need to vacate upon one of the key purposes of the role arising. It was not remotely sensible to suggest that one could *"keep the seat warm"* until someone truly independent was put in place. It was imperative for a proper person to be appointed. There was no point in appointing someone who would need to resign in the event of a crisis as they were not the right person for the appointment.

17.20 A truly independent security trustee who was not the "lender's man" would likely have taken a different view as to what GST could and should be doing to monitor the security which protected bondholders' interests and/or to ensure there was compliance with the numerous other covenants by LCF set out in the Debenture.

17.21 Mr Tabachnik KC submitted that the concerns detailed above were manifested while Mr Lee was a director at GST. In his witness statement, Mr Lee explained that in mid-2018, it was realised that Cap Verde Ltd's security assets were *"no longer available"*, an issue that remained unresolved when LCF entered administration. Mr Lee did not alert bondholders, investigate how the loss occurred, or consider whether similar problems affected other security, despite having power to do so. This episode overlapped with his ongoing work for LCF on a £30 million loan to LOG. The situation, it was submitted, illustrated an obvious conflict: bondholders would reasonably have expected full enquiry and disclosure, whereas LCF's interests lay in resolving the issue quietly. In acting in the best interests of LCF, Mr Lee could not discharge his duty of undivided loyalty to the bondholders.

17.22 Mr Tabachnik KC submitted that this position was all the more certain following the FCA raid and restrictions, and the appointment of the Administrators:

- At these points, and especially once LCF was unable to pay in accordance with the bond terms, there was an immediate risk of dispute between LCF/AT on the one hand and bondholders/GST (if independently represented) on the other hand as to what course to take in relation to secured assets. Different opinions are clearly possible as to whether secured assets should be sold, held, or otherwise dealt with. Bondholders were potentially compromised if the GST director was not clearly independent from LCF/AT.

- Similarly, there were clear prospects that the Administrators (as agents of LCF) and GST (led by Mr Lee) may disagree about how to deal with aspects of the Security/Secured Assets. Indeed, GST did in fact have a number of disagreements with the Administrators about GST's own role, and the appointment of a person to LOG. Mr Tabachnik KC submitted that Mr Lee considered that it was foreseeable that there would be disagreements between GST and the Administrators. That being the case made it all the more obvious that Mr Lee could not be the Security Trustee.

- Mr Lee's response to the Notice recommending referral to the Tribunal appeared to all but admit that a conflict arose once the Administrators were appointed. Notwithstanding, Mr Lee did not resign his directorship for a further 2½ months.

17.23 The Applicant invited the Tribunal to agree with the analysis of Chief Master Marsh who, in a judgment removing GST as trustee, reasoned in relation to Mr Lee's position:

> *[29]: "The bondholders are entitled to have complete confidence that the trustee will treat their interests as being paramount. Their wishes are inevitably affected by GST's close association with LCF."*
>
> *[33] "At the time the claim was issued [31/5/19 – when Mr Lee was still a shareholder], [the Administrators] were right to say that GST suffered from irreconcilable conflicts of interest. GST was set up by those involved in the formation of LCF and it was at one time closely linked with LCF. GST had, and has, no business other than acting as Security Trustee for LCF and its ability to*

> *perform its role is entirely dependent upon the qualities of its directors and shareholders. …"*
>
> *[34]: "Mr Lee resigned on 18 April 2019. It is surprising that he did not reflect on his position some time previously. In view of his firm's involvement with LCF and its lenders, he could never have been a suitable candidate to act as a director of GST."*
>
> *[47]: "As I have indicated, it should have been **obvious** to Mr Lee that he should not have acted as a director of GST in light of his professional involvement with LCF and its borrowers". **(emphasis added)***

17.24 Mr Tabachnik KC submitted that the remarks of Chief Master Marsh encapsulated the Applicant's case. It was clear that Mr Lee was unable to discharge his duty of undivided loyalty to the bondholders due to his associations with LCF. This was not a matter where Mr Lee could consider his own ability to compartmentalise his duties. His association with LCF meant that he should not have accepted the role as the Security Trustee for GST.

17.25 Relevant to the Tribunal's determination of whether Mr Lee's conduct breached Principle 2 was the strong inference that he was prepared to do a *"favour"* for LCF/AT which he should *"obvious[ly]"* have declined, on the basis it would do no harm to his/the Firm's prospects of future LCF instructions.

17.26 Mr Lee relied on the decision in Connolly v The Law Society [2007] EWHC 1175 (Admin):

> *"Before us, Mr Rhodes submitted that the existence of a conflict of interest is, as the Tribunal accepted, a question of professional judgment. The Appellant had considered the question of a conflict and indeed had discussed it with colleagues on two occasions, and if he erred in his professional judgment in concluding that there was no conflict, that could not justify a finding of a disciplinary offence. His judgment was not one that could not be made by a reasonable professional man.*
>
> *I accept that generally the honest and genuine decision of a solicitor on a question of professional judgment does not give rise to a disciplinary offence. But that does not mean that for a solicitor to act where there is a significant risk of a conflict of interest cannot be a disciplinary offence. If a solicitor does not honestly and genuinely address the issue, he may be guilty of an offence. And if his decision is one that no reasonably competent solicitor could have made, it may be inferred that he did not (or could not) properly address the issue. That inference may well be appropriate where, as in the present case, the reason given for the solicitor's professional decision is manifestly unsustainable."*

17.27 In effect, Mr Lee's position was that even if he should not have accepted the appointment to GST (which was not accepted) then his conduct was negligent but did not amount to professional misconduct; he had considered the position and discussed it with colleagues – any error on his part was an error of professional judgement. Mr Tabachnik KC noted that it was Chief Master Marsh's position that Mr Lee should

never have accepted the appointment. However, there were further reasons that Chief Master Marsh was not aware of which meant that Mr Lee should not have taken up the appointment (or retained it for the time that he did). No reasonably competent solicitor, it was submitted, would have done so in all the circumstances. The issue was not one of negligence, but of the appropriateness of taking up a post which placed Mr Lee in direct conflict with his client. In doing so, Mr Lee's failing was so serious that it amounted to professional misconduct.

Mr Lee's knowledge of AT's residual interest in the borrowers

17.28 This was a matter that Chief Master Marsh was not aware of or did not consider. Mr Lee was aware that AT had *"interests"* on both sides of the loan transactions, (i) as CEO of LCF (lender) and (ii) with a "residual interest" in the London Group/principal borrowing companies. Mr Tabachnik KC submitted that this created a further obvious conflict from the very outset, because Mr Lee took up his GST position at the end of March 2018, just as the 13 March 2018 instructions in relation to the LCF/LOG lending were being progressed. Thus, in addition to acting on the instructions of LCF's CEO whom Mr Lee knew to be on both sides of the transactions, his GST role added the further impossibility of effectively representing bondholders' interests too. AT's interest on the other side of the lending transactions was of concern – that interest was known to Mr Lee but was not known to the bondholders. The interests of bondholders and borrowers were, by definition, in opposition.

17.29 Accordingly, it was submitted, there was at all times a significant risk of dispute and disagreement as to what (if any) steps should be taken by GST as regards secured assets, should an insolvency scenario present in relation to a particular borrower (or LCF) or in the event of a disagreement regarding the sufficiency of security or attempted renegotiation of facility amounts and/or repayment dates. Further, while it would be in the interests of GST and bondholders to maximise the security put forward by borrowers, it would be in the interests of borrowers to minimise the same. Notwithstanding, Mr Lee continued to take instructions from AT (qua lender, but with a "residual interest" in the borrowers or some of them), while he controlled GST.

17.30 Mr Lee stated in his SFO interviews that he was aware of AT's "residual interest" before 2019, having been told about it by AT; and that it related to the London Group as borrower. Asked if this was a usual lender/borrower arrangement, Mr Lee noted that AT was not the lender. Mr Tabachnik KC submitted that this response did not meet the point Mr Lee was being asked about. Mr Lee also stated he had *"no understanding"* how AT would profit from his *"residual interest"* but that it was *"not an unreasonable assumption"* that AT would hope the borrowers did well so that AT's residual interest did well too. When asked if bondholders had been told, Mr Lee replied that he was not aware of any *"specific disclosure"* to bondholders about AT's residual interest; and he did see an Information Memorandum (which did not disclose an AT "residual interest" in the borrowers). Mr Tabachnik KC submitted that the *2-way conflict did not improve with addition of the Security Trustee which then made the conflict a 3-way conflict. It was noted that neither Mr Lee's Answer nor his witness statement dealt with these matters.*

17.31 Miles J found that AT had a *"5% beneficial interest in a number of LCF's borrowers".* It was accepted by the Applicant that Mr Lee did not know the amount of AT's beneficial interest.

In his response to the Notice recommending referral, Mr Lee stated:

> *"What was clear on Mr Lee's appointment was that unless he observed some element of the way that LCF conducted its business to the detriment of the bondholders, or there was some kind of event of default, GST was simply there as the holder of the security over the assets of LCF for the time being."*

17.32 Mr Tabachnik KC characterised this as a keep the seat warm unless something happens requiring action position. It was not accepted that GST's role was so circumscribed, but even if it was, it was unclear why AT's residual interest in the borrowers did not engage the exception described by Mr Lee.

Disclosure of confidential information while acting for LCF

17.33 Mr Tabachnik KC submitted that accepting the GST role created an immediate and ongoing conflict between Mr Lee's duty to protect LCF's confidential information and GST/bondholder interests in learning any such confidential information relevant to their circumstances. Mr Lee did not dispute the principle but contended that he held no such confidential information. However, through acting for LCF, Mr Lee had learned about AT's *"residual interest"* in the borrowers, and thus his extraordinary position on both sides of the transaction. Even if Mr Lee did not have precise 'chapter and verse,' a director of GST needed to ensure bondholders were aware of the accurate position. Mr Tabachnik KC submitted that it would undoubtedly have been intensely concerning to Bondholders and would likely have discouraged further investment (certainly, slowing it down). As above, Mr Lee accepted to the SFO that he had no reason to think Bondholders had been given the full picture on this matter.

17.34 Surge was the company which marketed LCF's minibonds. A number of Surge defendants were found to have been participants in the fraudulent trading/Ponzi scheme. Surge's commission was 25% of the sums raised, which plainly took a massive bite out of the amounts received by borrowers (who received their drawdowns net of the Surge commission). Mr Lee became aware through his instructions for LCF (in particular, he *"advised on the Surge contract"*) of the 25% Surge fee, which he was clearly concerned by. It was in bondholders' interests that Mr Lee provided this knowledge to GST/bondholders, as LCF had not disclosed it publicly or as part of marketing the minibonds. Mr Lee:

- Was aware that Surge (marketing company) charged 25% of the sum raised as its fee.

- Advised AT to *"look at his cost of borrowing"* as it was *"too high"* and admitted to the SFO that *"I knew enough about ... revolving credit facilities that kind of cost of borrowing was going to put it out of reach of most people even the venture lending market."* This, it was submitted, was another situation in which Mr Lee had confidential information arising from his instructions by LCF. It was clear from his interview with the SFO that this was a matter of concern. Mr Tabachnik

KC submitted that Mr Lee's duty to LCF was in direct conflict with his role as the Security Trustee, such conflict being irreconcilable.

- Mr Lee described the Surge fee as *"a very hefty fee"* and noted it was added on to what the borrower had to repay. Miles J found that the Surge personnel call the 25% fee huge and insane, and that investors were unaware of the fee and would have been put off if they knew. Mr Tabachnik KC submitted that it was obvious that if the Security Trustee had concerns about the fee (as Mr Lee did), that information should have been passed to the investors. What prevented Mr Lee from doing so was the conflicting duty he owed to LCF.

17.35 Mr Tabachnik KC submitted that there was, at all times, a significant risk that Mr Lee would learn something else relevant to GST/bondholders while he was carrying out his instructions for LCF on the LOG additional lending in 2018. This was a further, entirely freestanding, and unanswerable, reason why Mr Lee could not hold a position with GST while acting on a loan transaction for LCF.

<u>Conflicts in relation to the monitoring of security and other inquiries prior to a default under the minibonds.</u>

17.36 Mr Tabachnik KC submitted that Mr Lee's acceptance of a role with GST established an immediate conflict as between the interests of GST/bondholders in knowing, monitoring, and investigating the position of the Secured Assets (in particular), and the instructions of LCF to take no such steps under the retainer relating to the additional lending to LOG. Further or alternatively, this was an aspect of the issue identified above, namely whether a person who was the *"lender's man"* was the right person to determine that GST had *"nothing to do"* until a bond default, and/or whether a truly independent trustee would likely take a different view of GST's powers and responsibilities prior to bond default. Mr Tabachnik KC submitted that this was a clear conflict between the duties to the parties and therefore a conflict in Mr Lee's interest in performing his duties for both.

17.37 It appeared to be common ground that, pre-FCA raid, and whether generally or in relation to the 2018 additional lending from LCF to LOG, Mr Lee took no steps to investigate the sufficiency of the assets secured or to be secured for the benefit of bondholders. This, it was submitted, was consistent with Mr Lee's understanding that he had *"nothing to do"* until a bond default.

17.38 It was the Applicant's primary submission that Mr Lee seriously misunderstood the duties and powers of GST in this regard. In particular:

17.39 The overriding duty of a trustee was to preserve and safeguard trust assets properly, and to take *"all those precautions which an ordinary prudent man of business would take in managing similar affairs of his own"* (<u>Lewin on Trusts</u>). Up to date information, proactively sourced, was required for GST to discharge this duty. The overriding obligations and duty of care owed by trustees was not controversial.

17.40 Whilst the above duty could be excluded by agreement, this could only be achieved with clear language – and there was no such exclusion in the instant case. Mr Lee relied on clause 5.3 of the Security Trust Deeds detailed above. Mr Tabachnik KC

submitted that the word "generally" contained in Clause 5.3 preserved the trustee's overriding duty of care. If a total exclusion of any duty other than what was expressly stated had been intended, clause 5.3 would have said so. By contrast, the second part of clause 5.3 was entirely absolute in relation to the identity of parties to whom duties are owed.

17.41 Further, the structure of the Security Trust Deeds and Debentures made clear that the trustee's overriding duty of care was preserved in respect of circumstances other than where a bond default has occurred. In particular:

- Clause 6.13 of Debentures stated that LCF would give GST *"such information concerning the location, condition, use and operation of the Secured Assets as [GST] may require."* Mr Lee, it was submitted, did not consider that this provision was there to be used. His assertion that there was *"nothing to do"* was undermined by this provision. Mr Lee was aware of this provision, noting to the SFO: *"I'd have to go back and look at the debenture but I'm pretty sure that a debenture has err has … could most debentures do uhm yeah an information requirement more or less on demand."* Mr Tabachnik KC submitted that Clause 6.13 was not limited to being operated in an enforcement of security scenario (i.e., post-default). That was not surprising. If a security trustee did not educate itself about the security position prior to a default, it would inevitably lose valuable time at a critical juncture.

- GST, it was submitted, must have the power and duty to monitor and enforce compliance by LCF with its General Covenants, Insurance-related Covenants, and Property-related Covenants. All of these were pre-bond default matters which would be pointless if there was no monitoring expectation.

- Clause 20.1 of the Debentures gave GST the right to be reimbursed its full costs for protecting trust assets or *"in connection with [a] this deed or the Secured Assets."* Clause 5.5 of Security Trust Deeds gave GST an indemnity out of Trust Property for any costs/fees *"in relation to or arising out of the taking or holding of any of the Security, the exercise or purported exercise of any of the rights, trusts, powers and discretions vested in any of them or any other matter or thing done or omitted to be done in connection with any of the Security or pursuant to any law or regulation"*. The existence of the right to such reimbursement, it was submitted, supported the continuing existence of the corresponding duty of care in relation to the protection/preservation of Trust assets.

- Clause 10 of the Security Trust Deeds provided that: *"the powers conferred on the Security Trustee under this Deed shall be in addition to any powers which may from time to time be vested in it by general law"*. Accordingly, it was submitted, Mr Lee was wrong to say that GST had no power to make practical use of information sourced via clause 6.13 of the Debentures. Further, in the first instance, GST was entitled to enforce the terms of the Debentures (including LCF's covenants regarding the security), and could equally pass information of concern to bondholders, the FCA and use it as appropriate to protect Trust assets. This position, it was submitted, provided further support for the Applicant's position in relation to the continuing duty of care owed by Mr Lee as the Security Trustee.

17.42 In his witness statement, Mr Lee referred to GST *"pay[ing] attention to the conduct of LCF in operating its business" and "observ[ing] to the extent possible the conduct of LCF, rais[ing] queries and seek[ing] information where deemed necessary"*. These comments, it was submitted, appeared to reflect an acknowledgement of GST's ongoing duty of care to preserve trust assets, albeit in an entirely reactive manner. Mr Tabachnik KC highlighted further matters which, it was submitted, were inconsistent with Mr Lee's contentions about GST's limited duties:

- In an email exchange between Mr Lee and AT on 24 August 2018, Mr Lee confirmed that GST's role included to *"report to the board of directors on the asset values held as security against an investment"*. This email exchange took place in the middle of the period when Mr Lee was acting as the director for GST whilst simultaneously acting on the LOG transaction for LCF. Whilst Mr Lee added some text about himself, he did not change the text in relation to GST's role and thus effectively endorsed it. Mr Lee, it was submitted, could not report as described without monitoring events. This further evidenced the inaccuracy of Mr Lee's *"nothing to do"* position and the inappropriateness of his appointment as the Security Trustee.

- Mr Lee had previously declined a proposal for the Firm to act as a Security Trustee as *"we were not equipped as a law firm to provide those services [bearing] in mind that … we're a small firm."* Mr Tabachnik KC submitted that this again, in effect, accepted that there were *"services"* to be performed. Mr Tabachnik KC considered that it was surprising that whilst Mr Lee did not think that the Firm was equipped to act as a Security Trustee, he considered that he was able to do so.

- Also of note was GST's 8 January 2019 letter to the FCA, in which GST offered to manage LCF's business for the benefit of bondholders notwithstanding that *"no event of default has occurred under the bonds issued by LCF"*. The nothing to do analysis failed – one could not say that there was nothing to do but also offer to manage the business.

17.43 It was Mr Lee's contention that the only substantive allegation was a breach of Outcome 3.4 with consequential breaches of the Principles. Accordingly, if the Tribunal did not find that there had been a breach of that Outcome, the case fell away. Mr Tabachnik KC submitted that this contention was wrong both as a matter of construction and a matter of principle. The allegation was clearly pleaded and could not be read as the Principle breaches alleged being dependant on a finding of a breach of Outcome 3.4. Indeed, there were aspects of the case where Outcome 3.4 was not alleged to be engaged.

17.44 As to the matter of principle, with regard to the legitimacy and acceptability of pleading matters where Outcome 3.4 was not engaged, that was a *Beckwith v SRA [2020] EWHC 3231 (Admin)* point as to what Principles 2 and 6 were capable of embracing, and the requirement for alleged misconduct to relate to a duty under the Code. The Code of Conduct 2011 included the Principles as well as the Code. Mr Tabachnik KC submitted that those parts of the allegation which did not engage Outcome 3.4 engaged, for example, Principle 7 (comply with your legal and regulatory obligations and deal with your regulators and ombudsmen in an open,

timely and co-operative manner) and Principle 1 (uphold the rule of law and the proper administration of justice). It was not necessary for the Applicant to also plead those Principle breaches. If it was accepted that Mr Lee was in breach of his fiduciary duties as the Security Trustee, this was sufficiently serious to engage Principle 6 (and Principle 2).

17.45 In his submissions regarding *Mothew*, Mr Parker referred to the prohibition on self-dealing rule, namely the duty of a fiduciary (i) not to place himself in a position where his duty and his interest may conflict; and (ii) not to act for his own benefit. Mr Tabachnik KC cautioned the Tribunal on limiting the ambit of the prohibition in Outcome 3.4 to *secret profits* cases. Outcome 3.4 was engaged whenever there was an own client conflict. The key issue for consideration was the circumstances that created the own interest conflict. The circumstance did not need to be financial; as long as there was some interest of the solicitor that was potent enough to create a meaningful conflict with the client, Outcome 3.4 was engaged. In the instant case, it was Mr Lee's interest in properly performing his duties to GST that created a conflict with his client LSF.

17.46 Mr Parker had also referenced the double employment rule.

> *"A fiduciary who acts for two principals with potentially conflicting interests without the informed consent of both is in breach of the obligation of undivided loyalty; he puts himself in a position where his duty to one principal may conflict with his duty to the other: see Clark Boyce v Mouat [1994] 1 AC 428 and the cases there cited. This is sometimes described as "the double employment rule." Breach of the rule automatically constitutes a breach of fiduciary duty."*

17.47 Mr Tabachnik KC submitted that this was an adjunct to the obligation of undivided loyalty and was aimed at preventing one placing oneself in the position where one had conflicting duties. In the instant case, when considering the duties of undivided loyalty and the double employment rule, the Tribunal would be considering whether the duties owed to LCF clashed with the duties owed to GST, which Mr Lee had an interest in.

17.48 As to the correct test for assessing integrity, the parties agreed that the test was an objective one. It was also agreed that the touchstone of a want of integrity was unethical conduct. The parties were not agreed on Mr Parker's submission that there was also a requirement to find and prove bad faith. Mr Tabachnik KC submitted that this was an incorrect reading of the authorities and in particular of the judgment in *Hurst v SRA [2026] EWHC 85 (Admin)*, upon which Mr Lee relied. Whilst references were made to bad faith in that matter, this was used to describe the Tribunal's findings (the Tribunal having found bad faith). It was not a statement of principle that in order for there to be a finding of lack of integrity, there had to be a finding of bad faith.

17.49 Mr Tabachnik KC submitted that Mr Lee's conduct breached Outcome 3.4, as he had an own interest conflict (or significant risk of the same) throughout the period 31 March 2018 to April 2019. There was a clear and obvious risk that Mr Lee would be provided with LCF's confidential information which he, as the Security Trustee, would be bound to share with GST in conflict with his duty to LCF. Further, GST's duty to protect trust assets conflicted with the instructions from LCF not to undertake due diligence for the LCF/LOG transaction.

17.50 Mr Lee, it was submitted, had acted where there was an obvious conflict for over 12 months. He should never have accepted any role with GST, as had been concluded by Chief Master Marsh. It was obvious that Mr Lee was not in a position to provide single-minded loyalty to GST and the bondholders. Any solicitor, it was submitted, should have recognised such an obvious conflict and acted accordingly. Acting when there was an obvious conflict breached the requirement of Mr Lee to behave in a way that maintained the trust the public placed in him and the provision of legal services.

17.51 Being in an *"obvious"* conflict for 12 months amounted to a demonstrable failure to live up to the higher standards expected of solicitors. Further, it appeared that Mr Lee took the role as a *"favour"* to LCF/AT, and no doubt in part to position the Firm to secure further LCF instructions, so preferring personal (and LCF's) interests. Mr Lee claimed to have thought about conflict issues before accepting the GST appointment, but he reached demonstrably incorrect conclusions on the aspects of the conflict explored above (to the extent he identified them) and agreed to do LCF/AT a *"favour."* Such conduct, it was submitted, breached Principle 2.

17.52 In consequence of not recognizing the obvious conflict of accepting the GST appointment, Mr Lee deprived GST and the bondholders of the direction and leadership they were entitled to expect. Further, as noted above, LCF raised around £100 million during the period Mr Lee was a GST director with *"nothing to do"*. There was a real prospect that truly independent leadership of GST would have asked the questions and secured the information that materially reduced these losses. These matters are relevant to the seriousness of any professional misconduct found by the SDT.

The Respondent's Case

17.53 Mr Parker submitted that it was important that the Tribunal focussed on the limited way in which it was alleged that Mr Lee had committed professional misconduct, namely that in breaching Outcome 3.4, he had breached Principles 2 and 6. That this was the only proper basis on which to interpret the allegation was clear from the introduction of the SRA Code of Conduct. It detailed that the Outcomes described what was expected of firms and solicitors in order to comply with the Principles.

17.54 In this case, it was submitted, the Tribunal, in determining whether there had been a breach of the Principles as alleged, needed to determine whether there had been a breach of Outcome 3.4, the Outcome in the Code of Conduct relied upon by the Applicant, and expressly pleaded. This interpretation was not straining the meaning of the Code of Conduct, and was the position as made clear in *Beckwith.* At paragraph 35 the Court stated:

> *"The material part of the Handbook is the 2011 Code of Conduct [which] is divided into various sections … Each section describes the standard of conduct required by reference to "outcomes" that are to be achieved, and "indicative behaviours" that are consistent with the standard of conduct required … It is notable that the "outcomes" are explained as showing the way in which the requirements of the 2011 Principles apply in the various different contexts; and the "indicative behaviours" as tending to show how the "outcomes" can be achieved and compliance with the 2011 Principles (including the requirement*

to act with integrity) can be secured. The ethical standards providing the content of the obligation to act with integrity are to be found in this material. The Tribunal's task when the complaint that conduct, which is not dishonest conduct, is a breach of the requirement to act with integrity, is to identify by reference to the contents of the Handbook (in all likelihood, primarily, the contents of the 2011 Code of Conduct) whether and if so, what ethical standards emerge that are relevant to the misconduct alleged. This exercise is best undertaken case by case. Any attempt to formulate a comprehensive list of what is prohibited and what is permitted detached from the circumstances of a specific case would only provide hostage to fortune."

17.55 Mr Parker submitted that the above demonstrated that the ethical standard said to have been breached, and which the Tribunal should apply, was the absolute prohibition on own interest conflicts contained in Outcome 3.4. Accordingly, the Tribunal was required to determine where the own interest conflict lay, how it was put by the Applicant and whether there was actually any own interest conflict (or significant risk thereof) at all.

17.56 During the course of the opening, the Tribunal asked Mr Tabachnik KC about a breach of Outcome 3.5 (client to client conflict). It was Mr Tabachnik KC's submission that GST was not a client of the Firm. However, the documents contained a client care letter from the Firm to GST with a bill for work undertaken up to 31 January 2019, which Mr Parker suggested made clear that they *were* in fact a client of the firm (and so prevented the Applicant from alleging 'own interest conflict'.

17.57 If GST *were* clients of the Firm, the client care letter did not appear to have been sent until *after* the administration of LCF. This had no bearing on the matters faced by Mr Lee as a client-to-client conflict formed no part of the case alleged by the Applicant. Mr Tabachnik KC was also asked how the conduct amounted to an own interest conflict. His response was that Mr Lee had an interest in performing the duties owed to GST in order to avoid breaching his own fiduciary duties as trustee The submission was further developed by Mr Tabachnik KC on the basis that a clash between a duty on the one hand to his client and a clash with his own obligations as trustee on the other, would affect his undivided loyalty–Mr Parker submitted on behalf of Mr Lee that:

(i) Mr Lee had no personal interest arising from the relationship with LCF that was put to him in cross-examination or was evident on the papers; and

(ii) Paragraph 8.90 of *Gould* stated:

"A solicitor's interest in performing and being paid for legal work would not represent a breach of his duty in itself, although a solicitor might be in breach if he preferred his own interests in being paid to those of the client. This might occur, for example, where the fee was only payable if a transaction was successful but after very substantial costs it became against the client's interest to proceed. However, the question of conflict typically arises in the context of a conflict or potential conflict between the duties owed to two clients."

17.58 Mr Parker submitted that accordingly, there was no own interest arising out of the fact that Mr Lee would be paid as a result of working for either or both LCF and GST.

17.59 Mr Parker submitted that Mr Lee, in his oral evidence, clearly and unequivocally denied that during the relevant events, the issue of LCF potentially taking its work from the firm arose or was contemplated by him or was raised by AT when Mr Lee expressed concerns about taking on the role with GST. Mr Parker also noted that no point was taken by the Applicant with regard to the fact that Mr Lee was a shareholder in GST.

17.60 Mr Parker submitted that the foundation of the regulatory rules as to conflicts of interest was to be found in the law relating to fiduciary obligations. The fiduciary duty owed by a solicitor to his client was described in *Mothew,* (detailed by the Applicant in its section entitled "The consequence of Mr Lee having previously acted for LCF" above), which detailed the prohibition on self-dealing, which applied with equal force to trustees.

17.61 In the event that the Applicant asked the Tribunal to consider facets of the core obligation of loyalty other than the self-dealing rule against own conflicts, these other facets of the core obligation of loyalty were explained in greater detail in *Mothew* in the following way:

The double employment rule (at 18H-19A):

> *"A fiduciary who acts for two principals with potentially conflicting interests without the informed consent of both is in breach of the obligation of undivided loyalty; he puts himself in a position where his duty to one principal may conflict with his duty to the other: see Clark Boyce v Mouat [1994] 1 AC 428 and the cases there cited. This is sometimes described as "the double employment rule." Breach of the rule automatically constitutes a breach of fiduciary duty."*

The duty of good faith (at 19D-E):

> *"Even if a fiduciary is properly acting for two principals with potentially conflicting interests he must act in good faith in the interests of each and must not act with the intention of furthering the interests of one principal to the prejudice of those of the other ... I shall call this "the duty of good faith." But it goes further than this. He must not allow the performance of his obligations to one principal to be influenced by his relationship with the other. He must serve each as faithfully and loyally as if he were his only principal."*

The no inhibition principle (at 19F-G):

> *"... the principle which is in play is that the fiduciary must not be inhibited by the existence of his other employment from serving the interests of his principal as faithfully and effectively as if he were the only employer. I shall call this "the no inhibition principle." Unless the fiduciary is inhibited or believes (whether rightly or wrongly) that he is inhibited in the performance of his duties to one*

> *principal by reason of his employment by the other his failure to act is not attributable to the double employment."*

The actual conflict rule (at 19G-H):

> *"... the fiduciary must take care not to find himself in a position where there is an actual conflict of duty so that he cannot fulfil his obligations to one principal without failing in his obligations to the other: see Moody v Cox and Hatt [1917] 2 Ch. 71; Commonwealth Bank of Australia v Smith (1991), 102 ALR 453. If he does, he may have no alternative but to cease to act for at least one and preferably both. The fact that he cannot fulfil his obligations to one principal without being in breach of his obligations to the other will not absolve him from liability. I shall call this "the actual conflict rule."*

17.62 Mr Parker submitted that the statements of the duties owed by a fiduciary found their equivalents in the component parts of the *"distinguishing obligation of a trustee"*, which was the duty of loyalty. As for a solicitor who was also a trustee: there was a duty (i) to act in good faith, (ii) to avoid conflict between their duty and the interests of a third party, and (iii) to avoid conflict between their duty and their personal interest.

17.63 However, as explained above, the issue before this Tribunal was only the third of these, namely whether Mr Lee acted in an own conflict situation. Mr Lee's case was firmly that the circumstances in which he found himself between March 2018 and April 2019 did not involve any self-dealing or other breach of the own conflict rule. Moreover, as detailed, it was not, of itself, a breach of the own conflict rule to accept payment.

17.64 Mr Parker submitted that where there was a risk of a potential conflict of interest, whether or not to proceed with the relevant appointment was a matter for the solicitor's professional judgement as to the significance of that risk. In *Connolly* Admin) Stanley Burnton J. explained the test (detailed by the Applicant in its section entitled "The consequence of Mr Lee having previously acted for LCF" above).

17.65 It was submitted that on the issue of an own interest conflict, there were two questions for the Tribunal to ask itself, namely:

(i) Could the Applicant prove that there was a significant risk that by accepting the GST directorship and trusteeship, Mr Lee would be in breach of the prohibition against own interest conflicts, otherwise known as the rule against self-dealing? If yes (but only if yes), then

(ii) Could the Applicant prove that Mr Lee did not honestly and genuinely exercise his professional judgement as to the existence (or otherwise) of that risk and the decision he made?

17.66 Mr Parker submitted that the answer to each of those questions was "no". Accordingly, the Applicant could not meet the necessary requirements in order to prove the allegation – no actual client conflict (or significant risk thereof) could be

founded on the evidence. The Applicant, it was submitted, had tried to do so, shoe-horning certain events into an own interest conflict.

Its first attempt to do so related to Mr Lee acting for LCF in the LOG lending. Mr Parker submitted that how this amounted to an own interest conflict (or significant risk thereof) was not and could not be explained. Whilst this might have amounted to a potential client-to-client conflict, it did not amount to an own interest conflict. The suggestion that GST was a *"quasi-client"* did not assist as it failed to deal with the issue of the personal interest of Mr Lee. There was nothing to suggest that Mr Lee's involvement in drafting the finance agreements meant that his own interest came into conflict.

17.67 The Applicant's second attempt to justify own interest conflict related to the residual interest and surge commission point and confidential information. It was the Applicant's contention that the fact that there would have been confidential information acquired while acting was a straight engagement of Outcome 3.4. That contention was incorrect. There was no personal interest of Mr Lee in acquiring whatever knowledge he might have had that put him personally in conflict with the interests of persons he was representing.

17.68 Mr Parker submitted that in no material respect had the Applicant's case been put in terms of an own interest conflict properly called. In cross-examination there were no questions put to Mr Lee directed towards showing that he had a personal interest conflicting with the duties to bondholders. *Beckwith* required misconduct to be rooted in the relevant provision of the Handbook. In the circumstances, it was clear that this case had never been one of an own client conflict. The Applicant, it was submitted, had sought to craft what could be considered negligence or a client-to-client conflict into an own interest conflict notwithstanding that such an allegation could not be substantiated on the evidence – there had been no breach of the prohibition in Outcome 3.4 as alleged.

17.69 Accordingly, Mr Parker submitted that this brought the case to an end, the Principle breaches alleged being parasitic on the allegation of a breach of Outcome 3.4.

17.70 Mr Parker submitted that analysis of the way in which the case against Mr Lee was put in the Rule 12 Statement indicated that it was founded on the basis that Mr Lee's involvement with LCF and AT prevented him from properly performing his duties to the bondholders. That articulation had nothing to do with the prohibition against own interest conflicts. Mr Parker submitted that to that extent, most of what was contained in the Rule 12 Statement was strictly irrelevant to the issue for determination. However, and without derogating from that proposition, the central allegation in the Rule 12 Statement appeared to be an allegation of breach of the double employment rule. Mr Parker submitted that for the reasons explained in *Mothew*, breach of the double employment rule was dependent on Mr Lee being inhibited in the performance of his duties to one principal (the bondholders) by reason of his employment by the other (LCF).

17.71 The Rule 12 Statement made many assumptions and assertions that Mr Lee was (or perhaps must have been) so inhibited without in fact tendering any evidence of such inhibition. The Applicant, it was submitted, had failed to prove any conflict of

interest, relying instead on impermissible hindsight following LCF's collapse. There was no evidence that LCF or AT restricted Mr Lee from undertaking due diligence, nor that he possessed confidential information which he was inhibited from disclosing to bondholders. His evidence was unequivocal that he held no such confidential information.

17.72 Mr Lee maintained that he carefully reviewed the transaction documents, discussed the position with his partners, and carried out a contemporaneous risk assessment. That assessment led him to conclude that there was no actual or significant risk of conflict, nor any reason to be on enquiry as to such a risk. Clause 5.3 of the Security Trust Deeds made clear that his obligations as security trustee were owed solely to bondholders, a position he understood and accepted.

17.73 Mr Parker submitted that acting for LCF while serving as a director of GST could, at most, give rise to a client-to-client conflict, not an own-interest conflict under Outcome 3.4. The Applicant had failed to identify any specific information Mr Lee had acquired as LCF's solicitor that he was inhibited from sharing, nor did it show that he knew or should have known of any significant risk of conflict when continuing to act.

17.74 The Applicant, it was submitted, improperly sought to impose a duty on Mr Lee to *"ensure"* the adequacy of security for the 2018 LOG lending, without identifying any legal or contractual basis for such a duty. Whether Mr Lee's approach to monitoring security amounted to negligence was not a matter for the Tribunal, and in any event, there was no evidence that any failure to enquire was driven by self-interest.

17.75 Assertions that his knowledge of AT's interest in the borrowers or the Surge commission created a conflict were unsupported by evidence. Likewise, the suggestion that an independent trustee would have acted differently was speculative, given that any trustee would have faced the same informational constraints.

17.76 Mr Parker also rejected the allegation that Mr Lee's duty to protect LCF's confidential information conflicted with bondholders' interests, reiterating that Mr Lee held no information that should have been disclosed. Any suggestion of future disagreement between LCF and bondholders was theoretical, given the clear contractual framework prioritising bondholders' interests on default.

17.77 Even if further enquiries had been made, Mr Parker submitted that they would not have uncovered LCF's fraud or altered the outcome, given the extensive deception later identified by Miles J. The Applicant's attempt to link bondholder losses to Mr Lee's conduct was unsupported by the evidence and rested on assertion rather than proof.

17.78 As to the allegation that Mr Lee's conduct lacked integrity, the modern understanding of that concept was to be found in *Wingate*. The court in *Newell-Austin v SRA [2017] EWHC 411 (Admin)* made it clear that the test for lack of integrity was an objective one: it did not have to be shown that the solicitor himself knew that reasonable people would regard his conduct as lacking in integrity. However, his *"state of knowledge or intention in relation to the underlying conduct (said to demonstrate lack of*

integrity) is a relevant consideration in assessing whether, in carrying out such conduct, a person demonstrated a lack of integrity."

17.79 In *Hurst* the court emphasised that lack of integrity focused on the personal untrustworthiness and bad faith of the professional concerned, and that a finding of lack of integrity required an *"elevated standard of proof and of reasoning"*:

> *61. "A failure to act with integrity is an imputation of unethical conduct. As such, it is more than a portmanteau reference to a corpus of professional standards. It connotes an element of personal substandard ethical behaviour or untrustworthiness – a degree of what lawyers sometimes refer to as moral turpitude."*
>
> *122. "… These, and the finding of lack of professional integrity, are findings of bad faith, to put it no higher than that. As such, they import an elevated standard of proof and of reasoning."*

17.80 Mr Parker submitted that whilst the Applicant had taken the Tribunal to the facts of Hurst, it had not addressed the elevated standard of proof and reasoning detailed at paragraph 22 of the judgment. For the Tribunal to find that Mr Lee's conduct lacked integrity, it would need to find that there had been moral turpitude. The Applicant's case, it was submitted could not and did not go that far.

17.81 Mr Parker submitted that the requirement of personal untrustworthiness and bad faith explained in *Hurst* exemplified well the *"state of knowledge or intention in relation to the underlying conduct"* consideration expressed at paragraph [50] of *Newell-Austin*. The Applicant did not allege recklessness on the part of Mr Lee. Accordingly, on lack of integrity the questions this Tribunal must ask itself were: (i) Can the Applicant prove that there was a significant risk that by accepting appointment to GST Mr Lee would be in breach of the prohibition against own interest conflict, otherwise known as the rule against self-dealing? If yes (but only if yes), then (ii) Can the SRA meet the elevated standard of proof that Mr Lee knew of that significant risk but in bad faith chose to take it?

17.82 Mr Parker submitted that the answer to each of these questions was No, the Applicant could not meet each of these necessary requirements in order to prove the allegation in this case.

17.83 An examination of the conduct did not evidence any untrustworthiness on the part of Mr Lee. Instead, his conduct showed what might be considered professional negligence in certain respects. Whilst a conclusion of negligence might be appropriate, this did not amount to professional misconduct and was far from conduct that was untrustworthy, lacking a moral compass or even bad faith.

17.84 Mr Lee regarded his role as Security Trustee as limited – there was not a lot he could do. The *Practical Law Practice Note* defined the role of the security trustee as follows:

> *"A security trustee holds the security interests (the trust property) on trust for the benefit of all the lenders and any other parties entitled to benefit from the security. The security trustee will have control rights over the trust property*

from the moment when the security trust is established. However, those control rights may be constrained by contract.

The key terms of a security trust deed). The security trustee is usually subject to contractual provisions that require it to act only when directed. Consequently, the role of the security trustee is generally passive in nature, unless and until such time as the security needs to be enforced. That is not to say that the security trustee's duties are limited to circumstances following default by the obligor(s), but the default position prior to default is likely to be limited to a purely administrative function."

17.85 Accordingly, it was submitted, Mr Lee's contention that there was not much for him to do was unsurprising, appearing to be a conventional view of the role. Whilst there was no dispute that a trustee was under an obligation to protect trust assets, the documents did not impose a positive obligation for Mr Lee to monitor the conduct of the borrowers. Mr Parker submitted that these were important factors to be taken into account when considering Mr Lee's evidence which was that he regarded the role as a passive one until an Enforcement Event occurred.

17.86 The Applicant sought to rely on the events regarding Cap Verde to evidence that Mr Lee had acted without integrity. Mr Parker submitted that Mr Lee had sought a solution to avoid taking enforcement proceedings. In his evidence, Mr Lee candidly accepted, with the benefit of hindsight that he could have handled things differently or better, could and should have thought through where the potential problems might lie and accepted his failure in those regards.

17.87 The issue for the Tribunal to consider was whether any failings were born out of the failure by Mr Lee to understand his ethical obligations, or whether he was negligent. Mr Parker submitted that Mr Lee had made mistakes, which he accepted. He also accepted the comments made by Chief Master Marsh, whose observations in relation to taking on the role should have occurred to Mr Lee. Mr Lee had given some thought to his obligations, hence his reluctance to take on the role. His judgment in accepting the role was wrong. However, the fact that his judgment was wrong did not amount to professional misconduct. Nor did it amount to a conflict. There was no evidence that he was actively attempting to favour one client over another, or that he was personally conflicted. It was Mr Lee's lack of judgment that lay at the heart of the case. Mr Lee had not taken on the role despite his better judgment in order to do AT a favour. He had considered that the role was passive, with no monitoring obligations. He did not consider that there would be any conflict in circumstances where the interests of the bondholders and his client were aligned.

17.88 The Applicant had asserted that LCF positively told Mr Lee that he should not undertake due diligence and relied upon this as evidence that Mr Lee had acted without integrity. There was no evidence of that on the papers, and Mr Lee had denied that any such conversation took place. Accordingly, as there was no instruction not to undertake due diligence, the Applicant's case in that regard was unsustainable.

17.89 The Applicant also relied on Mr Lee's knowledge of an earnout for AT. As Mr Lee understood things, those monies were coming from the profitability of the companies and not from bondholder monies. With regards to the Surge commission, he

considered that this was a one-off payment that would be amortised with renewals over the course of the loan. Whilst his understanding was incorrect, this was a mistake and was not reflective of Mr Lee acting outside of a moral compass such that his conduct amounted to a lack of integrity.

17.90 Mr Parker submitted that the points relied upon by the Applicant, whilst put with polite force, were ones which, par excellence, might find themselves the subject of professional negligence proceedings. This was not a relevant consideration when considering professional misconduct. Whilst Mr Lee might have been negligent, his conduct did not amount to a failure of the professional moral compass.

17.91 Mr Parker submitted that this was not and had never been a lack of integrity case. Accordingly, the allegation that Mr Lee's conduct lacked integrity should be dismissed.

17.92 Mr Parker submitted that as regards Principle 6, the considerations for the Tribunal to take into account were set out in *Hurst* as follows (at [60]):

> *"Acting so as to uphold public trust and confidence is a standard familiar in many if not most regulated professional contexts. It imports the internalisation by a professional of their profession's ethos, and a proper acknowledgment that all professions are grounded in a fundamental imbalance of power, that the entitlement to the predicated dependence of the public on their power must be earned, and that it is the task of regulators to ensure that it is."*

and in *Wingate*:

> *"105. ... It is possible to think of many forms of conduct which would undermine public confidence in the legal profession. Manifest incompetence is one example. A solicitor acting carelessly, but with integrity, will breach principle 6 if his careless conduct goes beyond mere professional negligence and constitutes "manifest incompetence": see Iqbal v Solicitors Regulation Authority [2012] EWHC 3251 (Admin) and Solicitors Regulation Authority v Libby [2017] ACD 81.*
>
> *106. In applying principle 6 it is important not to characterise run of the mill professional negligence as manifest incompetence. All professional people are human and will from time to time make slips which a court would characterise as negligent. Fortunately, no loss results from most such slips. But acts of manifest incompetence engaging the principles of professional conduct are of a different order."*

17.93 Not every mistake made by a solicitor undermined public trust. It was accepted that Mr Lee had made mistakes. It was the Applicant's case that those mistakes were significant. The mistakes made by Mr Lee did not amount to manifest incompetence. Mr Lee was a careful and thoughtful solicitor who following consideration, had come to the wrong decision; he was a good and competent solicitor who had made a mistake, failed to apply the law, and failed to understand his obligations under the deeds and debentures. It was thus incorrect to characterise this case as one where public trust would be undermined as a whole due to his mistakes. The circumstances

surrounding the investments were fraudulent resulting in huge losses. Mr Lee was not responsible for any loss; he was caught up in the fraud like other parties. Given that context, Mr Lee's conduct could be seen as a classic (but in its own way straight forward) professional negligence case. However, this did not invoke intervention or judgment by the Tribunal. Accordingly, it was submitted, this was not a case where Principle 6 was engaged.

17.94 Mr Parker accepted that, if contrary to the submissions made, the Tribunal found a breach of Principle 2, then a finding of breach of Principle 6 would be likely to be unavoidable. However, it is crucial to note that manifest incompetence was not alleged.

17.95 Mr Parker submitted that in the absence of a case of moral turpitude, bad faith, and/or untrustworthiness on the part of Mr Lee, the Applicant's case at its highest became one that Mr Lee negligently formed the honest and genuine opinion that there was no significant risk of his breaching the prohibition against own interest conflict. That "mere" negligence, it was submitted, was not of such an order of magnitude as to undermine the public's trust in either Mr Lee or in the provision of legal services more generally.

17.96 Accordingly, it was submitted, the allegation against Mr Lee should be dismissed in its entirety.

The Tribunal's Findings

17.97 The Tribunal firstly considered whether a finding of a breach of Outcome 3.4 was necessary for it to make any findings of a breach of the Principles. The Tribunal did not accept Mr Parker's construction of that decision.

In *Beckwith,* the Court explained:

> *"The Tribunal's task when the complaint that conduct … is a breach of the requirement to act with integrity, is to identify by reference to the contents of the Handbook …whether and if so, what ethical standards emerge that are relevant to the misconduct alleged. This exercise is best undertaken case by case. Any attempt to formulate a comprehensive list of what is prohibited and what is permitted detached from the circumstances of a specific case would only provide hostage to fortune."*

17.98 There was nothing in *Beckwith* that required the duty identifiable in the Handbook to be pleaded. *Beckwith* merely required that the duty be identifiable from the Code. The Tribunal found that if it were the position that each/any breach of the requirements contained in the Handbook were required to be pleaded, then every prosecution by the Applicant would require a rule or outcome breach to be specifically pleaded before it could then allege that there had been a breach of any Principle, (and the Applicant would be prohibited from simply pleading Principle breaches in relation to alleged misconduct).

17.99 The Tribunal considered that Mr Parker's contention sought impermissibly to prescribe how cases should be pleaded. Further, were Mr Parker's contention to be

correct, then the court in *Beckwit*h would have been able to define the ethical standard as being the standard required in the Handbook. However, the court declined to do so, specifically stating that to form a comprehensive list *"would only provide hostage to fortune."* Further, not every breach of a requirement could amount to a breach of the Principles. The Tribunal noted that Mr Parker had referred to Mr Lee's accepted failings. Those failings were failings of his obligations and duties as a solicitor. It was those failings (as well as the alleged breach of Outcome 3.4) that were relied upon by the Applicant. The specific failings were not pleaded as breaches of the Handbook (and were not subject to the allegation of a breach of Outcome 3.4). Were Mr Parker's contention correct, it would mean that the Tribunal was unable to consider those admitted failings, notwithstanding that they were relied upon by the Applicant, as the Applicant had not identified the specific rule or outcome breach in its pleadings.

17.100 The Tribunal found that Mr Parker's contention was a misapplication of *Beckwith.* Accordingly, the Tribunal did not accept that were it to find that there was no breach of Outcome 3.4, then the whole case fell away. Indeed, the Applicant could have brought the case alleging the Principle breaches only based on the conduct complained of. Such a case would not have failed on the basis that there was no allegation of an Outcome breach.

17.101 For the avoidance of doubt, the Tribunal also determined that as a matter of construction, the Principle breaches were not dependant on the Outcome breach being proved.

17.102 Accordingly, the Tribunal rejected the submission that if it did not find a breach of Outcome 3.4, it was not entitled to find breaches of the Principles alleged.

Outcome 3.4

17.103 The central question for the Tribunal was whether Mr Lee's acceptance and continuation as the Security Trustee for GST while acting as a solicitor for LCF, gave rise to a significant risk of an own interest conflict**,** contrary to Outcome 3.4. The Tribunal noted that the dispute between the parties was not one of primary fact (the facts being mainly agreed) but whether the circumstances were such that Mr Lee was in the position where his personal interest in discharging his obligations as trustee conflicted, (or significantly risked conflicting), with his duty to his client LCF.

17.104 The Tribunal determined that an own interest conflict was not confined to financial self-dealing. It encompassed circumstances where a solicitor's personal interests, including interests arising from legal duties owed in another capacity, were contrary to the solicitor's duties to his client. Accordingly, a solicitor's interest in complying with fiduciary and statutory duties undertaken personally, were capable of engaging Outcome 3.4 where it placed the solicitor in conflict (or a significant risk thereof) with his client's interests.

17.105 The Tribunal found that Mr Lee's role as director and Security Trustee of GST placed him under fiduciary duties of loyalty, prudence, and asset preservation owed exclusively to the bondholders. Those duties were personal to him as a director and trustee. They required him to act independently of LCF, to scrutinise the sufficiency

and maintenance of the security, and, where necessary, to take steps adverse to LCF's interests, including enforcement against LCF itself.

17.106 At the same time, Mr Lee was acting as a solicitor for LCF on lending transactions funded by bondholder monies. His professional retainer required him to advance LCF's interests, to preserve LCF's confidential information, and to follow LCF's instructions, which did not include investigative or supervisory scrutiny of the underlying security for the benefit of bondholders.

17.107 The Tribunal was satisfied that these two sets of obligations were structurally and diametrically opposed. The position was not merely one of potential disagreement between two interests. Rather, Mr Lee's acceptance of the GST role vested him personally with trustee obligations that, if properly discharged, would foreseeably require him to act in ways inconsistent with LCF's interests and instructions.

17.108 In those circumstances, Mr Lee's own interest lay in navigating and managing his exposure to irreconcilable duties. He was placed in a position where:

- Acting robustly in accordance with his trustee duties risked breaching his obligations to LCF as solicitor; and

- Advancing LCF's interests and maintaining client confidentiality risked breaching his fiduciary duties as Security Trustee.

17.109 That tension is the very mischief which Outcome 3.4 is designed to prevent. The Tribunal did not accept the submission that the absence of direct financial benefit was determinative. The interest in avoiding personal breach of fiduciary duty, and in reconciling incompatible legal responsibilities, was a clear own interest conflict for regulatory purposes.

17.110 The risk was not remote or theoretical. It was present from the outset of Mr Lee's appointment and persisted throughout the relevant period. The very architecture of the security arrangements meant that GST might be required to enforce against LCF, challenge LCF's approach to distressed loans, or disclose information unattractive to LCF but material to bondholders. The Tribunal determined that it was no answer to state that in the event that enforcement action was required, Mr Lee would have stepped down from the role. Nor was it any answer that the intention was to remain in post for a short while. Neither of those things ameliorated or removed the risk that was apparent from the outset.

17.111 The risk crystallised as concerns arose regarding security assets and particularly following the FCA intervention and the appointment of administrators. At each of those stages, the prospect of conflict was obvious, foreseeable, and significant.

17.112 The Tribunal rejected the proposition that the conflict was answered by Mr Lee's belief that the Security Trustee role was largely passive. A solicitor could not avoid the application of Outcome 3.4 by adopting an unduly narrow view of the duties inherent in a role which carried fiduciary responsibilities. The regulatory assessment was objective and turned on the nature of the duties, not on how actively the office-holder chose to perform them.

17.113 Accordingly, the Tribunal found that by accepting and continuing in the role of director and Security Trustee of GST while acting as solicitor for LCF, Mr Lee placed himself in significant risk of an own interest conflict.

Principle 2

17.114 Mr Parker submitted that in order to find a breach of Principle 2 proved, the Tribunal was required to find that Mr Lee had acted in bad faith, or with moral turpitude. He relied upon the findings in *Hurst* in support of that contention.

However, the Tribunal noted that in *Halborg v Solicitors Regulation Authority [2026] EWHC 636 (Admin)*, Mrs Justice Lang stated:

> *"In my view, the observations of Collins Rice J. that a failure to act with integrity connotes "moral turpitude" and "bad faith," which require an elevated standard of proof and reasoning, are not supported by the authorities. Instead, I follow the guidance of the Court of Appeal in Wingate."*

17.115 The Tribunal agreed with Lang J. The appropriate test was that detailed in *Wingate*. Accordingly, when considering whether Mr Lee's conduct lacked integrity, the Tribunal did not consider whether his conduct was in bad faith or connoted moral turpitude, instead considering (objectively) whether Mr Lee's conduct adhered to the ethical standards of the profession.

17.116 The Tribunal found that at the time he took on the role of sole director of GST, Mr Lee had a longstanding and continuing professional relationship with LCF. He had received recent instructions from LCF only a week or two before accepting the appointment. On his own evidence, Mr Lee was initially reluctant to accept the role, recognising that it carried risk. He nevertheless proceeded to do so, having formed the view that the appointment would be short-term and that any risk would be mitigated by its anticipated brevity.

17.117 The Tribunal found that Mr Lee took on the role "almost as a favour" to AT. Indeed, Mr Lee accepted in his evidence that he would not have taken on the role had the approach been made by a new client. That evidence, the Tribunal determined, demonstrated that his decision was materially influenced by his existing relationship with LCF and its CEO, rather than by a detached and principled assessment of whether it was appropriate for him, as a solicitor acting for LCF, to assume the role of Security Trustee for the bondholders.

17.118 The Tribunal was satisfied that Mr Lee made a conscious professional judgment to accept the role. However, it was not a judgment consistent with the ethical standards of the profession. Mr Lee knew, or should have known, that the role of Security Trustee carried fiduciary duties owed exclusively to bondholders, and that those duties were liable to place him in opposition to the interests of his client, LCF. Notwithstanding that, he chose to proceed.

17.119 The Tribunal found that Mr Lee should never have accepted the role as sole director and Security Trustee of GST and agreed with the findings of Chief Master Marsh, in particular that Mr Lee *"…could never have been a suitable candidate to act as a*

director of GST" and that *"it should have been obvious to Mr Lee that he should not have acted as a director of GST in light of his professional involvement with LCF and its borrowers".* The Tribunal noted that Mr Lee, in his evidence, confirmed that he did not disagree with those findings.

17.120 The Tribunal found that Mr Lee's willingness to proceed nonetheless, notwithstanding the obvious conflict (influenced by his professional relationship with AT and the ongoing client relationship) fell below the standards of integrity expected of a solicitor.

17.121 The Tribunal also had regard to the fact that, during the months that followed, a number of significant "red flags" arose. During this period, Mr Lee continued to act for LCF, including on the securitisation of further borrowing to LOG, which was subsequently identified as the largest borrower within what was later found to be a fraudulent scheme. While there was no allegation that Mr Lee acted dishonestly (and it was accepted that he was not aware of the fraud), the continuation of his dual roles in the face of emerging risks underscored the unsustainable and unethical nature of the position into which he had placed himself.

17.122 Mr Lee, the Tribunal found, had failed to adhere to the ethical standards of independence, objectivity, and professional judgment required of a solicitor. By accepting and maintaining a role which placed him in an obvious and irreconcilable conflict, Mr Lee failed to live up to the higher standards expected of members of the profession. Accordingly, the Tribunal found that Mr Lee's conduct lacked integrity in breach of Principle 2.

17.123 Having found that Mr Lee's conduct lacked integrity, it followed that his conduct was also in breach of Principle 6. Whilst Principle 6 was not necessarily engaged by routine mistakes or errors of judgment, where a solicitor assumed and maintained a role that placed him in an obvious and irreconcilable conflict, and did so contrary to the fundamental ethical standards of the profession, public confidence was necessarily engaged. Members of the public were entitled to expect that solicitors will not place themselves in positions of obvious conflict.

17.124 Accordingly, the Tribunal found the allegation against Mr Lee proved in its entirety.

Previous Disciplinary Matters

18. None

Mitigation

19. Mr Parker submitted that albeit that Mr Lee's conduct fell below expected standards, he was trying his best to be helpful in the short term. His real fault was to misunderstand and underestimate the duties his task encompassed. This was not a case of Mr Lee trying to be as useful as he could to his trusted friend and client AT; he was genuinely thinking he could temporarily do a straightforward job. Mr Parker submitted that it was an error of professional judgment, which was an error that Mr Lee would not have made had he given the matter more thought and scrutiny than had been applied.

20. As regards the Principle 2 breach, this was an unusual case. The misconduct arose from Mr Lee trying to be helpful and failing to understand that there was a conflict in his duties. In the circumstances, it was submitted, the conduct fell at the lower end or seriousness as regards breaches of Principle 2.

21. As to the harm caused, it was clear that the fraud was of a considerable magnitude. The level of the fraud was not a material matter for the Tribunal to consider. It was no part of the Applicant's case that Mr Lee had caused harm to any individual or class of individuals. Even if Mr Lee had acted differently, and not taken on the role as Security Trustee, there was no evidence that the fraud would have operated differently. The magnitude of the fraud was not Mr Lee's doing, nor was he in any way a knowing participant in the fraudulent operation.

22. Mr Lee had done his best but got things spectacularly wrong. He had not held bad intentions. There were, it was submitted, no aggravating factors to Mr Lee's conduct. In mitigation, Mr Lee was not a party to the fraud – he was no less a bystander to it than all the other investors. He did not participate, facilitate, nor have any other role that made this fraud greater or different to how it turned out. Mr Lee had been candid and had shown the requisite degree of insight. His oral evidence had been that he did not think it was wrong at the time. With the benefit of hindsight, he would not have taken on the role and would not do so in the future. The risk assessment he had undertaken was flawed, but he had considered his approach at the time to be permissible. To that end, Mr Lee did not challenge the conclusions of Chief Master Marsh. Mr Lee had cooperated fully with the Applicant and the proceedings.

23. He agreed that Master Marsh was entitled to make the observations he had made. He did not challenge the conclusions with the benefit of hindsight. He had shown insight. He had co-operated fully with the SRA and its investigation.

24. By way of personal mitigation, he qualified in 1984 in NZ and was admitted here 1991 and had no previous SDT matters. The Tribunal would have seen the testimonials from Helen Peach [D20]. This is a serious matter which had hung over him for 8-9 years. The delay of progress in the proceedings is a factor to be taken into account by the Tribunal in his favour when determining sanction. This is a hard lesson, which was clear from the manner the Respondent expressed himself. The Tribunal should be satisfied there was no chance of any ongoing risk of harm to the public or the profession. This is not a matter to consider in terms of punishment, and an appropriate sanction should be no more than a fine, in the particular circumstances, no greater than a level 2 fine. The Tribunal was invited to take into account what the Tribunal had been informed of concerning His statement of means. Summary at [H10] showed his income and expenditure and though there is a monthly surplus, it is not significant. The Tribunal would also see he has some savings but not a large amount. Mr Parker had been asked to inform the Tribunal that he had extended family in Dubai and Beirut, who were caught up in the current Middle East conflict. They need to be evacuated so the Respondent had been compelled to withdraw £15,000 in order to assist in their safe travel.

25. Mr Lee had no previous matters before the Tribunal. This was a serious matter that had been hanging over his head for over 8 years. The delay in the progression of the matter (which was not attributable to Mr Lee) was a factor for the Tribunal to take

into account when determining the appropriate sanction. This had been a hard lesson for Mr Lee as was clear from his oral evidence.

26. The Tribunal, it was submitted, should be satisfied that Mr Lee did not pose an ongoing risk of harm to the public or the reputation of the profession. Accordingly, the sanction should not interfere with his right to practise. Mr Parker submitted that the appropriate sanction was a financial penalty falling within Indicative Fine Band 2.

Sanction

27. The Tribunal had regard to the Guidance Note on Sanctions (11th Edition – February 2025). The Tribunal's overriding objective, when considering sanction, was the need to maintain public confidence in the integrity of the profession. In determining sanction, it was the Tribunal's role to assess the seriousness of the proven misconduct and to impose a sanction that was fair and proportionate in all the circumstances.

28. The Tribunal determined that Mr Lee was motivated by his desire to do an *"almost favour"* for his client. That this was his motivation was clear from his evidence; Mr Lee stated that he would not have done this for a new client. His actions were planned, notwithstanding that Mr Lee stated that he did not recognise that there was an own interest conflict from the outset. He had acted in breach of the trust placed in him by virtue of his role as the Security Trustee. Mr Lee was wholly responsible for his misconduct. He had acted against his better judgment, initially refusing to take on the role. He was an extremely experienced solicitor, having qualified in New Zealand in 1984 with admission to the Roll in England and Wales in 1991.

29. He had caused harm to the reputation of the profession. He had acted when there was an own interest conflict, that conflict being obvious from the outset. The Tribunal considered that the prolonged continuation of Mr Lee's dual roles, including during periods when concerns arose regarding security assets and regulatory intervention damaged public confidence. The fact that a solicitor remained embedded in a conflicted position as matters deteriorated increased the harm caused to the reputation of the profession. Further, the harm caused was wholly foreseeable.

30. The misconduct was aggravated by its continuation over time, and in particular, its continuation when there were clear red flags as to an actual conflict (as opposed to the significant risk thereof). Given that the conflict was obvious from the outset and Mr Lee had acted against his better judgment, the Tribunal found that Mr Lee knew, or ought to have known, that his conduct was in material breach of his obligations to protect the public and the reputation of the profession.

31. In mitigation, Mr Lee had shown some insight into his misconduct. He had cooperated fully with the Applicant and had a previously unblemished career.

32. The Tribunal considered that sanctions such as No Order or a Reprimand were disproportionate to the level of the misconduct. The Tribunal did not agree with Mr Parker's submission that the conduct fell within Indicative Fine Band 2 – assessed as moderately serious. Given the nature of the misconduct, the Tribunal assessed the conduct as very serious such that it fell within Indicative Fine Band 4. The Tribunal

determined that fine in the sum of £30,000 was appropriate, reflecting the seriousness of the misconduct.

Costs

33. Mr Tabachnik KC applied for costs in full in the sum of £88,254.40.

34. Mr Parker submitted that the notional hourly rate for the costs claimed was £430, which was exorbitant for a case of this nature. The number of hours claimed was also high. This was not a document heavy case. Further, there had been a substantial amount of duplication between instructed solicitors and counsel. The refresher fee for counsel had been claimed for a full day when the hearing was likely to be significantly shorter. Mr Parker submitted that the costs claimed were excessive.

35. The Tribunal considered that there had been some duplication of work and reduced the costs to £78,654.40. The Tribunal then considered Mr Lee's means and the totality of monies he would be required to pay, taking into account the financial penalty imposed. The Tribunal considered that whilst the Applicant was entitled to costs in the reduced sum, it would further reduce the costs to £50,000, reflecting Mr Lee's means, ability to pay and the totality of its findings in financial terms.

Statement of Full Order

36. The Tribunal ORDERED that the Respondent, ALEXANDER WILLIAM BRUCE LEE solicitor, do pay a fine of £30,000.00, such penalty to be forfeit to His Majesty the King, and it further ORDERED that he do pay the costs of and incidental to this application and enquiry fixed in the sum of £50,000.00.

Dated this 21st day of April 2026
On behalf of the Tribunal

E Nally

E Nally
Chair