

**SRA BOARD**  
26 October 2016

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## **Investment Schemes and Consumer Risk**

### **Purpose**

- 1 This paper reports on the involvement of law firms in facilitating investment schemes that are causing substantial losses to investors. Its purposes are to alert the Board to the issue and to inform the Board about steps being taken to help protect the public.

### **Recommendations**

- 2 The Board is asked:
  - a) to note the risk to the public arising from investment schemes involving law firms.
  - b) to note the steps being taken to deal with that risk.

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## **Investment Schemes and Consumer Risk**

### **Introduction**

- 3 Our enforcement functions deal with many diverse forms of misconduct and fraud but a particularly difficult issue is often overlooked or misunderstood. The nature of the work of law firms is that solicitors sometimes facilitate the wrongdoing of others, particularly those intent on committing frauds. The involvement of the solicitor ranges from the (rare) negligent dupe to co-conspirator.
- 4 There are two particular and related attractions to fraudsters in involving a law firm in their activities:
  - i. They use the law firm to give credibility to the scheme, particularly by reference to compulsory indemnity insurance or the Compensation Fund.
  - ii. To have the monies paid by “investors” pass through the client account of a law firm which both reassures the investors and assists in dealing with the proceeds because the money has come to the fraudsters from a regulated firm.
- 5 This paper is to alert the Board to what appears to be an increasing risk to the public and to report briefly on our initial responses. A draft warning notice for the public is at Annex 1.

### **Background**

- 6 There seems to be an increasing tendency on the part of law firms to pass very substantial sums through their client accounts as part of the facilitation of an “investment” scheme. These usually come to our attention when the scheme fails and investors are seeking conduct and financial remedies.
- 7 This is not a new risk and we have issued warnings over a number of years.<sup>1</sup> In the late 1990s to early 2000s, some US\$500m passed through law firms in relation to highly dubious investment schemes (at that time most of these schemes were operated with US dollars). That subsided but from about 2013 we noted it had grown again and issued an updated warning notice that year. The scale of the risk seems to be increasing in both the number of schemes and the amounts of money involved.
- 8 We are aware of continuing cases in which the apparent consumer losses total over £100m. Within this is a case in the public domain said to involve losses of

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<sup>1</sup> Most recently 10 September 2013: <http://www.sra.org.uk/solicitors/code-of-conduct/guidance/warning-notices/High-yield-investment-fraud--Warning-notice.page> and 18 December 2014: <http://www.sra.org.uk/solicitors/code-of-conduct/guidance/warning-notices/Improper-use-of-client-account-as-a-banking-facility--Warning-notice.page>

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£21m.<sup>2</sup> We will not comment further on that case because a Solicitors Disciplinary Tribunal hearing is imminent. There are two continuing cases with losses of about £40m each. There are other cases involving losses around £10m each. These figures do not include any of the £100m involved in the alleged fraud in the Axiom Legal Financing case.

- 9 Behind these reasonably well-defined losses are much higher sums passing through law firms in relation to schemes of serious concern. The total in continuing cases is well over £300m (also excluding the Axiom case). We are concerned that some schemes appear to be simply the manufacturing of some sort of transaction or purported legal work: to avoid the prohibition in our accounts rules on law firms passing money through client account in the absence of an underlying transaction.
- 10 There are substantial claims on the Compensation Fund and others may be expected if insurers refuse to pay claims on dishonesty or aggregation grounds which we discuss briefly below.
- 11 One factor in the increasing prevalence of these frauds generally may be the very low interest rates available on savings which are leading investors to take risks to try to make a better return.
- 12 There are multiple differences between the cases. Some involve foreign investment schemes including holiday homes not yet built. Others involve purported trading in carbon credits, agricultural rights, “rare earth minerals” or diamonds. We still see crude high-yield investment frauds: in a recent case the promise was of returns of 40% per month. Some firms are essentially part of the fraud and also launder the proceeds.
- 13 Fraudsters and solicitors review warning notices and design their frauds to avoid red flags. In many of the cases, the solicitors purport to carry out some function such as doing identity checks on investors, obtaining their signature to contracts, or providing an “escrow” service to argue that they are providing legal services.
- 14 Some frauds are very sophisticated or are difficult to pin down. They may be close to genuine schemes and it is difficult to prove (until they fail) that they were always frauds: for example, some holiday homes may be built or started whether or not the intention was to complete a development. Some transactions may appear to succeed either because there is an attempt to carry out a genuine transaction which happens to fail or as part of giving the impression that there is a genuine investment. That is a common feature of Ponzi schemes by which apparent early “success” for initial investors is in reality funded out of later investors’ money.

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<sup>2</sup>

[http://www.stourbridgenews.co.uk/news/14590003.Collapse\\_of\\_Stourbridge\\_law\\_firm\\_is\\_a\\_tragedy\\_senior\\_partner\\_says/](http://www.stourbridgenews.co.uk/news/14590003.Collapse_of_Stourbridge_law_firm_is_a_tragedy_senior_partner_says/)

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- 15 Various methods are used to avoid regulation. Fraudsters choose forms of “investment” that are not regulated by the Financial Conduct Authority. In the past we have seen money passed through an office account in an attempt to avoid the fact that our rule prohibits the improper passing of money through client account.

### **Discussion**

- 16 Having identified this issue we published an updated warning notice to the profession on 21 September 2016 (Annex 2) including a specific warning in para 12:

*“The nature of these schemes is now so well known that any solicitor who becomes involved in them may face being closed down urgently and alleged to have acted dishonestly.”*

- 17 Strong action may have contributed to the last rash of these schemes (in the late 1990s and early 2000s) appearing to subside at least in terms of the involvement of law firms. Of 56 firms involved, 29 were intervened and 4 firms ceased trading. There many strike offs, suspensions and fines.
- 18 The public suffer substantial losses from these schemes. They take misplaced comfort from the *involvement* of a law firm that is not acting for them.
- 19 The public may be unable to obtain compensation because the law firm’s insurers refuse indemnity. A common basis for refusal is the dishonesty of a sole principal: no-one can insure against their own dishonesty. Larger claims are often only paid in part by use of the aggregation clause in an insurance policy. For example, when faced with a group of 100 claims totalling £40m arising from the failure of one property development site, the insurer will argue that it can treat them as one “claim” and then apply the maximum liability per claim of perhaps £3m, leaving £37m of claims unpaid.
- 20 The Board may recall that aggregation has been applied by insurers in the Willmetts case in relation to very substantial losses arising from mortgage frauds. The proper interpretation of the aggregation clause in our Minimum Terms and Conditions was before the Supreme Court on Monday 10 October 2016 and we made submissions as “intervenor”.<sup>3</sup> The case is said to affect 214 investors with losses of £10m and involved the building of holiday resorts near Izmir in Turkey and Marrakech in Morocco. Another case in the public domain involves a development in Calabria, Italy, where the insurers say that they are applying aggregation and of the £3m cover available only £37,000 is left.<sup>4</sup>

<sup>3</sup> For the judgment in the Court of Appeal, see *AIG Europe Ltd v OC320301 LLP (formerly The International Law Partnership LLP)* [2016] EWCA Civ 367.

<sup>4</sup> *Various Claimants v Giambone & Law (a law firm)* [2015] EWHC 1946 (QB), para 73.

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- 21 The Compensation Fund will often decline to pay grants where, in brief terms, the consumer has acted imprudently. It is important therefore that we are clear with consumers about the risks.
- 22 The overall policy concern is to discourage “investment” into schemes that are “too good to be true” and not to provide a safety net for imprudent investment. There are countless warnings from regulators and media articles alerting the public about the risks of investing in “too good to be true” schemes but they continue to be persuaded by sophisticated fraudsters in a search for higher returns.
- 23 Our warnings tend to be focused on the profession. We wish to be more visible in warning the public about the risks they face and that the involvement or apparent involvement of a law firms which is not acting for them is no guarantee that their rights will be protected. We need also to alert them that compensation may well not be available. We propose therefore publishing a warning to the public, on both SRA and Legal Choices websites, and a draft can be seen in Annex 1. We will promote this through both social media and traditional channels.
- 24 Refresher training will be rolled out to investigative and enforcement staff to deal with the underlying conduct.
- 25 We are therefore:
  - i) proposing to publish a warning notice to be published on the Legal Choices website – the draft is at Annex 1
  - ii) preparing a Risk Outlook paper discussing these cases in more detail and providing as much guidance as possible on how firms and consumers can protect themselves
  - iii) aiming to promote the notice as widely as possible in order to maximise the prospect of consumers becoming aware of and understanding the issues.

**Conclusion**

- 26 Our primary concern is to protect the public and inform them about the risks they face in becoming involved in unusual “investment” schemes. Reports will also be made as necessary to the Finance and Audit Committee because of potential impact on the Compensation Fund.

**Recommendations: the Board is asked**

- a) **to note the risk to the public arising from investment schemes involving law firms.**
- b) **to note the steps being taken to deal with that risk.**

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### **Supporting information**

#### **Links to the Strategic Plan and / or Business Plan**

- 27 This work is part of consumer protection and may also help in preventing increases in the cost of legal services arising from a need to increase Compensation Fund contributions or indemnity insurance premiums if consumers take more care and law firms take heed of warning notices.

#### **How the issues support the regulatory objectives and best regulatory practice**

- 28 The aim is to provide more information and transparency about the risk to enable consumers to make judgments about whether to become involved in investment schemes. There is useful advice to law firms in the warning notice and this needs to be repeated and re-articulated for consumers in a Legal Choices article. The involvement of law firms in dubious investment schemes is very damaging to public trust in the provision of legal services.

#### **Public/Consumer impact**

- 29 The main impact of the proposed steps is to contribute to public protection and to improve transparency. There is no change, for example, to the approach of the Compensation Fund under its rules.

#### **What engagement approach has been used to inform the work and what further communication and engagement is needed**

- 30 We have raised concerns about this issue in the past, as covered in the paper. We are now producing and promoting warnings for both the public and profession, and promoting those warnings.

#### **What equality and diversity considerations relate to this issue**

- 31 There has never been any indication that either the victims of investment schemes or the solicitors who facilitate them are from any particular group. But, anecdotally, fraudsters may target the elderly and vulnerable. We are commissioning an 'easy read' version of the warning notice to reach as many people as possible.

#### **How the work will be evaluated**

- 32 The main indicator of success would be a reduction in consumer losses related to solicitor involvement in investment schemes as well as a reduction in the number of such schemes and the amounts of money passing through the hands of solicitors.

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**Date** 10 October 2016

**Annexes**

**Annex 1** Draft warning notice to the public

**Annex 2** Warning Notice to the profession of 21 September 2016

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## Warning notice for the public: solicitors and “investment” schemes

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### **Beware the latest ‘get rich quick’ scams**

We all like to think we can spot a scam, so surely we know better than to fall for ‘get rich quick’ schemes. Or do we?

Fraudsters are always coming up with ways to win our trust and take our money. The latest schemes have real firms of solicitors working as middlemen. The involvement of solicitors makes the schemes seem trustworthy and safe.

While real law firms are now fronting some schemes, many schemes are frauds. Some people have lost their life savings. In cases we are dealing with, people say they have lost more than £100m.

As the watchdog for law firms, we have told firms repeatedly to stay away from ‘get rich quick’ schemes. We have also cracked down on firms that front ‘get rich quick’ schemes.

### **What is the problem?**

There are many types of so-called “investment” schemes that turn out to be scams. There is in fact often no real “investment”, but fraudsters like to use that word. We give some examples below, but this is not a full list and new schemes are always being developed.

You could be asked to pay money into:

- Carbon credit trading – individuals cannot realistically buy and sell in this market.
- Diamond trading, fine wines, graphene, rare earth metals and so on – of course, products like diamonds and wine can be bought and sold but there is no special way to make a high return.
- Landbanking: buying a small strip of land because it is claimed that it will rise hugely in value if planning permission is granted to develop it. In the cases we have seen, permission is not granted and was never likely to be granted.
- Taking a lease or other rights for a room in a hotel – we cannot see why someone wanting to invest in a hotel needs to buy a room (also involving expensive conveyancing).
- Overseas agricultural rights – we have seen failed schemes in Ukraine, Africa and other countries.
- Property developments abroad – people are invited to pay in full or partly for holiday homes before they are built. Of course, people do buy and sell holiday homes, but the schemes to watch out for are where the buyers do not have

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their own solicitor looking after their interests. These schemes are often in countries where checking the development is real or recovering money if things go wrong is difficult or impossible.

### **Why are law firms involved?**

The reputation of law firms makes the scheme seem more genuine and trustworthy. In some cases, the fraudsters will say that we regulate the firm involved to make the scheme seem even more trustworthy. And, there is often a claim that there is an extra "guarantee".

People are told that their money is covered by the law firm's insurance. Solicitors must have insurance, but if the solicitor is helping a scam, the insurance company may refuse to pay out. There may also be problems because the law firm is working for the scheme operator, not the people providing the money.

### **There are other issues to be aware of:**

- The law firm is not working for you – it is working for the company trying to persuade you to hand over your money.
- The investment company does not need to promote its products by involving a law firm so you should ask yourself why they are doing so.
- There is no need for your money to go through a law firm. The only time law firms are allowed to pass money through their client accounts is when they are providing proper legal services – in these cases they often are not.
- The involvement of a law firm or solicitor does not mean security. In fact, it may be a warning sign because it is being used as a selling point.
- Be wary of law firms or solicitors offering "undertakings" to secure a scheme. This is not a proper use of solicitors' undertakings and may not give you protection or security.
- Our Compensation Fund is unlikely to pay you compensation if you have not looked after your own interests carefully.

### **What can you do to protect yourself?**

People running these schemes are reading the warnings from us and other bodies like the Financial Conduct Authority. They then change what they offer so that they are not found out.

For example, we warned the public about schemes offering extremely high returns.

Schemes then advertised lower returns, perhaps at 20 percent, hoping to avoid being noticed and caught. They may have no intention of paying any return, and so the amount does not matter. They mention such high returns to get you to pay over your money, which you may never see again. Bear in mind that when banks are offering interest on savings at about 1 percent, even a return of 10 percent is ten times higher than what you can earn from a safe investment.

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**If you are looking to invest your money:**

- It is common sense but still worth saying – do not invest in schemes that are “too good to be true”.
- If the proposed investment is in something unusual, ask yourself why. Unusual assets are often very high risk. We give examples in this warning but the fraudsters will now move on to something else – so do not just be careful with the examples we have included.
- Always get your own, independent advice from a law firm or other trusted professional.
- Always choose your own adviser. Do not use the adviser the investment company "recommends" or "requires".
- Do your homework. Research the scheme and look at official sources. Look for warnings or decisions from financial regulators. You can usually find details on their websites. A good example is the Financial Conduct Authority warnings, such as here <https://www.fca.org.uk/consumers/graphene-investment-schemes> [DN can we hyperlink this please]
- Do not be pushed to get involved quickly – it is very common for the fraudsters to say you have to act urgently. If they say that, you should be very suspicious.

If you suspect that a law firm or a solicitor is involved with such a scheme, or if you have become involved with a scheme, then you can report it to us, in confidence if you prefer. (<http://www.sra.org.uk/consumers/problems/report-solicitor.page#how-report-sra>).

If you have been a victim of such a scheme, please report it to Action Fraud (<http://www.actionfraud.org.uk/>). We do not have any powers to investigate the frauds themselves, only any solicitors involved.

Do not hesitate to report your concerns – your actions may help others as well as yourself.

# Warning notice

## Investment schemes and client account

Issued on 21 September 2016

### Status

While this document does not form part of the SRA Handbook, the SRA will have regard to it when exercising its regulatory functions.

### Who is this warning notice relevant to?

This warning notice is for law firms that are involved or asked to become involved in investment schemes. Members of the public who are considering paying money into an investment scheme where a law firm or solicitor is involved might also find it helpful.

We are currently looking to highlight this risk more directly to the public and will produce additional information in the near future.

### Our expectations

That all firms and individuals working within the legal services market and regulated by us comply with the Principles and Outcomes of the SRA Handbook 2011.

### Our concerns

1.

We are particularly concerned about the dangers of investment schemes where the involvement of a law firm is used to give an impression of credibility or security.

2.

The involvement of a law firm that is acting for the promoters of the scheme, or is holding the investment money, does not mean that the scheme is definitely safe.

3.

Some law firms are continuing to facilitate investment schemes which are dubious. Such firms improperly provide a banking service through their client account. In designing the schemes, law firms and the promoters of the scheme pay attention to red flags that we and other regulators warn about. They then deliberately create a scheme that avoids raising those red flags.

4.

To evade rules preventing the improper movement of money, they also manufacture a process which they claim means that the firm is acting in a genuine underlying transaction. The reality is that they are simply allowing their client account to be used to commit what is very likely to be a fraud - and to launder the proceeds.

5.

The facilitation of dubious investment schemes by law firms is not new. Over many years, we have closed down law firms and many solicitors have been disciplined as a result of their involvement in such schemes. Some have been prosecuted and imprisoned by others.

6.

From at least 1997 onwards, we have warned about this problem and about the improper use of client account. This warning notice is being issued to:

- a. provide updated information
- b. alert the public and firms to the increasing number of these schemes and the losses being suffered
- c. warn that indemnity insurers may refuse to pay for losses
- d. warn that those who pay money into these schemes without taking extreme care might not receive any compensation
- e. remind the public and firms that fraudsters are designing schemes to avoid the red flag warnings that we and other regulators issue from time to time.

7.

We are aware of clear consumer losses arising from these schemes. Our initial analysis of cases we are currently dealing with suggests these losses are significant - amounting to many millions of pounds.

8.

The true figure is probably much higher than we are aware of because some cases are being dealt with by other regulators or the police. We are also aware that, in some schemes, many of the investors are from abroad and have not been in contact with us.

## The schemes

9.

We first warned about high-yield investment frauds or banking instrument frauds in October 1997 and our warning card is quoted in *Constantinides v Law Society* [link: <http://www.bailii.org/ew/cases/EWHC/Admin/2006/725.html>]. Our latest warning was issued on 10 September 2013 [link: <http://www.sra.org.uk/solicitors/code-of-conduct/guidance/warning-notices/High-yield-investment-fraud--Warning-notice.page>].

10.

We have also warned for many years about the improper use of client accounts. One of our warning cards was discussed in detail in *Attorney General for Zambia v Meer Care & Desai* [link: <http://www.bailii.org/ew/cases/EWCA/Civ/2008/1007.html>]. Our latest warning on this subject is dated 18 December 2014 [link: <http://www.sra.org.uk/solicitors/code-of-conduct/guidance/warning-notices/Improper-use-of-client-account-as-a-banking-facility--Warning-notice.page>].

11.

We still see crude, high-yield investment schemes where "investors" are offered extraordinary returns which are clearly unrealistic. In the case of Wood-Atkins, in which the solicitor was struck off, the returns were said to be 40 percent per month. There is reference to secret banking or monetisation transactions through which high returns can be made. They are invariably nonsensical.

12.

Our previous warnings on high-yield investment fraud remain important. The nature of these schemes is now so well known that any solicitor who becomes involved in them may face being closed down urgently and alleged to have acted dishonestly. Members of the public who "invest" in these schemes are very unlikely to be compensated because it is so dangerous and imprudent to become involved in them.

13.

Fraudsters have paid attention to warnings and moulded their schemes. They will now usually avoid offering ridiculous profits but will still mention returns that are very high compared to conventional investments, such as 20 percent per year. The return is only one of the red flag indicators.

14.

Fraudsters will claim that there is a lucrative market in a new or unusual investment, and will try to mimic genuine investments. Investment schemes we have seen carried out and which have failed with investors' money being lost include:

- a. Carbon credit trading – this was never a market that it was sensible or practicable for individuals to try to invest in.
- b. Diamond trading, fine wines, "rare earth minerals" (or metals) and graphene – products like this can of course be bought and sold but there is no special way to make substantial returns.
- c. Landbanking – buying a small strip of land which it is said will increase hugely in value if planning permission is obtained to develop it, but permission is never obtained and was never likely to be obtained.
- d. Hotel rooms – taking a lease of a hotel room. There is no obvious reason for someone wanting to invest in a hotel to take out a lease and pay for the conveyancing of one room. These arrangements may well be collective investment schemes.
- e. Overseas agricultural rights – we have seen schemes in Ukraine, Africa and elsewhere.
- f. Famous works of art being the "security" for an investment scheme.
- g. Property developments abroad – money being taken from numerous members of the public to pay for holiday homes before they are built, often in countries where verifying the development or recovering losses if things go wrong is difficult or impossible.

15.

Unusual investments abroad are particularly problematic. They are difficult to verify. The chances of recovering money if things go wrong are very low. The legal system may be very different. For example, we have seen schemes where investors are assured that their money will be held "in trust", but the law in the country where the investment is taking place does not recognise the concept of a trust.

16.

The involvement of a law firm or solicitor does not provide security or assurance. It may actually suggest a need for particular caution. This is because:

- a. The law firm will usually be acting for the promoters of the scheme (and not for the investors) and will not be looking after the investors' interests, although they may not realise that – investors must get advice from their own trusted professionals
- b. The law firm may itself know very little about the scheme, particularly if it involves overseas investments
- c. An honest or safe investment scheme does not need to involve a solicitor to give it credibility
- d. There is no good reason why money being paid to an investment scheme should pass through the client account of a law firm acting for the investment company – it could and should be paid direct to the investment company
- e. investment company and the law firm manufacture a process, sometimes involving "certification" or "verification" that something has happened to give the impression that they are doing some legal work when they are not. The law firm will be instructed or pressured by the investment company to release the money as soon as possible and will often have no independent knowledge of whether what the investment company is telling them is true or not.

The promoters might use the involvement of a law firm in their direct or indirect marketing, either in brochures, on websites or by briefings to trade and other journalists. An anonymised example from a case involving losses of more than £20m is: "You enter into an escrow agreement with [X & Co] Solicitors to manage and maintain the credibility of the account process. This gives full protection for you and us."

17.

Another brochure in the same case said: "The money is looked after by an English law firm which holds an insurance policy."

18.

In that case, the insurance company refused to pay claims. We also see cases where perhaps £50m passes through a law firm but it only has insurance cover of £3m.

## Evasion of our rules

19.

We are particularly concerned that law firms and their clients are deliberately designing schemes to give the false impression that genuine legal services are being provided. There is no need for a law firm to be involved or for money to pass through its accounts.

20.

We see what we consider to be spurious attempts to create a legal context. This could include supposed "verification" or "certification" which is of no real benefit or relevance. We also see "anti money laundering checks" on investors when there is no requirement for such checks in the transaction in question. Even if there were a need for them, they should be carried out by the investment company and not a law firm.

## The SRA Principles

21.

Law firms must ensure that they do not become involved in potentially-fraudulent financial schemes.

22.

Failure to observe warnings could lead to disciplinary action or criminal prosecution. Attempts to limit your involvement, particularly by a purportedly "limited retainer" are ineffective in protecting you if you simply should not become involved.

23.

If you are, or are considering, becoming involved in any financial arrangement, you must ensure you comply with the Principles in the SRA Handbook. While all Principles may be relevant, some require particular attention:

- a. Integrity (Principle 2)
- b. Independence (Principle 3)
- c. best interests of the client (Principle 4)
- d. behaving in a way that maintains the trust the public places in you and the provision of legal services.(Principle 6)

24.

You must also ensure you do not take unfair advantage of investors in any way.

25.

If you are likely to become involved in transactions involving large sums of money, individually or cumulatively, you must ensure you have sufficient indemnity insurance. Outcome (7.13) is that "you assess and purchase the level of professional indemnity insurance cover that is appropriate for your current and past practice, taking into account potential levels of claim by your clients and others and any alternative arrangements you or your client may make." Your insurers might want to aggregate claims and you find that you have insufficient cover.

## Practical tips

21.

What should law firms do?

- a. Do not become involved in investment schemes that you do not fully understand, or have not independently and rigorously verified
- b. Do not allow your client account – or any account you control – to be used to receive investment money that could simply be sent by an investor to an investment company
- c. Do not attempt to evade rule 14.5 of the SRA Accounts Rules 2011 by trying to manufacture a process of legal work or advice
- d. Do not attempt to evade rule 14.5 by moving money through another account – you are still

facilitating the scheme and might be helping launder the proceeds of crime

e. Do not assume that you can escape liability in law or in conduct by giving investors an obscure warning that you do not act for them

f. Bear in mind that even if you do not act for investors you have duties not to take unfair advantage of them and to act honestly and with integrity

g. Do not draft or facilitate the use of contracts that are unfair to the investors – promulgating a contract with unfair terms may be part of an overall case that you have taken unfair advantage, whether or not consumer protection legislation applies

h. Do not give undertakings as "security"

i. Do not allow your involvement to be used to promote the scheme in any way

j. Regularly check the internet to ensure your involvement is not being used to promote the scheme in any way and take action to stop or correct this – your name might not be mentioned, but if you are acting in some way and there is reference to the involvement of a law firm, you still need to stop it

k. Be particularly alert to any mention, directly or indirectly, of your insurance or the Compensation Fund

l. Research the investment company and any intermediaries fully by reference to official sources such as regulators and Companies House, also paying appropriate attention to media or other commentary

m. If you become aware that someone in your firm is involved in an investment scheme, ensure that you fully understand it and take urgent steps if necessary to cease involvement

n. Be particularly careful about acting for an investment company, ceasing to act and then acting for the investors – that gives rise to concern the firm is still looking after the interests of the investment company (particularly if someone who acted for the investment company leaves the firm to join the company or to be associated with it)

o. Bear in mind that in helping an investment company to carry out one of these schemes you might well be facilitating a fraud and laundering the proceeds.

## Enforcement action

Failure to comply with this warning notice is likely to lead to disciplinary action.

## Further assistance

If you require further assistance with understanding your obligations in relation to high yield investment schemes please contact the Professional Ethics Guidance Team

[<http://www.sra.org.uk/contact-us/#helplines>] .

If you have evidence of one of these schemes or are concerned that you have been approached or have become involved, please contact your SRA supervisor.

If you are already involved and become concerned, urgently contact the Red Alert line

[<http://www.sra.org.uk/redalert>] .