



L.A.R.K Legal Limited (L.A.R.K Solicitors)
Daws House, 33-35 Daws Lane, London. , NW7 4SD
Recognised body
8004149

[Agreement Date: 11 October 2024](#)

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 11 October 2024

Published date: 13 November 2024

Firm details

No detail provided:

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 L.A.R.K Legal Limited (the Firm), a recognised body, authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcome to the investigation:

- a. L.A.R.K Legal Limited will pay a financial penalty in the sum of £6,003, under Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedure Rules;
- b. to the publication of this agreement, under Rule 9.2 of the SRA Regulatory and Disciplinary Procedure Rules; and
- c. L.A.R.K Legal Limited will pay the costs of the investigation of £1,350, under Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Procedure Rules.

2. Summary of Facts

2.1 We carried out an investigation into the firm following notification of AML breaches, after an inspection by our AML Proactive Supervision team, and SRA Accounts Rules breaches on the back of qualified accountant reports.



2.2 Our inspection identified areas of concern in relation to the firm's compliance with the Money Laundering, Terrorist Financing (Information on the Payer) Regulations 2017 (MLRs 2017), the SRA Principles 2011, the SRA Code of Conduct 2011, the SRA Accounts Rules 2011, the SRA Principles 2019, the SRA Code of Conduct for Firms 2019 and the SRA Accounts Rules 2019.

AML

Firm-wide risk assessment (FWRA)

2.3 The firm did not have in place a documented FWRA between 26 June 2017 and 31 May 2022, in breach of Regulation 18 of the MLRs 2017. Between 1 June 2022 and 28 September 2023, the firm failed to have in place an adequate FWRA.

2.4 The firm is required to have a FWRA which includes details of the firm's assessment of risks in five key areas. The firm failed to have in place a documented FWRA until 1 June 2022.

2.5 The two FWRAs provided to our AML Officer dated 31 May 2022 and 30 May 2023 were not compliant with the MLRs 2017, as the five risk areas had not been assessed and they had not been tailored to the firm.

2.6 On 28 September 2023, an updated FWRA was provided to us which is compliant with Regulation 18 of the MLRs 2017.

Policies, controls and procedures (PCPs)

2.7 The firm did not have in place adequate PCPs between 26 June 2017 and 28 September 2023, in breach of Regulation 19 of the MLRs 2017.

2.8 The firm is required to have established and maintained PCPs, to mitigate and manage effectively the risks of money laundering and terrorist financing. The firm failed to have adequate PCPs in place until 28 September 2023. The undated PCPs provided to our AML Officer on 25 July 2023 were not compliant with the MLRs 2017, as they did not cover multiple mandatory areas set out in the regulations.

2.9 On 28 September 2023, the firm provided a copy of its updated AML policy, which is compliant with Regulation 19 of the MLRs 2017.

Client and matter risk assessments (CMRA)

2.10 In six of six files reviewed by our AML Officer, the firm failed to maintain records of its risk assessment in breach of Regulation 28 of the MLRs 2017.



2.11 On 28 September 2023, the firm provided its CMRA process and updated template, and confirmed it was now being implemented on files. The firm is now compliant with Regulation 28 of the MLRs 2017, with respect to CMRAs.

Accounts Rules

- a. The firm submitted two qualified accountant reports to the SRA, covering the periods ending 30 November 2018 and 30 November 2019, which were overdue by four and a half years, and three and a half years respectively.
- b. The firm submitted three further accountant reports late, for periods ending November 2020, 2021 and 2022, as they were not submitted until 7 August 2024.
- c. Between 11 December 2017 and 9 February 2024, the firm allowed a client account shortage of £887.50 to exist, caused by payments in excess of funds held, albeit this has since been corrected.
- d. The firm allowed 83 client balances that had not moved for 24 months or more, totalling £41,072.30, to exist. The dormant balances held by the firm had been reduced to £13,796.22 as of 31 July 2024.
- e. The firm failed to maintain a register of breaches, since the inception of the firm in 2010.

3. Admissions

3.1 The firm admits, and the SRA accepts, that by failing to comply with the MLRs 2017 and the SRA Accounts Rules 2011/SRA Accounts Rules 2019:

For conduct up to 25 November 2019 (when the SRA Handbook 2011 was in force), the firm has breached:

- a. Principle 6 of the SRA Principles 2011 – which states you must behave in a way that maintains the trust the public places in you and in the provision of legal services.
- b. Principle 8 of the SRA Principles 2011 – which states you must run your business or carry out your role in the business effectively and in accordance with proper governance and sound financial risk management principles.
- c. Rule 7 of the SRA Accounts Rules 2011 – which states that you correct breaches promptly upon discovery.
- d. Rule 14 of the SRA Accounts Rules 2011 – which states that you ensure that client money is returned promptly to the client, or the third party for whom the money is held, as soon as there is no longer any proper reason to hold those funds.
- e. Rule 20 of the SRA Accounts Rules 2011 – which states that withdrawals are not made in excess of funds held for individual clients.



- f. Rule 29 of the SRA Accounts Rules 2011 – which states you conduct client reconciliations every 5 weeks.
- g. Rule 32 of the SRA Accounts Rules 2011 – which states you obtain accountant reports and if qualified deliver them to the SRA within six months of the period end. And the firm has failed to achieve:
- h. Outcome 7.2 of the SRA Code of Conduct 2011 – which states that you have effective systems and controls in place to achieve and comply with all the Principles, rules and outcomes and other requirements of the Handbook, where applicable
- i. Outcome 7.5 of the SRA Code of Conduct 2011 – which states you comply with legislation applicable to your business, including anti-money laundering and data protection legislation. And from 25 November 2019 (when the SRA Standards and Regulations came into force), the firm has breached:
- j. Principle 2 of the SRA Principles 2019 – which states you act in a way that upholds public trust and confidence in the solicitors' profession and in legal services provided by authorised persons.
- k. Principle 7 of the SRA Principles 2019 – which states that you act in the best interests of each client.
- l. Paragraph 2.1(a) of the SRA Code of Conduct for Firms 2019 – which states you have effective governance structures, arrangements, systems and controls in place that ensure you comply with all the SRA's regulatory arrangements, as well as with other regulatory and legislative requirements, which apply to you.
- m. Paragraph 3.1 of the SRA Code of Conduct for Firms 2019 – which states that you keep up to date with and follow the law and regulation governing the way you work.
- n. Rule 2.5 of the SRA Accounts Rules 2019 – which states that you ensure that client money is returned promptly to the client, or the third party for whom the money is held, as soon as there is no longer any proper reason to hold those funds.
- o. Rule 5.3 of the SRA Accounts Rules 2019 – which states that withdrawals are not made in excess of funds held for individual clients.
- p. Rule 6.1 of the SRA Accounts Rules 2019 – which states that you correct breaches promptly upon discovery.
- q. Rule 8.1 of the SRA Accounts Rules 2019 – which states that you keep and maintain accurate, contemporaneous and chronological records.
- r. Rule 12.1 of the SRA Accounts Rules 2019 – which states you obtain accountant reports and if qualified deliver them to the SRA within six months of the period end.
- s. Paragraph 5.2 of the SRA Code of Conduct for Firms 2019 – which states that you safeguard money and assets entrusted to you by clients and others.

4. Why a fine is an appropriate outcome



4.1 The conduct showed a neglect towards statutory and regulatory obligations and had the potential to cause harm, by facilitating dubious transactions that could have led to money laundering (and/or terrorist financing). This could have been avoided had the firm established adequate AML documentation and controls. Further, the firm has failed to maintain vital aspects of the firm's client accounts.

4.2 It was incumbent on the firm to meet the requirements set out in the MLRs 2017, and the SRA Account Rules 2011/SRA Accounts Rules 2019. The firm failed to do so. The public would expect a firm of solicitors to comply with its legal and regulatory obligations, to protect against these risks as a bare minimum.

4.3 The SRA considers that a fine is the appropriate outcome because:

- a. The agreed outcome is a proportionate outcome in the public interest because it creates a credible deterrent to others and the issuing of such a sanction signifies the risk to the public, and the legal sector, that arises when solicitors do not comply with anti-money laundering legislation and their professional regulatory rules.
- b. There has been no evidence of harm to consumers or third parties and there is a low risk of repetition.
- c. The firm has assisted the SRA throughout the investigation and has shown remorse for its actions.
- d. The firm did not financially benefit from the misconduct.

4.4 Rule 4.1 of the Regulatory and Disciplinary Procedure Rules states that a financial penalty may be appropriate to maintain professional standards and uphold public confidence in the solicitors' profession and in legal services provided by authorised persons. There is nothing within this Agreement which conflicts with Rule 4.1 of the Regulatory and Disciplinary Rules and on that basis, a financial penalty is appropriate.

5. Amount of the fine

5.1 The amount of the fine has been calculated in line with the SRA's published guidance on its approach to setting an appropriate financial penalty (the Guidance).

5.2 Having regard to the Guidance, we and the firm agree that the nature of the misconduct was more serious (score of three). This is because although there was no direct loss to clients, the firm's failure to ensure it had proper documentation in place, for at least six years since the MLRs 2017 came into force, put it at greater risk of being used to launder money, particularly when acting in conveyancing transactions. The nature of conveyancing is considered high-risk, owing to the risk of abuse of the system by criminals. This left the firm at 5.3 The Accounts Rules breaches have arisen as a result of recklessness or gross negligence on behalf of the firm, continued after it was known to be improper and



formed a part of a pattern of misconduct over a period of years, during which the firm failed to submit annual accountant reports as obligated to.5.4 Collectively, the conduct formed a pattern of misconduct over several years.

5.5 The harm or risk of harm is assessed as being high (score of six). This is because the failure to have proper documentation in place, in respect of the firm's overall AML controls for several years left the firm vulnerable to the risks of money laundering, particularly when acting in conveyancing transactions which account for a large percentage (86%) of work carried out by the firm. Conveyancing is a high-risk area of work, as highlighted in our sectoral risk assessment, as property is an attractive asset for criminals because of the large amounts of money that can be laundered through a single transaction.

5.6 Although Miss Isherwood (on behalf of her firm) has been forthcoming and cooperative and has taken remedial action, into the failure to comply with the breaches of the MLRs 2017 and the SRA Accounts Rules 2019, it must be considered that the issues have persisted over a number of years.

5.7 The score reflects that although no actual harm occurred, collectively it had the potential to cause significant loss or have significant impact.

5.8 The 'nature' of the conduct and the 'impact of harm or risk of harm' added together, give a score of nine (three plus six). This places the penalty in Band D, as directed by the Guidance.

5.9 We and the firm agree the financial penalty to be in Band D1, which determines a basic penalty of 3.6% of annual domestic turnover (firms).

5.10 The latest declared annual domestic turnover, to be used in the calculation of the financial penalty is £185,304.

5.11 The basic penalty is therefore £6,670 ($£185,304 \times 3.6/100$).

5.12 We have also considered mitigating factors and consider that the basic penalty should be discounted by ten per cent. This is to take account of the following factors as indicated by the Guidance:

- a. Remedying harm - the firm took urgent steps to rectify the non-compliant documents and is now fully compliant with the MLRs 2017 and the SRA Accounts Rules 2019.
- b. Cooperating with the investigation - the firm has cooperated with the SRA's AML Proactive Team, AML Investigations Team and our Forensic Investigation Officer.

5.13 The adjusted penalty is therefore reduced to £6,003.

5.14 The firm does not appear to have made any financial gain or received any other benefit as a result of its conduct, that exceeds the

level of the basic penalty. Therefore, no adjustment is necessary and the financial penalty is £6,003.

6. Publication

6.1 Rule 9.2 of the SRA Regulatory and Disciplinary Procedure Rules states that any decision under Rule 3.1 or 3.2, including a Financial Penalty, shall be published unless the particular circumstances outweigh the public interest in publication.

6.2 The SRA considers it appropriate that this agreement is published as there are no circumstances that outweigh the public interest in publication and it is in the interest of transparency in the regulatory and disciplinary process.

7. Acting in a way which is inconsistent with this agreement

7.1 The firm agrees that it will not act in any way which is inconsistent with this agreement, such as by denying responsibility for the conduct referred to above. This may result in a further disciplinary sanction.

7.2 Acting in a way which is inconsistent with this agreement may also constitute a separate breach of Principles 1, 2 and 5 of the SRA Principles.

8. Costs

8.1 L.A.R.K Legal Limited agrees to pay the costs of the SRA's investigation in the sum of £1,350. Such costs are due within 28 days of a statement of costs due being issued by the SRA.

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