Solicitors Regulation Authority

Warcup Law Firm Limited
Lloyds Bank Chambers, 24 Bondgate Within, Alnwick , NE66 1TD
Recognised body
573886

Agreement Date: 29 April 2025

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 29 April 2025

Published date: 29 April 2025

Firm details

Firm or organisation at time of matters giving rise to outcome

Name: Warcup Law Firm Limited

Address(es): Lloyds Bank Chambers, 24 Bondgate Within, Alnwick, NE66 1TD

Firm ID: 573886

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 Warcup Law Firm Limited (the firm), a recognised body, authorised and regulated by the Solicitors Regulation Authority (SRA), agrees t the following outcome to the investigation:

a. Warcup Law Firm Limited will pay a financial penalty in the sum of £15,598 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. Warcup Law Firm Limited will pay the costs of the investigation of £600, under Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Procedures Rules.

2. Summary of Facts

2.1 We carried out an investigation into the firm following an inspection by our AML Proactive Supervision Team.

2.2 Our inspection and subsequent investigation 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 2019, the SRA Principles 2011, the SRA Code of Conduct for Firms 2019 and the SRA Code of Conduct 2011.

Firm-wide risk assessment (FWRA)

2.3 Between 26 June 2017 and 21 August 2021, the firm failed to have in place an appropriate assessment of the risks of money laundering and terrorist financing to which its business was subject (a firm-wide risk assessment (FWRA), pursuant to Regulation 18(1) and 18(4) of the MLRs 2017.

Policies, controls and procedures (PCPs)

2.4 Between 26 June 2017 and July 2020, the firm failed to establish and maintain fully compliant policies, controls, and procedures (PCPs) to mitigate and manage effectively the risks of money laundering and terrorist financing, identified in any risk assessment (FWRA), pursuant to Regulation 19(1)(a) of the MLRs 2017 and,

2.5 Between July 2020 to 22 August 2024, the firm failed to regularly review and update its PCPs pursuant to Regulation 19(1)(b) of the MLRs 2017.

Customer due diligence (CDD) measures / ongoing monitoring and source of funds (SoF)

2.6 In one matter, the firm failed to conduct appropriate customer due diligence (CDD) measures, and ongoing monitoring (including, where necessary, the source of funds (SoF), pursuant to Regulations 28(2) and 28(11) of the MLRs 2017.

2.7 The firm has since confirmed it has put in place measures to ensure continuing and future compliance, including updating and amending its PCPs, employed the services of an external auditor who assisted in creating a compliant AML control environment, and rolled out training to staff following the implementation of the new AML controls.

3. Admissions

3.1 The firm admits, and the SRA accepts, that by failing to comply with the MLRs 2017, it has breached or failed to achieve:

To the extent the conduct took place on or before 24 November 2019:

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 and risk management principles.
c. Outcome 7.5 of the SRA Code of Conduct 2011 – which states you must comply with legislation applicable to your business, including anti-money laundering and data protection legislation. To the extent the conduct took place from 25 November 2019 onwards:
d. 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.
e. 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.
f. Paragraph 2.2 of the SRA Code of Conduct for Firms 2019 – which states you keep and maintain records to demonstrate compliance with your obligations under the SRA's regulatory arrangements.
g. 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.

4. Why a fine is an appropriate outcome

4.1 The SRA's Enforcement Strategy sets out its approach to the use of its enforcement powers where there has been a failure to meet its standards or requirements.

4.2 When considering the appropriate sanctions and controls in this matter, the SRA has taken into account the admissions made by the firm and the following mitigation:

a. The firm took steps to rectify its failings, is now compliant with the MLRs 2017.
b. At the time of the inspection, the firm's FWRA, and client and matter risk assessment (CMRA) were found to be compliant with the MLRs 2017, so there was a lower exposure to ongoing risks.
c. The firm has cooperated with the SRA's AML Proactive Supervision and AML Investigation teams.
d. d. The firm has admitted the breaches listed above at the earliest opportunity and was remorseful of its actions.

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

a. The conduct showed a disregard for statutory and regulatory obligations and had the potential to cause harm, by acting in conveyancing matters without a compliant AML control environment in place, that could have led to money laundering (and/or terrorist financing). This could have been avoided had the firm had a compliant AML control environment in place, and ensured its PCPs were updated and maintained, and implemented by staff at all levels at the firm. From the information the SRA has seen during its investigation, there is no evidence to suggest that actual harm or money laundering has taken place.
b. It was incumbent on the firm to meet the requirements set out in the MLRs 2017. 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.
c. 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.

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, the SRA 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 over seven years shows a persistent disregard of the firm's regulatory obligations. This is more serious given the lack of CDD, ongoing monitoring and SoF at file level, which translated to a poor understanding of the risks posed by clients and matters and resulted in insufficient scrutiny being applied.

5.3 The firm only became compliant with the MLRs 2017 because of our AML inspection and guidance we have provided. The breach has arisen because of recklessness and a failure to pay sufficient regard to money laundering regulations, published guidance and SRA warning notices.

5.4 The impact of the harm or risk of harm is assessed as being medium (score of four). The nature of conveyancing is considered high-risk, owing to the risk of abuse of the system by criminals. We note the firm currently undertakes around two-thirds of its work in scope of the money laundering regulations, via mainly conveyancing. This puts it at a risk of being used to launder money. Conveyancing is a high-risk area for money laundering and terrorist financing, however there is no evidence of there being any direct loss to clients or actual harm caused as a result of the firm's failure to ensure it had proper documentation in place.

5.5 The 'nature' of the conduct and the 'impact of harm or risk of harm' added together give a score of seven. This places the penalty in Band "C", as directed by the Guidance.

5.6 We and the firm agree a financial penalty towards the middle of the bracket. This is because the lack of a compliant AML control environment for seven years shows a pattern of behaviour and increases the risks of the firm laundering illicit funds. We are however pleased to see the firm has confirmed it has put in place measures to ensure continuing and future compliance, employed the services of an external auditor to assist in creating a compliant AML control environment, and rolled out training to staff following the implementation of the new AML controls. The firm has also been remorseful and apologised for the lack of compliance.

5.7 Based on the evidence the firm has provided of its annual domestic turnover, this results in a basic penalty of £19,497.

5.8 The SRA considers that the basic penalty should be reduced to £15,598. This reduction reflects the mitigation set out at paragraph 4.2 above.

5.9 The firm does not appear to have made any financial gain or received any other benefit as a result of its conduct. Therefore, no adjustment is necessary, and the financial penalty is £15,598.

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 deny the admissions made in this agreement or act in any way which is inconsistent with it.

7.2 If the firm denies the admissions, or acts in a way which is inconsistent with this agreement, the conduct which is subject to this agreement may be considered further by the SRA. That may result in a disciplinary outcome or a referral to the Solicitors Disciplinary Tribunal on the original facts and allegations.

7.3 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 and paragraph 3.2 of the Code of Conduct for Firms.

8. Costs

8.1 The firm agrees to pay the costs of the SRA's investigation in the sum of £600. Such costs are due within 28 days of a statement of costs due being issued by the SRA.

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