Solicitors Regulation Authority

Richardsons Solicitors
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Recognised sole practitioner
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Agreement Date: 5 March 2025

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 5 March 2025

Published date: 21 March 2025

Firm details

No detail provided:

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 Richardsons Solicitors (the Firm), a recognised sole practice authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcomes to the investigation:

a. Richardsons Solicitors will pay a financial penalty in the sum of £5,124, under Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedure Rules (the RDPRs),
b. to the publication of this agreement, under Rule 9.2 of the RDPRs, and
c. Richardsons Solicitors will pay the costs of the investigation of £600, under Rule 10.1 and Schedule 1 of the RDPRs.

2. Summary of Facts

2.1 We carried out an investigation into the firm, following the firm's admission to the SRA's AML Proactive Supervision team that it failed to have any AML documents and controls in place, to prevent and safeguard it from money laundering activity and terrorist financing. As a

result of the failing, the planned inspection for 15 November 2023 was cancelled.

2.2 Our AML 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 and the SRA Code of Conduct for Firms 2019.

2.3 Historic breaches of the Money Laundering Regulations 2007 (MLRs 2007), for conduct before the MLRs 2017 came into force, were also identified.

3. Allegations

Firm-Wide Risk Assessment (FWRA)

3.1 Between 26 June 2017 and 31 March 2024, the firm failed to have in place a documented assessment of the risks of money laundering and terrorist financing to which its business was subject (a firm-wide risk assessment (FWRA)) pursuant to Regulations 18(1) and 18(4) of the MLRs 2017.

3.2 Between 1 April 2024 and 6 February 2025, the firm failed to have in place an appropriate FWRA that identified and assessed the risks of money laundering to which it was subject, taking into account all risk factors, pursuant to Regulation 18(2) of the MLRs 2017.

Policies and Procedures (P&Ps) and Policies, Controls and Procedures (PCPs)

3.3 Between 6 October 2011 and 25 June 2017, the firm failed to establish and maintain appropriate and risk-sensitive policies and procedures (P&Ps) pursuant to Regulation 20(1) of the Money Laundering Regulations 2007 (MLRs 2007).

3.4 Between 26 June 2017 and 31 March 2024, the firm failed to establish and maintain policies, controls, and procedures (PCPs) to mitigate and effectively manage 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 regularly review and update them pursuant to Regulation 19(1)(b) of the MLRs 2017.

3.5 Between 1 April 2024 and 6 February 2025, the firm failed to establish and maintain compliant policies, controls, and procedures (PCPs) to mitigate and effectively manage 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 regularly review and update them pursuant to Regulation 19(1)(b) of the MLRs 2017.

Customer Due Diligence (CDD) measures and Client and Matter Risk Assessments (CMRAs)

3.6 Between 6 October 2011 and 25 June 2017, the firm failed to determine the extent of customer due diligence measures on a risk-sensitive basis, or be able to demonstrate to its supervisory authority that the extent of the measures is appropriate in view of the risks of money laundering and terrorist financing, pursuant to Regulation 7(3) of the MLRs 2007.

3.7 Between 26 June 2017 and 23 January 2025, the firm failed to adequately conduct client and matter risk assessments (CMRAs), pursuant to Regulation 28(12)(a)(ii) and Regulation 28(13) of the MLRs 2017.

4. Admissions

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

To the extent the conduct took place before 25 November 2019 (when the SRA Handbook 2011 was in force):

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 in your business or carry out your role in the business effectively and in accordance with proper governance and sound financial risk management principles.

And the firm failed to achieve:

c. Outcome 7.2 of the SRA Code of Conduct 2011 – which states 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.
d. 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) until February 2025, the firm breached:

e. 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.
f. 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.

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.

5. Why a fine is an appropriate outcome

5.1 The conduct showed a disregard for 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 not failed in putting in place a compliant FWRA, PCPs and conducted appropriate risk assessments on its client and matters (CMRAs).

5.2 Our records show nearly all of the firm's work is in-scope of the MLRs 2017 and previously the MLRs 2007; by virtue of it providing high-risk conveyancing and this information is confirmed in the firm's completed AML Questionnaire dated 31 August 2023, which states 'approximately 95%'; in-scope work and this consisted of 85% residential conveyancing and 10% commercial conveyancing.

5.3 This is a serious breach, as the firm has been carrying out a large percentage of in- scope work since its inception, and since 2009 (when the SRA started collecting such data) the majority of the firm's work has been in-scope of money laundering regulations, by virtue of its conveyancing, and continues to do so. Conveyancing is a high-risk area of work. Property is an attractive asset for criminals because of the large amounts of money that can be laundered through a single transaction and because property will tend to appreciate in value. This increased risk was highlighted in the Government's National Risk Assessments and our Sectoral risk Assessments too, since 2017.

5.4 Furthermore, the Legal Sector Affinity Guidance (LSAG) 2023, states a relevant person must comply with the requirement to take customer due diligence measures, and must record a risk assessment for every client they act for as a part of customer due diligence (CDD). This is not a new concept, as it has been a requirement to determine the extent of CDD required and to be able to demonstrate the steps taken, since 2007 pursuant to Regulation 7(3) of the MLRs 2007.

5.5 It was incumbent on the firm to meet the requirements set out in the MLRs 2017 (and the requirements under the previous MLRs 2007). 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.

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

a. A proportionate outcome in the public interest, creates a credible deterrent to others and the issuing of such a sanction signifies the risk to the public, and the legal sector, which 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.
d. The firm did not financially benefit from the misconduct.

5.7 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.

6. Amount of the fine

6.1 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).

6.2 Having regard to the Guidance, the SRA and the firm agree the nature of conduct in this matter as more serious (score of three). This is because the firm should have been aware of its obligation to have in place a FWRA in place since June 2017. In addition, the majority of the firm's work falls within scope of the MLRs 2017 (and did also under the previous MLRs 2007), therefore the firm should have been familiar with the obligations imposed by the regulations and should have implemented strict adherence. Even though the firm has breached the regulations by not putting in place a FWRA until much later, it should have been prompted to do so when reply to an SRA declaration exercise in 2020.

6.3 Furthermore, our AML Proactive Supervision team was unable to conduct an inspection into the firm because the firm did not have the appropriate AML documents and risk assessments in place. This demonstrates an across the board failure, in the firm's ability to adhere to money laundering regulations, that it should and ought to have kept strict compliance with.

6.4 Our investigation shows the firm did attempt to do some level of risk assessments at file level; however, these documents were not deemed compliant. It is because of our guidance and reference to the SRA's CMRA template that the firm has now adopted a compliant risk assessment and is appropriately risk assessing its client and matters going forward. It is our view that the firm remained in breach of Regulation 28 of the MLRs 2017, for a period over seven years (notwithstanding that it, previously, failed to fulfil its obligations to determine the extent of customer due diligence measures on a risk-sensitive basis under Regulation 7(3) of the MLRs 2007) and therefore, the conduct has continued after it was and

should have been known to be improper and formed a pattern of misconduct.

6.5 The firm has been carrying out a high percentage of high-risk conveyancing since 2009, but it has failed to have in place any written P&Ps and CDD measures under the previous MLRs 2007. We have, however, limited the firm's lack of P&Ps breach to 6 October 2011 (date the SRA Handbook 2011 came into force). We consider this to be fair and proportionate.

6.6 All firms and recognised sole practices which provide regulated legal services, must be authorised and regulated by the SRA, and in compliance with the regulations, including paying sufficient regard to published guidance and warning notices. There is no exception to this, and the firm failed to do this. The firm has failed to meet the requirements of the regulations for many years. Although, the firm now has compliant documents in place, which are in proper use, the firm was left vulnerable for a period the SRA considers amounting to a serious breach.

6.7 The impact of harm or risk of harm score is assessed as being medium (score of four). This is because although there is no evidence of any harm being caused, as a result of the firm not having a FWRA (until April 2024), PCPs (until April 2024) and these documents were not compliant until February 2025, given the nature of its work, the risk of harm was increased. The firm's review of its 27 live in-scope client files, which needed a CMRA documented on them, and now do, suggest there was always the potential to cause moderate impact by this conduct.

6.8 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, which indicates a broad penalty bracket of between 1.6% and 3.2% of the firm's annual domestic turnover.

6.9 This is because the firm should have been aware of its statutory obligations under the MLRs 2017 (and previously the MLRs 2007), and the breaches spanned a period of circa fifteen years, while performing the majority of its work in-scope of the regulations (with now over 95% coming from the high-risk area of conveyancing). However, the firm has now brought itself into compliance and therefore the ongoing risk is now lower.

6.10 Based on the evidence the firm has provided of its annual domestic turnover; this results in a basic penalty of £6,405.

6.11 The SRA considers that the basic penalty should be reduced to £5,124. This reduction reflects the firm's transparency and cooperation with the AML Proactive Supervision team and AML Investigations team, along with admitting and remedying the breaches.

6.12 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 to remove this, and the amount of the fine is £5,124.

7. Publication

7.1 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.

7.2 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.

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

8.1 The firm agrees that it will not deny the admissions made in this agreement or act in any way which is inconsistent with it.

8.2 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.

8.3 Acting in a way which is inconsistent with this agreement may also constitute a separate breach of Principles 1, 2 and 5 of the Principles and paragraph 3.2 of the Code of Conduct for Firms.

9. Costs

9.1 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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