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Recognised body
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[Agreement Date: 19 June 2024](#)

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 19 June 2024

Published date: 8 July 2024

Firm details

No detail provided:

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 City Heights Legal Solutions Limited, (the Firm), a recognised body, authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcome to the investigation:

- a. City Heights Legal Solutions Limited will pay a financial penalty in the sum of £2,387, under Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedures Rules;
- b. to the publication of this agreement, under Rule 9.2 of the SRA Regulatory and Disciplinary Procedure rules; and
- c. City Heights Legal Solutions Limited will pay the costs of the investigation of £600, under Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Rules.

Reasons/basis

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 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 Principles 2019 and the SRA Code of Conduct for Firms 2019. Firm-wide risk assessment (FWRA)

2.3 The firm did not have in place a documented firm-wide risk assessment (FWRA) between 26 June 2017 and November 2020, in breach of Regulation 18 of the MLRs 2017. This was brought to the Solicitors Regulation Authority's (SRA) attention after its Forensic Investigation team carried out an inspection starting on 8 October 2020.

2.4 On 7 July 2021 we wrote to the firm concerning its failure to have in place a FWRA until November 2020, despite the firm carrying out work in scope of the MLRs 2017, namely commercial conveyancing. Guidance was provided in relation to the firm's FWRA, policies, controls, and procedures (PCPs) and staff training in anti-money laundering and counter terrorist financing.

2.5 The firm is required to have a FWRA which includes details of the firm's assessment of money laundering risks in five key areas.

2.6 On 31 March 2023 the SRA carried out an inspection into the firm's compliance with the MLRs 2017. The firm failed to have in place a FWRA between 26 June 2017 and November 2020, and further failed to have in place a compliant FWRA from November 2020 to August 2023. The FWRA provided (an excel spreadsheet) prior to our inspection was not compliant with the MLRs 2017, as it appeared to be a risk register/business continuity plan rather than a FWRA. Guidance was provided in producing a compliant FWRA, tailored to the firm's work, clients, and structure.

2.7 On 29 August 2023 an updated FWRA was provided to us; the document is dated 28 August 2023. We consider this document to meet the requirements of Regulation 18 of the MLRs 2017.

2.8 Consequently, between 25 June 2017 and November 2020 the firm had no FWRA in place and between November 2020 and August 2023, the firm had a FWRA, however this document was not compliant with the requirements of Regulation 18 of the MLRs 2017. Policies, controls and procedures (PCPs)

2.9 Between 26 June 2017 and 5 February 2024, the firm failed to establish and maintain PCPs which mitigate and effectively manage the risks of money laundering and terrorist financing, and regularly review and update them, in breach of Regulation 19 of the MLRs 2017.

2.10 On 8 October 2020, relating to the previous forensic investigation, we identified the firm failed to have adequate/effective PCPs in place

under Regulation 19, despite it providing work in-scope of the MLRs 2017, namely commercial conveyancing.

2.11 On 7 July 2021, we wrote to the firm concerning its failure in having adequate PCPs in place and guidance was provided, relating to reviewing PCPs regularly in line with the FWRA and the firm was also referred to the Legal Sector Affinity Group (LSAG) guidance.

2.12 On 31 March 2023 the PCPs provided as part of our inspection were not compliant with the MLRs 2017, as they were missing some of the mandatory areas set out in the regulations.

2.13 On 29 August 2023 updated PCPs were provided to us dated 28 August 2023. We did not consider these PCPs to be compliant, as again they did not cover some of the mandatory areas set out in the regulations.

2.14 On 7 February 2024, the firm provided a copy of its revised AML PCPs dated 5 February 2024. These documents are now compliant with Regulation 19 of the MLRs 2017. Client and matter risk assessment (CMRA)

2.15 Between 26 June 2017 and August 2023, the firm failed to conduct client and matter risk assessments, pursuant to Regulation 28(12)(a)(ii) and Regulation 28(13) of the MLRs 2017.

2.16 Despite the firm's current compliance, the firm failed to have an adequate CMRA process until at least August 2023 and this is a breach of Regulation 28 of the MLRs 2017.

2.17 As part of the inspection, our AML Proactive team noted the firm using a new matter file checklist template form, from another law firm, which was not tailored to its own firm. Owing to this failure, the firm were not able to adequately assess client and matter risks. Guidance was provided in incorporating a client and matter risk assessment process.

2.18 Of the files that were reviewed at the inspection, save for one file, all the files had been rated as low risk. There was either minimal or no detail of the rationale for the risk ratings. The firm was provided guidance on this and referred to information on client and matter risk assessments in the LSAG guidance.

2.19 On 19 January 2024, the firm provided details of its new CMRA process and forms. We are satisfied that this meets the requirements of Regulation 28 of the MLRs 2017. AML Training to relevant persons

2.20 Between 26 June 2017 and July 2023, the firm failed to take appropriate measures to ensure that all relevant employees received AML training in respect of Regulation 24 of the MLRs 2017.



2.21 At the inspection on 31 March 2023, our AML Proactive team identified the need to organise and deliver appropriate training for all relevant fee earners (employees) pursuant to Regulation 24(1)(a) of the MLRs 2017. This training had not been provided previously. The firm confirmed only its Money Laundering Reporting Officer and another colleague had undertaken training, which consisted of attending the SRA annual COLP/COFA conference and internal training on the firm's PCPs. Further, the two individuals (MLRO and one other) completed a CPD online course on 30 March 2023, a day before the inspection.

2.22 On 19 January 2024, the firm provided copies of certification on AML staff training provided to its fee earners. These certifications were accredited by the Law Society and dated 7 July 2023. We are satisfied that the firm is now meeting the requirements of Regulation 24 of the MLRs 2017

3. Admissions

3.1 The firm admits, and the SRA accepts, that by failing to comply with the MLRs 2017: From 26 June 2017 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.

And the firm has failed to achieve:

- c. 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.
- 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 2024, the firm has 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.

4. Why a fine is an appropriate outcome

4.1 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 established adequate AML documentation, controls and trained its staff.

4.2 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, especially since it was given guidance by the SRA on 7 July 2021 in relation to FWRA, PCPs and training.

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 now 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 the firm failed to ensure it had a fully compliant FWRA and PCPs, until 28 August 2023 and 5 February 2024 respectively, and train its staff for a



period of over six years since the MLRs 2017 came into effect, despite being given guidance by the SRA on these core AML controls on 7 July 2021.

5.3 The impact of the harm or risk of harm is assessed as being low (score of two). The nature of conveyancing is considered high-risk, owing to the risk of abuse of the system by criminals. We note, however, the firm completes a very low amount of work in scope of the MLRs 2017, namely just three percent of its turnover is from conveyancing and it performs no other in-scope work. This puts it at a lower risk of being used to launder money. There is no evidence of there being any direct loss to clients or actual harm caused as result of the firm's failure to ensure it had proper documentation in place

5.4 The 'nature' of the conduct and the 'impact of harm or risk of harm' added together give a score of five. This places the penalty in band "B", as directed by the Guidance.

5.5 We and the firm agree the financial penalty to be in Band B3, which determines a basic penalty of 1.2% of annual domestic turnover (firms).

5.6 The latest declared annual domestic turnover, to be used in the calculation of the financial penalty, is £221,036.

5.7 The basic penalty is therefore £2,652 ($£221,036 \times 1.2/100$).

5.8 We have also considered mitigating factors and consider that the basic penalty should be discounted by 10%. This is to take account of the following factors as indicated by the Guidance:

- a. Remedy harm – the firm took steps to rectify the non-compliant documents and is now fully compliant with the MLRs 2017.
- b. Cooperating with the investigation – the firm has cooperated with the SRA's AML Proactive and AML Investigation teams.
- c. External compliance firm – the firm has made a concerted effort to deal with AML matters recently, in an effective way, by instructing a consultancy firm to deal with AML matters going forward.

5.9 The adjusted penalty is therefore £2,387.

5.10 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 £2,387.

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 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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