Solicitors Regulation Authority

A L Hughes & Co
340 Streatham High Road, London , SW16 6HH
Recognised body
051553

Agreement Date: 13 January 2025

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 13 January 2025

Published date: 25 March 2025

Firm details

Firm or organisation at date of publication

Name: A L Hughes & Co

Address(es): 340 Streatham High Road, London

Firm ID: 051553

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1 A L Hughes & Co (the firm) a recognised body, authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcome to the investigation:

a. A L Hughes & Co will pay a financial penalty in the sum of £6,115 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. A L Hughes & Co will pay the costs of the investigation of £600, 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 an inspection by our AML Proactive Supervision team. The 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. The investigation also identified breaches of the Money Laundering Regulations 2007 (MLRs 2007.

2.2 The firm failed to have in place documented policies, controls and procedures (PCPs) between 26 June 2017 and March 2024, in breach of Regulation 19 of the MLRs 2017. 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 was unable to provide us with any such document when requested prior to the inspection.

2.3 Prior to this, the firm between 6 October 2011 (when the SRA Handbook 2011 came into force) and 25 June 2017, also failed to establish and maintain appropriate and risk-sensitive policies and procedures (P&Ps) relating to customer due diligence measures and ongoing monitoring, reporting, record-keeping, internal control, risk assessment and management, the monitoring and management of compliance with, and the internal communication of, such policies and procedures, in order to prevent activities related to money laundering and terrorist financing, pursuant to Regulation 20(1) of the MLRs 2007

2.4 On 26 March 2024, the firm provided us with PCPs that are compliant with the MLRs 2017.

2.5 As part of the inspection, six files were reviewed. None of these files contained a client and matter risk assessment (CMRA), and no general CMRA template was provided prior to the review. Regulation 28(16) of the MLRs 2017 states that 'the relevant person must be able to demonstrate to its supervisory authority that the extent of the measures it has taken to satisfy its requirements under this regulation are appropriate in view of the risks of money laundering and terrorist financing'. The firm was unable to demonstrate any such risk assessment on any of the files reviewed.

2.6 Prior to this, 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 failed to be able to demonstrate to its supervisory authority that the extent of the measures was appropriate in view of the risks of money laundering and terrorist financing, pursuant to Regulation 7(3) of the MLRs 2007.

2.7 On 9 October 2023, the firm sent the SRA an email attaching a 'Matter Risk Assessment' which was being implemented, and on 26 March 2024, the firm sent an email to the SRA confirming all live files

have a client and matter risk assessment. The firm now has a compliant client and matter risk assessment in use

3. Admissions

3.1 The firm admits, and the SRA accepts, that by failing to comply with the MLRs 2007and MLRs 2017:

From 6 October 2011 to 24 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 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 March 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 and controls.

4.2 It was incumbent on the firm to meet the requirements set out in the MLRs 2007 and 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

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.
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 fine

5.1 The amount of the financial penalty has been calculated in line with our published guidance on the 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 should have been aware of its obligation to have in place P&Ps/PCPs and to carry out CMRAs on all files in scope of the MLRs 2007 and MLRs 2017. In addition, a significant proportion of the firm's work falls within scope of the MLRs 2017 (and previously the MLRs 2007), therefore the firm should have been familiar with the obligations imposed by the regulations and should have implemented strict adherence. The firm has failed to meet the requirements of the regulations for a number of years. Despite the firm now using compliant documents and processes, which are in proper use, the firm was left vulnerable for a significant amount of time prior to this.

5.3 We and the firm agree that the impact of the harm or risk of harm is 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 P&Ps/PCPs and carrying out CMRAs appropriately, given the nature of its work, with

around 80-90% of the firm's work falling within scope over the past three years, the firm had the potential to cause moderate impact by this conduct. The firm left itself without effective arrangements in place to manage compliance with the MLRs 2007 and MLRs 2017.

5.4 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.

5.5 We recommend a basic penalty at the middle of the bracket. This is because the firm should have been aware of its statutory obligations under the MLRs 2007 and MLRs 2017 and the breaches spanned a significant amount of time. The majority of its work falls within scope of the MLRs 2007 and 2017. However, the firm has now brought itself into compliance and therefore the ongoing risk is now low

5.6 Based on the evidence the firm has provided of its annual domestic turnover, this results in a basic penalty of £6,794.

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

a. Remedying any harm caused – the firm has put in place compliant CMRAs and PCPs, and remedied the breaches.
b. Cooperating with our investigation – the firm has fully cooperated with our investigation.

5.8 The adjusted penalty is therefore £6,115.

5.9 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 basic penalty. Therefore, no adjustment is necessary and the financial penalty is £6,115.

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 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 A L Hughes & Co 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 A L Hughes & Co 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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