Solicitors Regulation Authority

Slater and Gordon UK Limited
58 Mosley Street, Manchester , M2 3HZ
Licenced body
591058

Agreement Date: 13 December 2022

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 13 December 2022

Published date: 22 December 2022

Firm details

Firm or organisation at date of publication

Name: Slater and Gordon UK Limited

Address(es): 58 Mosley Street, Manchester. M2 3HZ

Firm ID: 591058

Outcome details

This outcome was reached by agreement.

Decision details

Agreed outcome

Slater and Gordon UK Limited ('the firm'), a licensed body authorised and regulated by the Solicitors Regulation Authority Limited (SRA), agrees to the following outcome to the investigation of its conduct:

1. the firm will pay a financial penalty in the sum of £81,588.26, pursuant to Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedure Rules.
2. the publication of this agreement, pursuant to Rule 9.2 of the SRA Regulatory and Disciplinary Procedure Rules
3. the firm will pay costs of the investigation of £16,350, pursuant to Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Procedure Rules

Reasons/basis

Background

Slater & Gordon acquisitions

Slater & Gordon (UK) LLP was incorporated on 3 January 2012 as XYZ1 (UK) LLP, under the parent company of SGUK1, part of the Slater and Gordon Group, the UK operation of Slater and Gordon Limited (an Australian-listed law firm) (SGL). On 12 March 2012, it was renamed Slater & Gordon (UK) LLP (SGLLP) and we granted it a licence as an ABS on 30 April 2012. At that time, it acquired the business of Russell Jones & Walker Solicitors (SRA ID 568143).

Over the period 2013 to 2015, SGLLP acquired and became the successor practice to a number of law firms:

- Marrons – 24 May 2013
- Goodmans – 30 August 2013
- Fentons LLP – 28 September 2013
- J. Pickering & Partners LLP – 30 November 2013
- Pannone LLP – 14 April 2014
- Walker Smith Way - 30 April 2015
- Leo Abse Cohen - 8 May 2015

Quindell Legal Services Limited (QLSL), incorporated in February 2012, became an alternative business structure (an ABS) in December 2012. QLSL was owned by Quindell PLC (a company listed on the alternative investment market) which has subsequently been renamed Watchstone Group PLC. QLSL was described as the professional services division of Quindell PLC. QLSL and had two strands, a legal services arm which consisted of the law firms Silverbeck Rymer (acquired 20 December 2012), Pinto Potts LLP (acquired 28 December 2012) and The Compensation Lawyers (acquired 31 December 2012), together with a legal costs business, Compass Law. The other arm was made up of a number of marketing, health and motor services businesses including Accident Advice Helpline and Mobile Doctors.

In May 2015, QLSL was acquired by SGUK1 and renamed Slater Gordon Solutions Legal Limited (SGSL).

Between 2015 and 2017, the financial position of SGL worsened and there were several restructuring plans put in place, including rationalising the widely disbursed office network arising from the multiple acquisitions.

On 15 December 2017, Slater and Gordon UK Holdings Ltd (SG Holdings) acquired SGUK1, the UK operations of the Slater and Gordon Group which, as part of a restructure, were separated from the Australian parent company. Ownership of SGUK1 - and subsidiaries numbering 36 entities - were transferred to SG Holdings, which also acquired the right to the Slater and Gordon brand in the UK and the right to use it in

Europe. SGL retains the right to the Slater and Gordon brand in other jurisdictions.

The firm's new ownership structure took effect in December 2017 and a new management team assumed control of the firm's business in early 2018. Subsequently, the SRA-regulated businesses SGSL and SGLLP were consolidated into one ABS from 17 July 2018.

Misconduct issues

Following acquisition, the new management of the business identified and self-reported to us a number of matters under our reporting obligation. As issues emerged and were escalated internally, reports of the matters which are the subject of this RSA were sent to us between August 2017, namely the matter of Ms Drinkwater (SRA ID 661633), reported by the firm, and 1 November 2019, which was a report made by a client, whose damages had not been paid out to them. These matters related to the firm's fast-track business and issues that occurred prior to the acquisition or arose from the systems and processes that pre-dated the acquisition. We accept that since the acquisition the firm has not only made extensive self-reports but has also taken substantial steps to improve its compliance and risk management procedures. The start of this work pre-dated the majority of our investigations that led to this RSA.

Nonetheless, the firm accepts that given the continuity in its ABS license then it is appropriate for us to impose a financial penalty for these historic matters, which continued for a period after the firm's new ownership structure took effect.

The firm admits, and we accept, breaches relating to the following specific cases:

1. Between September 2014 and June 2020 the firm's controls for identifying, monitoring and managing risks to client money were not effective in respect to the following cases and thereby breached Principles 8 and 10 of the SRA Principles 2011 and Rules 1.2(e) and 1.2(f) of the SRA Accounts Rules 2011 and failed to achieve, O(7.2), O(7.3) and O(7.4) of the SRA Code of Conduct 2011.

- Client accounts dealt with by Ms Drinkwater and Mr Evans (SRA ID 159835) who were fee earners employed by the firm. The firm's then accounting procedures were not sufficiently robust to prevent funds being transferred from one client ledger to another or to prevent payments being made to unrelated clients. Ms Drinkwater was subsequently convicted of fraud and we made her subject to a Section 43 Order.

Mr Evans was struck off by the SDT in October 2021 by an agreed outcome where dishonesty was admitted; and

- Two separate matters dealt with by fee earner A, in relation to which the firm did not take adequate steps within a reasonable time to identify and resolve credit balances representing damages due to clients on client account, resulting in damages being retained by the firm in these two cases for periods in excess of three years.

2. Between October 2014 and June 2020 the systems for supervising client matters in certain parts of the firm relating to the work of fee earners were not effective with respect to the following cases and thereby breached Principles 5, and 8 of the SRA Principles 2011 and failed to achieve O 1.2, O(7.2), O(7.3) and O(7.8) of the SRA Code of Conduct 2011.

- 18 cases dealt with by the following fee earners: D, Evans, E, F and G the matters were inadequately supervised and in particular were not progressed for a significant period of time;
- 20 cases dealt with by G, Ms Drinkwater, Mr Evans and F, court proceedings were discontinued without clients' instructions and without notification to clients;
- 21 cases dealt with by Mr Evans, D, E, F and G there were other instances where court directions were not complied with leading to some cases being struck out;
- Other cases in which clients were not informed of or were misinformed as to the progress of their matters;
- 660 matters the Firm identified between November 2017 and February 2018 that did not have the benefit of after-the-event insurance at the inception of the matter. These cases had been incepted between November 2017 and December 2018 and the firm had advised the clients that after-the-event insurance was in place. This issue was subsequently resolved by the firm with no loss to clients; and
- During the relevant period, not rectifying the breaches promptly or not effectively addressing the behaviour/system defects that caused those breaches.

We accept that the breaches identified by the firm relate to cases which represent less than 0.18% of all cases dealt with by the firm during the relevant period, October 2014 to June 2020.

Why the agreed outcome is appropriate

We consider, and the firm accepts, that a financial penalty is appropriate following reference to the SRA Enforcement Strategy because:

- There were breaches that had the potential to cause harm to clients.

- The agreed outcome is a proportionate outcome in the public interest because the issuing of such a sanction is necessary to maintain standards by highlighting the risks arising from the behaviours in question and deterring such repetition.
- There has been no evidence of any significant harm to clients or third parties being caused by the admitted breaches.
- There is a low risk of repetition, particularly in light of the improved systems which the firm has since put in place.
- The firm has assisted us throughout the investigation, self-reported and admitted breaches, and made changes to systems, policies and procedures in advance of any sanction.

In deciding the level of the financial penalty, agreed at £81,588.26 reference is made to the SRA's Approach to Setting an Appropriate Financial Penalty (issued 13 August 2013 and last updated on 20th July 2022). Following the three-step fining process, hawse have determined the following:

The firm is a firm of greater means, as it has an annual domestic turnover of more than £2m, and as such the financial penalty is calculated as a percentage of turnover.

Step 1(a) – assessing the seriousness of the misconduct: Nature of conduct score: low/medium = nature score of 1. harm or risk of harm: medium = impact score of 4.

Step 1(b) – arriving at a broad penalty bracket (percentage of turnover, as over £2m): Conduct band 'B', as nature and impact scores total 5 (1 + 4), indicating a basic penalty of up to 0.5% of annual domestic turnover.

The turnover relied upon for the calculation is £90,653,625. This represents average turnover per annum during the relevant period, which covers October 2014-June 2020.

We and the firm agree the basic penalty scale of 0.15% of turnover to be appropriate on the facts of this case. This is because the admitted matters are at the lower end of conduct band 'B' and also because there are a number of exceptional features. These features fall outside mitigation but nonetheless need to be reflected in the financial penalty in order to achieve a just and proportionate outcome. These are:

- The breaches do not reflect the overall systems and processes of the firm at the relevant time. As such, the number of breaches identified are proportionately small compared to the one million or so clients of the firm during the relevant period. While the breaches had an impact on the affected clients, the agreed basic penalty reflects an adjustment for this context.
- The change of ownership of the business raises factual issues that are not contemplated by the mitigation discount provided for in the financial penalties guidance. While the firm recognises the

continuity in the ABS licence, nonetheless the present owners and managers were not involved with the firm at the time when the relevant systems and processes were put in place. Not recognising this in the outcome would be unjust.
- As such, the basic financial penalty is 0.15% of £90,653,625 average turnover, equating to £135,980.44.

We and the firm agree the basic penalty be reduced by the maximum allowable 40 per cent discount, to reflect the mitigating factors, such as the extensive self- reporting by the firm, corrective actions taken including improvements to systems and training and commitment to reduce the risk of repetition of similar issues. Consequently, the basic penalty of £135,980.44 is reduced by the maximum allowable discount of 40 per cent, arriving at £81,588.26, which we agree is appropriate and the firm agrees to pay

Publication

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.

We consider it appropriate that this agreement is published, as there are no circumstances that outweigh the public interest in publication and it is in the interests of transparency in the regulatory and disciplinary process to do so.

Acting in a way which is inconsistent with this Agreement

The firm agrees that it will not act in any way which is inconsistent with this agreement, such as by denying the admissions made in this agreement or responsibility for the conduct referred to above. That may result in a further disciplinary sanction. Denying the admissions made or 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 contained within the SRA Standards and Regulations 2019 (such SRA Principles having been in force since 25 November 2019).

Costs

The firm agrees to pay costs of £16,350 for our investigation. Such costs are due within 28 days of a statement of costs being issued.

The date of this agreement is 13 December 2022.

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