

Anjum Shahzad

Solicitor

25349

Agreement Date: 3 October 2022

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 3 October 2022

Published date: 27 October 2022

Firm details

Firm or organisation at time of matters giving rise to outcome

Name: Shahzads Solicitors

Address(es): 307 Hoe Street, London, E17 9BG

Firm ID: 590651

Firm or organisation at date of publication

Name: Shahzads Law Limited

Address(es): 307 Hoe Street, London, E17 9BG

Firm ID: 8000063

Outcome details

This outcome was reached by agreement.

Decision details

1.1 Mr Anjum Shahzad is the sole director, Compliance Officer for Legal Practice and Money Laundering Compliance Officer of Shahzads Law Limited ('the firm'). This firm is a recognised body authorised and regulated by the Solicitors Regulation Authority (SRA). Mr Shahzad agrees to the following outcome to our investigation:

- a. Mr Shahzad will pay a financial penalty in the sum £1,200, pursuant to Rule 3.1(b) of the SRA Regulatory and Disciplinary Procedure Rules.
- b. to the publication of this agreement, pursuant to Rule 9.2 of the SRA Regulatory and Disciplinary Procedure Rules.



- c. Mr Shahzad will pay the costs of the investigation of £600, pursuant to Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Procedure Rules.

Reasons/basis

2.1 We carried out an investigation into the firm, the recognised sole practice Shahzads Solicitors as it was from 2012 to 2022, now Shahzads Law Limited, following a referral from our AML Proactive Supervision Team who had undertaken a desk-based review with the firm.

2.2 Our investigation identified areas of concern in relation to compliance with Money Laundering, Terrorist Financing and Transfer of Funds (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.

2.3 The MLRs 2017 came into force on 26 June 2017. Regulation 18 of the MLRs 2017 requires relevant persons (firms that do work 'in-scope' of the MLRs 2017), to have a compliant AML practice-wide (firm-wide) risk assessment. Regulation 19 requires firms to have policies, controls and procedures (PCPs) in place to prevent money laundering.

2.4 Our warning notice was publicised to the profession on 7 May 2019, further highlighting the requirement to have a firm-wide risk assessment in place.

2.5 Mr Shahzad and his firm did not have a compliant AML firm-wide risk assessment in place until 16 September 2020, which was only drafted after our AML Proactive Supervision Team had contacted Mr Shahzad on 8 September 2020. Therefore, Mr Shahzad only complied with the requirement in Regulation 18 to have a firm-wide risk assessment more than three years after it was introduced.

2.6 Mr Shahzad provided an updated and compliant firm-wide risk assessment to us dated 13 June 2022.

2.7 Mr Shahzad did not place compliant AML PCPs (and previously policies and procedures as required by Regulation 20 of the MLRs 2007; the previous iteration of the money laundering regulations). His firm is required to have established and maintained PCPs, to mitigate and manage effectively the risks of money laundering and terrorist financing. The PCPs examined by our AML Proactive Supervision Team, at the commencement of our inspection of Mr Shahzad's firm, revealed the PCPs:

- had not been updated since 2015
- contained references to old sources, namely the Money Laundering Regulations 2007 and Serious Organised Crime Agency; which have both

been superseded by the MLRs 2017 (in June 2017) and the National Crime Agency (in October 2013) respectively

- failed to provide an analysis on what would constitute a complex transaction
- failed to provide circumstances when enhanced customer due diligence would be warranted on a transaction and what those additional checks should be
- provided no information on how the firm conducts ongoing monitoring on files
- included the incorrect definition for Politically Exposed Persons, and had not been updated to include the newer definition in MLRs 2017
- provided no information on what constitutes a high-risk jurisdiction in respect of a transaction
- included minimal information or guidance on source of funds/source of wealth, which is of particular concern as firm which regularly deals with conveyancing transactions, a high-risk area
- did not include the firm's position on customer due diligence undertaken by another regulated person and whether such reliance complied fully with the requirements of the MLRs 2017.

2.8 The PCPs were updated, and we deemed them compliant, following the extensive guidance provided by our AML Proactive Supervision Team on 5 November 2020. However, this didn't happen until Mr Shahzad had appointed a specialist external consultant to assist in drafting and updating the firm's PCPs, and only after we had sent additional correspondence to Mr Shahzad on 25 May 2022.

3. Admissions

3.1 Mr Shahzad admits, and we accept, that by failing to comply with money laundering legislation, he has:

SRA Handbook from 6 October 2011 to 25 November 2019 (when the SRA Handbook 2011 was in force)

- i. failed to behave in a way that maintains the trust the public places in the firm and in the provision of legal services, in breach of Principle 6 of the SRA Principles 2011.
- ii. failed to carry out the business effectively and in accordance with proper governance and sound financial and risk management principles, in breach of Principle 8 of the SRA Principles 2011.
- iii. failed to achieve 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.

- iv. failed to achieve Outcome 7.3 of the SRA Code of Conduct 2011, which states that you identify, monitor and manage risks to compliance with all the Principles, rules and outcomes and other requirements of the Handbook, where applicable.
- v. failed to achieve 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.

From 25 November 2019 (when the SRA Standards and Regulations came into force) until 22 July 2022 when the firm became compliant:

- vi. failed to act in a way that upholds public trust and confidence in the solicitors profession and in legal services provided by authorised persons, in breach of Principle 2 of the SRA Principles 2019.
- vii. failed to achieve Code of Conduct for Firms 2.1 Compliance and business systems which states you have effective governance structures, arrangements, systems and controls in place that ensure:
 - i. (a) you comply with all the SRA's regulatory arrangements, as well as with other regulatory and legislative requirements, which apply to you.
- viii. failed to achieve Code of Conduct for Firms 3.1 Cooperation and accountability which states you keep up to date with and follow the law and regulation governing the way you work.

4. Why the agreed outcome is appropriate

4.1 The conduct showed a disregard for statutory and regulatory obligations and had the potential to cause harm, by facilitating transactions that could have led to money laundering (and/or terrorist financing).

This could have been avoided had Mr Shahzad established an adequate practice-wide firm-wide risk assessment and adequate policies, controls and processes at the firm, and in a more timely manner since our inspection at the firm in 2020.

4.2 As the sole owner and manager at his firm, Mr Shahzad was the only person with the ability to ensure compliance with the statutory requirements of the MLRs 2017. Mr Shahzad was the only person with the responsibility of doing so. Mr Shahzad was and remains the firm's sole owner and

principal and held and currently continues to hold all the key compliance roles at the firm.

4.3 It was incumbent on Mr Shahzad to ensure the firm's compliance with the regulations. Mr Shahzad failed to do so. The public would expect solicitors to take every precaution to ensure that they are not vulnerable to these risks. 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.

4.4 The lack of compliance showed an AML control environment failing at the firm, and:

- i. 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.
- ii. there has been no evidence of harm to consumers or third parties.
- iii. Mr Shahzad nor his firm did not financially benefit from the misconduct.
- iv. Mr Shahzad recognises that he failed in his basic duties regarding statutory money laundering regulations and regulatory compliance, as identified during our inspection and subsequent investigation.
- v. Mr Shahzad has assisted us throughout the investigation, admitted the breaches and has shown remorse for its actions and remedied the breaches.
- vi. Mr Shahzad had on 9 June 2020, in response to our firm-wide risk assessment declaration exercise declared honestly, that although the firm was in-scope of the MLRs 2017, he did not have such a risk assessment in place at his firm.

4.5 Rule 4.1 of the SRA 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 what is stated in Rule 4.1 and on that basis a financial penalty is appropriate.

4.6 In deciding the level of the financial penalty reference is made to the guidance on The SRA's Approach to Financial Penalties. Following the

three-step fining process, we have determined the following:

- i. the nature of the misconduct was low/medium because the conduct was reckless. There was a failure on the part of Mr Shahzad to comply with statutory obligations, as imposed by statutory money laundering regulations, and a failure to comply with the our rules that were in force at the time. The Guidance gives this level of impact a score of one.
- ii. We consider that the impact of the misconduct was medium because there was a failure to have in place a compliant practice-wide risk assessment until 16 September 2020, fully compliant policies, controls and procedures until June 2022 (previously known as policies and procedures), as obliged by statutory legislation. The Guidance gives this level of impact a score of four.

The associated 'Conduct band' is 'B', owing to the total score of 5 (1+4) from sub-paragraphs above, giving a penalty bracket of £1,001 to £5,000.

4.7 However, in deciding the level of fine within this bracket, we have considered the mitigation which Mr Shahzad has put forward. We consider that on the basis of the mitigation offered, the remedy of the breaches, the prompt admissions, the continuing compliance moving forward, and the fact that Mr Shahzad is the sole fee earner at his firm conducting work in scope of the MLRs 2017, that a basic penalty of £1,500 be discounted by 20%, such that a financial penalty of £1,200, is appropriate.

5. Publication

5.1 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.

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

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

6.1 Mr Shahzad agrees that he will not act in any way which is inconsistent with this agreement, such as by denying responsibility for the conduct referred to above. That may result in a further disciplinary sanction. 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).

7. Costs

7.1 Mr Shahzad 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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