

LCF Residential Limited
One St. James Business Park, New Augustus Street,
Bradford , BD1 5LL
Licenced body
446540

[Agreement Date: 7 March 2025](#)

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 7 March 2025

Published date: 12 March 2025

Firm details

Firm or organisation at date of publication

Name: LCF Residential Limited

Address(es): One St. James Business Park, New Augustus Street,
Bradford, BD1 5LL

Firm ID: 446540

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1.1. LCF Residential Limited (the firm), a licensed body authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcome to the investigation:

- a. LCF Residential Limited will pay a financial penalty in the sum of £3,263 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.
- c. LCF Residential Limited 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 on 8 March 2023 by our AML Proactive Supervision team. The inspection identified an area 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.

2.2. The firm was unable to demonstrate evidence of its client and matter risk assessments in one template document on each file to include the reasoning behind the assessment of customer due diligence to be applied, as required by Regulation 28(16) of the MLRs 2017.

2.3. As part of the inspection, seven of the firm's files were reviewed. However, none of the files reviewed were considered to have adequate evidence of a risk assessment, in a single document, with supporting explanatory rationale, as required by Regulation 28(16) of the MLRs 2017.

2.4. The firm completed an AML questionnaire for the SRA in December 2022, in which it stated that 'we have not historically used a template document to record the risk assessment on either clients or matter at file opening'. It was, therefore, unclear how the firm were identifying and managing AML risks, presented by clients and individual matters, prior to the AML inspection. Subsequent evidence provided by the firm, as part of the investigation, showed that the file handlers were assessing risk and, where applicable, applying the correct level of due diligence on those files but the firm did not document the process well enough to satisfy the requirements of Regulation 28(16) of the MLRs 2017.

2.5. On 7 March 2023, prior to the inspection, the firm sent an email to the AML Associate, attaching evidence of a new documented process for assessing risk 'a rolling risk assessment' which had been in place since 1 March 2023.

2.6. The firm provided confirmation on 17 July 2023, that all files within scope of the MLRs 2017 now had a documented CMRA on file.

2.7. We are satisfied that the 'rolling risk assessment form', provided on 7 March 2023, is compliant with the MLRs 2017 and is in proper use across the firm.

3. Admissions

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

- a. 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.

- b. 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 with proper governance and sound financial risk management principles.

4. Why a fine is an appropriate outcome

4.1. The conduct demonstrated a breach of the statutory and regulatory obligations. This could have been avoided had the firm established adequate AML documentation.

4.2. It was incumbent on the firm to meet the requirements set out in Regulation 28(16) of the MLRs 2017. The firm failed to do so.

4.3. The SRA consider 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 Regulation 28(16) of the MLRs 2017 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, admitted the breaches and has shown remorse for its actions.
- d. The firm did not financially benefit from the misconduct.

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 the SRA and the firm agree that the nature of misconduct was less serious. This is because the conduct was not intentional, nor did it arise as a result of recklessness or gross negligence, and it did not form part of a pattern of misconduct. The firm was unable to demonstrate evidence of its client and matter risk assessments in one template document on each file to include the reasoning behind the assessment of customer due diligence to be applied. However, although the firm did not document this process well enough to satisfy the requirements of Regulation 28(16) of the MLRs 2017, it is accepted that file handlers were assessing risk and, where applicable, applying the correct level of due diligence on those files.

5.3. The SRA considers the impact of the misconduct to be low. This is because the firm states it was risk assessing clients and matters, but there was a failure to properly document this process. The impact of this being much lower than if the firm were not risk assessing at all. Furthermore, there is no evidence of there being any direct loss to clients or actual harm caused as a result of the firm's failure to ensure it had proper documentation in place.

5.4. The SRA recommends a financial penalty, and based on the firm's annual domestic turnover the basic penalty is £4,079.

5.5. The SRA considers that the basic penalty should be reduced by 20%, in terms of mitigation discount, to £3,263, for the following factors:

- a. The firm has implemented a new CMRA process and employed consultants as part of its independent audit function and now maintains a rolling risk assessment, reviewed each year.
- b. It has admitted the breaches and remedied the harm caused by documenting an appropriate CMRA on all live in-scope files.
- c. The firm has shown a positive attitude towards the investigation and has cooperated with the SRA's AML Proactive Supervision and Investigations teams.

5.6. 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 £3,263.

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 in the interests of transparency in the regulatory and disciplinary process. The firm agrees to the publication of this agreement.

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

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

7.2. 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.

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

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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