Solicitors Regulation Authority

Nexus Solicitors Limited (Nexus Solicitors)
Carlton House, 16-18 Albert Square, Manchester , M2 5PE
Licenced body
563473

Agreement Date: 21 February 2025

Decision - Agreement

Outcome: Regulatory settlement agreement

Outcome date: 21 February 2025

Published date: 24 February 2025

Firm details

No detail provided:

Outcome details

This outcome was reached by agreement.

Decision details

1. Agreed outcome

1. Nexus Solicitors Limited (the firm), a Licensed Body, authorised and regulated by the Solicitors Regulation Authority (SRA), agrees to the following outcome to the investigation:
    a. Nexus Solicitors Limited will pay a financial penalty in the sum of £31,217, 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. Nexus Solicitors Limited will pay the costs of the investigation of £600, under Rule 10.1 and Schedule 1 of the SRA Regulatory and Disciplinary Procedures Rules.

2. Summary of Facts

1. We carried out an investigation into the firm following an inspection by our AML Proactive Supervision Team.
2. Our inspection and subsequent investigation 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.

Customer due diligence (CDD) measures / client and matter risk assessments (CMRAs)

3. Between 26 June 2017 and the autumn of 2023, the firm failed to conduct client and matter risk assessments (CMRAs), pursuant to Regulation 28(12)(a)(ii) and Regulation 28(13) of the MLRs 2017.
4. During the inspection, six files were reviewed and none of these files contained a CMRA, despite the firm's Staff Handbook (at section 16) referring to a client and matter risk assessment and due diligence form, which set out a process for risk assessing clients and matters. However, this was not evident on any of the files that were reviewed.
5. Risk assessing clients and their matters is a mandatory requirement under Regulations 28(12) and (13) of the MLRs 2017. CMRAs must be documented, rate the risks that the fee earner identifies, and justify the risk with a supporting rationale. CMRAs must also be clear in providing an audit trail of the decision-making process, methodology and rationale, to demonstrate adequate consideration of risks to the SRA as an AML supervisor, law enforcement or the courts. The firm failed to do this, as evidenced from all six files reviewed.
6. Further, the firm is under an obligation to monitor and manage compliance with the firm's PCPs, pursuant to Regulation 19(3)(e) of the MLRs 2017. Despite the firm having a Staff Handbook, which detailed the process for assessing and identifying risk via CMRAs, it is evident that staff were not following the process as, again, six of six files reviewed did not contain necessary CMRAs, and further the firm's regular file audits on randomly selected live matters were not picking this up too.
7. In the autumn of 2023, the firm wrote to us to confirm its PCPs had been updated, an independent audit had been conducted, staff training had taken place, and all in-scope files had been reviewed and updated with respect to CMRAs and source of funds checks; it is noted none of the reviewed matters were identified as high risk, nor raised any concerns around money laundering.

Identification and verification measures (ID&V) and source of funds (SoF)

8. On four matters, the firm also failed to comply with its obligations under Regulation 28 of the MLRs 2017, in respect of identification and verification and source of funds checks.
9. The four files concerned foreign nationals, red flags on an e-verification report which were not acted on, a lack of scrutiny as to where the clients resided or where their funds were coming from, a lack of ID&V on ultimate beneficial owners, a lack of understanding

as to how a company had generated its funds, and monies received from third-parties without a full understanding of the connection between those parties and the client and transaction.

10. As noted above, in the autumn of 2023, the firm wrote to us to confirm its PCPs had been updated, an independent audit had been conducted, staff training had taken place, and all in-scope files had been reviewed and updated with respect to CMRAs and source of funds checks; it is noted none of the reviewed matters were identified as high risk, nor raised any concerns around money laundering.

3. Admissions

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 and risk management principles.

And the firm has also failed to achieve:

c. 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 the autumn of 2023, the firm has breached:

d. Principle 2 of the SRA Principles - 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.
e. Paragraph 2.1(a) of the SRA Code of Conduct for Firms – which states you have effective governance structures, arrangements, systems and controls in place that ensure: a. you comply with all the SRA's regulatory arrangements, as well as with other regulatory and legislative requirements, which apply to you.
f. Paragraph 3.1 of the SRA Code of Conduct for Firms – which states 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

1. The SRA's Enforcement Strategy sets out its approach to the use of its enforcement powers where there has been a failure to meet its standards or requirements.
2. When considering the appropriate sanctions and controls in this matter, the SRA has taken into account the admissions made by the firm and the following mitigation:
    a. The firm took steps to rectify its failings and started documenting appropriate CMRAs on files and, in doing so, is now compliant with the MLRs 2017.
    b. The firm undertook an independent audit to conduct a wholesale review of the firm's AML control environment and acting upon the recommendations made within the audit output.
    c. The firm has cooperated with the SRA's AML Proactive Supervision and AML Investigation teams.
    d. The Firm admitted the breaches listed above at the earliest opportunity.
3. The SRA considers that a fine is the appropriate outcome because:
    a. The conduct showed a disregard towards statutory and regulatory obligations and had the potential to cause harm, by failing to undertake client and matter risk assessments, conduct ID&V or source of funds checks in conveyancing transactions that could have led to money laundering (and/or terrorist financing).
    b. 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.
    c. 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.
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

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).

2. Having regard to the Guidance, the SRA and the firm agree that the nature of the misconduct was more serious (score of three). This is because the firm failed to conduct CMRAs on files and document them from 26 June 2017 until the autumn of 2023, in breach of Regulation 28 of the MLRs 2017. This translated to a poor understanding of the risks posed by clients and their matters, and resulted in insufficient scrutiny being applied, and inadequate ID&V and SoF checks.
3. The firm only became compliant with the MLRs 2017 because of our AML inspection and guidance we have provided. The breach has arisen because of recklessness and a failure to pay sufficient regard to money laundering regulations and published guidance.
4. The firm has failed to ensure that it was fully compliant with its statutory obligations until the autumn of 2023, a period of over six years since the MLRs 2017 came into effect.
5. The impact of the harm or risk of harm is assessed as being medium (score of four). The nature of conveyancing is considered high-risk, owing to the risk of abuse of the system by criminals. We note the firm currently undertakes around a quarter of its work in scope of the money laundering regulations, via mainly conveyancing. This puts it at a greater risk of being used to launder money. 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.
6. The nature and impact scores add up to seven and 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.
7. We recommend a financial penalty in Band C1 (the lowest level of Band “C“). This is because the firm confirmed that it has put in place measures to ensure continuing and future compliance, employed the services of an external auditor, reviewed all live in-scope files and ensured the necessary documentation has been placed on them, and trained the staff on implementing the firm's PCPs with respect to CMRAs, ID&V and SoF.
8. Based on the evidence the Firm has provided of its annual domestic turnover, this results in a basic penalty of £44,595.
9. The SRA considers that the basic penalty should be reduced to £31,217. This reduction reflects the mitigation set out at paragraph 4.2 above.
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 to remove this and the amount of the financial penalty is £31,217.

6. Publication

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.
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

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.
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.
3. Denying the admissions made or 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 7.3 of the Code of Conduct for Solicitors, RELs and RFLs.
4. 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

1. Nexus Solicitors Limited 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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