



Enforcement Activity January 2023 – September 2024

Managed Compliance

Managed compliance describes our philosophy and approach to regulation and is focused on mitigating the risk to consumers which is inherent in conveyancing and probate. It is not an alternative to enforcement action, which can be triggered at any stage in the managed compliance cycle.

The managed compliance process is founded on the principle that in the event of a regulated practice becoming non-compliant with CLC codes, proactive regulation can secure a swift return to compliance *before* harm crystallises. This is a more effective way of safeguarding consumers and the public interest than reactive regulation which often sees action being taken only once consumers have already suffered loss or harm.

From the time that a practice comes into CLC regulation they are subject to a cycle of managed compliance. Using various tools, insight and intelligence, CLC regulated practices are continuously assessed for compliance against the CLC codes and for the risk they present to the consumer and the wider public interest.

When non-compliance is identified, we notify the practice and all relevant individuals e.g. managers, Head of Legal Practice (HOLP), Head of Financial Administration (HOFA), Money Laundering Responsible (MLRO) Officer and provide them with a set of time bound actions to remedy the non-compliance. In parallel to this process the non-compliance is risk assessed to determine whether an individual and/or practice should be referred for further enforcement action.

More detail on the CLC's work in this area is available in [How we regulate](#)

Routes to Enforcement

There are slightly different approaches set out in legislation for discipline in relation to Recognised Bodies (traditional law firms) and Alternative Business Structures (which were brought into existence by the Legal Services Act 2007 (LSA 2007)). However, the standards applied to both bodies and to all regulated Licensed Conveyancers and Probate Practitioners are as set out in our regulatory arrangements and are applied consistently across the community. Disciplinary sanctions may be applied to practices and/or individuals in all cases.

Where there are grounds for discipline of an Authorised Person (in terms of the LSA 2007) who is not regulated by the CLC but working in a CLC-regulated entity (e.g. a solicitor or CILEx Fellow), the CLC makes a referral to the relevant regulator. The legal sector regulators are always in close contact and the CLC has Memoranda of Understanding with them to govern the sharing of regulatory information.

Informal (non-statutory) action is taken by the CLC and includes:

- Notice letter
- Agreeing an undertaking
- Formal request to provide information or take specific action
- Formal interview with CLC

Formal (statutory) action mechanisms vary more between Recognised Bodies and Alternative Business Structures, but the enforcement tools remain the same and are applied consistently.

- Revocation of a licence or certificate
- Disqualification permanent or for a specified period)
- Suspension of a licence or certificate
- Withdrawal of approval of Head of Legal Practice (HoLP)
- Withdrawal of approval of Head of Finance and Administration (HoFA)
- Addition of a condition on a licence
- Termination (on grounds of mental capacity)
- Imposition of a financial penalty
- Order of the Adjudication Panel
- Payment of costs
- Reprimand
- Divestiture of Owner
- Intervention (closure of practice with the CLC or its agents taking over operations during the winding up period)

REVIEW OF ACTIVITY FOR 2023 AND THE FIRST THREE QUARTERS OF 2024

The CLC’s enforcement action in 2023 and the first three quarters of 2024 is set out below, beginning with an analysis of findings and follow-up to inspection reports. We also review our scrutiny of annual accountant’s reports for each regulated practice and set out the detail of complaints the CLC has received against practices. This is provided as context for the enforcement work.

The final section of the report looks at disciplinary actions.

THE REGULATED COMMUNITY

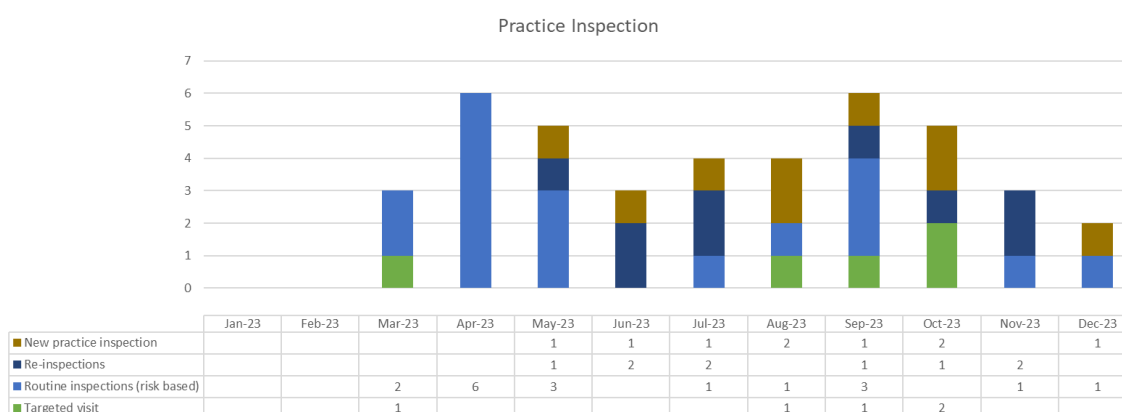
As at 30 September 2024, the CLC regulated 1,956 individuals and 198 practices, broken down as follows.

Practices by Entity Type	Recognised Body	ABS	Total
Limited Company	82	78	160
Limited Liability Partnership	7	5	12
Partnership	10	-	10
Sole Practitioner	16	-	16
Total	115	83	198

INSPECTIONS

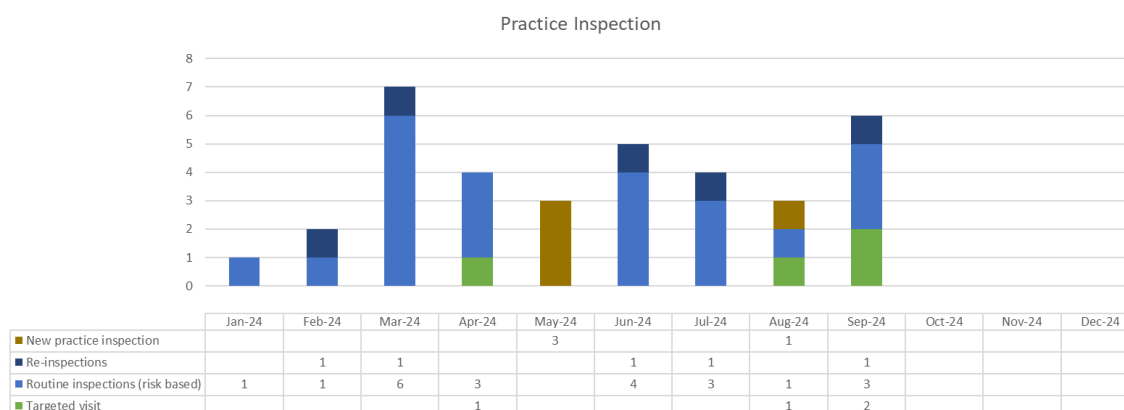
2023

41 inspections were conducted in 2023 against a planned 39 and they are summarised below:



2024 Q1-3

39 inspections have been carried out in the first three quarters of 2024. They are summarised below.



Outcomes of inspections

The next table sets out the findings of inspections completed each year since 2020. 44 inspections have been completed in the first three quarters of 2024. Reports on nine of those are being finalised at time of writing and so the total in the table below refers to the 35 finalised reports so far in 2024. The rigour of the CLC's inspections ensures that minor as well as major instances of non-compliance are identified and the CLC then requires the practice to address them within a limited time. Depending on the seriousness and extent of the non-compliance, a practice will receive an overall outcome of 'generally compliant' or 'non-compliant'. Minor technical breaches that represent no risk to clients are nevertheless recorded here as compliance failures.

Outcome of completed Inspections					
	2020	2021	2022	2023	2024
Compliant	2	1	13	1	2
Generally compliant	24	29	24	23	15
Non-compliant	26	18	20	15	18
Total	52	48	57	39	35
Compliant	4%	2%	23%	3%	6%
Generally compliant	46%	60%	42%	58%	43%
Non-compliant	50%	38%	35%	39%	51%
Total	100%	100%	100%	100%	100%

Non-compliance by Codes of the CLC's handbook

The table below shows the total number of minor and major instances of non-compliance by Code.

Compliance level: Non-compliance by code						
Inspection Report Category	Incidence of non-compliance					
	2019	2020	2021	2022	2023	2024
AML & CTF Code	33	22	14	27	18	20
Accounts Code	15	7	2	8	3	3
Conflicts of Interest Code	8	8	2	4	4	2
File Review Purchase	7	7	4	10	7	9
Disclosure of Profits & Advantages Code	9	4	3	4		
Standard Documents	10	3		6	9	3
File Review Sale	6	4	7	3	3	2
Management & Supervision Code	6	2	2	3	1	3
Complaints Code	2	3	1	2	5	
File Review Will	4	1			1	1
Financial analysis	2					
File Review Probate					2	
File Review Remortgage						

The Codes with highest incidence of non-compliance are AML & combating terrorist financing (CTF) Code, File Reviews, Accounts code and Conflicts of Interest Code. A further breakdown of the common findings in relation to these three categories are detailed in the below.

Inspection Report Category	Common Findings
AML & CTF Code (including file review purchases)	<ul style="list-style-type: none"> • AML policy and procedures not updated. • AML and CTF training required for MLRO and staff. • No record of AML and CTF training undertaken by MLRO and staff. • No practice wide risk assessment. • Inconsistent approach to AML checks. • Limited / ad hoc documentation on risk assessment.
Standard documents	<ul style="list-style-type: none"> • Missing Terms of engagement provisions (FCA wording, Compensation Fund wording, blind copying other practices T&C's, interest payment arrangements, complaints & transparency information)
Accounts Code	<ul style="list-style-type: none"> • Bank reconciliations not prepared regularly. • Unpresented items on bank reconciliations. • Updating matter listing.
Conflicts of Interest Code	<ul style="list-style-type: none"> • Practice acting on both sides of a transaction. • Inadequate wording in Conflicts of Interest Policy. • Client not informed of the relevant conflict issues and risks and unable to provide informed written consent.

ACCOUNTANTS' REPORTS

The recent report into the Axiom Ince case highlighted the importance of close scrutiny of law firms' handling of client money. The CLC requires timely submission of annual Accountants Reports by every regulated practice. The timing is dictated by the practice's own financial year. We may also request in-year bank account reconciliation records or undertake closer investigation based on insight into a practice's activities.

The status of Accountants' Reports received each year since the 2017 financial year end are summarised below:

Accountants Report	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Received - late	72	60	73	76	46	32	37	1
Received - on time	158	157	133	124	177	189	183	98
Not received - overdue	0	0	0	0	1	0	1	4
Not Received - closed	16	10	14	3	6	0	3	0
Not Yet Due	0	0	0	0	0	0	0	99
Total Reports Expected	247	227	220	221	230	221	224	202
Qualified reports	61	55	36	30	15	20	21	7
Qualified rate (received)	27%	25%	17%	15%	7%	9%	9%	3%

All qualified reports are reviewed and logged immediately to determine what action needs to be taken. Action is dependent on the type of breach (significant or trivial), whether it was accidental or negligent and whether it has been resolved. Action would include asking for further details or scheduling a targeted inspection.

The most common reasons for qualifications include:

- Bank reconciliations prepared late or incorrectly, and bookkeeping errors.
- Receipt and payment made from client account in contravention of the accounts code.
- Issues with the office side of the client account.
- Issues with the sample of reconciliation statements selected.

COMPLAINTS

The CLC logs all complaints received and tracks overall trends and practices that have a high volume of complaints. Conduct complaints are referred to the practice's RSM for further investigation if appropriate and inform our rounded view of risk at that practice.

The table below includes an analysis of complaints, received by the CLC against practices to 31 December 2023:

Completed complaints 2023	<=30 days	31-90 days	91-180 days	180+ days	Total
Conduct	81	25	8	4	118
Third party					
Service	56	10	3		69
Not regulated					
Negligence					
Total	137	35	11	4	187
% of total - cumulative	73%	92%	98%	100%	
KPI	40%	60%	100%		

The table below includes an analysis of complaints, received by the CLC against practices from 1 January to 30 September 2024:

Completed complaints Q1-3 2024	<=30 days	31-90 days	91-180 days	180+ days	Total
Conduct	29	1			30
Third party	2				2
Service	48				48
Not regulated	4				43
Negligence	2	1			
Total	85	2	-	-	87
% of total - cumulative	98%	100%	100%	100%	
KPI	40%	60%	100%		

DISCIPLINARY ACTIONS

The outcomes of disciplinary actions are published [on the CLC's website](#). They are also linked from the [online register](#) entry of the firm or individual concerned.

The table below reflects the disciplinary cases that were in progress, commenced or concluded in the period of this report (the beginning of 2023 until the end of Q3 2024). It well as the time elapsed (in cases of ongoing investigations) or time taken to finalise (for completed investigations, which is potentially up to the point of final hearing of the Adjudication Panel).

It is important to note that action to bring a practice back into compliance will have been taken in all cases where non-compliance was found and has also given rise to the investigation into potential disciplinary action.

Age of Disciplinary	1-3 months	4-6 months	7-12 months	13 - 24 months	25 - 36 months	> 36 months	Total
Under Investigation	2	1	9	11		7	30
Completed	6	1	4	13	7	3	34
Case Proven at AP				8	1	2	11
Case unproven at AP							0
No action taken	6		4	2	2		14
Notice letter		1		3	1		5
Other					3	1	4

ADJUDICATION PANEL

In 2023 the Adjudication Panel heard seven disciplinary cases. In the first three quarters of 2024, the Panel heard two disciplinary cases and one review of a Compensation Fund decision.

The [decisions of the Adjudication Panel](#) are published on the CLC website at the end of any appeal period. They are also indicated against the online record of any individual or practice with a link to the full decision. Any disciplinary determination made against an individual or firm will remain listed on the CLC website for the duration of any suspension, disqualification, or other sanction, subject to a minimum of two years from the date of publication.

The Chair of the Adjudication Panel, which is independent of the CLC, submits an Annual Report to the Council, including an overview of cases presented to the Panel, specific learning points (where applicable), their view of the operation of the Panel and plans for the forthcoming year. The Chair publishes a periodic report on the work of the Panel. The reports of the Chair of the Adjudication Panel are published [here](#).

In her report on the year to September 2024, the Chair of the Adjudication Panel notes: *'...this has again been a very busy and effective year for the panel, where the importance of upholding the professional standards set by the CLC has been paramount and underlined by the decisions reached by the panel. The panel has imposed the range of sanctions including disqualification and continued to impose the payment of costs in appropriate cases. Fairness to all parties has been paramount in the hearings, as has transparency, and I am satisfied that the panel has continued to keep its overriding objective at the forefront of its collective mind.'*