

## CLC AML non-compliance case studies

The following case studies are anonymised examples of AML non-compliance that the CLC has found during its ongoing monitoring of CLC Practices.

The CLC is committed to tackling the fight against money laundering, particularly in the conveyancing sector, and will take action against any CLC Practice found not to be fully compliant with their AML obligations.

For advice on compliance with AML obligations, visit the [CLC's AML toolkit](#) where you will find the Legal Sector AML guidance, helpful articles, templates and links to relevant websites.

### Case Study 1 – May 2018

Concern: The client paid a large sum of money to the practice's client account. The practice completed CDD on the client which resulted in suspicions of money laundering.

CLC Practice Action: The practice submitted a DAML SAR to the NCA.

Outcome: The practice requested consent from the NCA to proceed but this request was refused. The NCA advised the practice to return the funds to the client. The practice complied with the NCA's request.

Advice: The NCA has published helpful guidance on [submitting better quality SARs](#).

### Case study 2 – January 2019

Concern: The CLC was contacted by a CLC Practice as they had received a Production Order under s.345(1) of the Proceeds of Crime Act. CLC Code of Conduct Overriding Principle 4(f) requires CLC Practices to comply with any court order.

The practice was also asked to provide a copy of the file to the CLC for review.

The client was purchasing a property using a gift from several family members totalling more than £100,000. The practice obtained a gift letter from each donor and a copy the financial information demonstrating the transfer of funds to the client.

From a review of the file, it became apparent that the practice did not complete any ID or source of wealth checks on the gift donors.

CLC Action: To ensure that the practice complied with AML requirements and the AML/CTF Code, the CLC carried out an AML focused inspection.

Outcome: No immediate AML concerns were raised at the inspection.

### Case study 3 – March 2019

Concern: During an onsite inspection of a CLC Practice, it became apparent that they did not have an AML policy and was therefore considered non-compliant with the AML/CTF Code.

CLC Action: The practice was given 14 days' written notice to provide an adequate policy, failing which disciplinary action would be taken.

Outcome: The practice provided an AML policy within the notice period.

#### **Case study 4 – March 2019**

Concern: The CLC completed a routine monitoring inspection visit of a CLC practice. The practice was considered non-compliant due to failing to have a practice-wide risk assessment and an up to date AML policy and procedure, a lack of staff training in respect of AML and the MLRO had not completed enhanced AML training.

CLC Action: The practice was given 14 days' written notice to correct the above actions, failing which disciplinary action would be taken.

Outcome: Within the notice period, the practice submitted a compliant AML policy and practice-wide risk assessment, certificates and records of AML training for the MLRO and for other relevant staff members.

#### **Case Study 5 – April 2019**

Concerns: Following a routine review of a practice's bank reconciliations it was noted that a number of suspicious payments had been transferred in and out of the practice's client account. Following further enquiries by the Regulatory Supervision Manager for the practice, a number of the practice's policies and procedures were requested for review.

CLC Action: A number of concerns were identified with the practice's policies and processes in relation to AML and CDD. Due to the areas of concerns a monitoring inspection was undertaken at the practice.

Outcome: The monitoring inspection identified several areas for concern which required immediate improvement. The practice implemented a number of changes to their AML procedure to bring it into line with the requirements of the Anti-Money Laundering & Combating Terrorist Financing Code.

#### **Case study 6 – April 2019**

Concern: A practice contacted the CLC with AML concerns about a potential client. The client had a significant sum of money in an overseas account which was not in the client's name. The practice made further enquiries with the client regarding the funds and requested additional evidence to satisfy source of funds/wealth requirements.

CLC Action: The practice was advised of the current AML requirements of the Anti-Money Laundering & Combating Terrorist Financing Code and Money Laundering Regulations 2017.

Outcome: The practice concluded that as the client was unable to provide the practice with satisfactory source of funds/wealth evidence, they would be unable to act for the client in this

matter. The practice was of the opinion that as the instruction was outside the usual remit of their source of work, they would not feel comfortable in dealing with this matter.

### **Case study 7 – April 2019**

Concern: The CLC completed a routine monitoring inspection visit of a CLC practice. A number of concerns about the practice's approach to AML were identified. The practice was not certifying ID documents it obtained from clients and did not obtain source of funds information where it was appropriate to do so. The practice advised that as they knew all of their clients, no source of funds checks were necessary.

CLC Action: The practice was provided with 28 days' written notice to implement appropriate CDD checks and update the AML policy.

Outcome: Within the notice period, the practice provided an updated AML policy and confirmed that all client ID would be certified by the practice. The practice also confirmed that they would ensure that appropriate source of funds information is obtained when necessary.

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