

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.

2018

Case Study 1

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](#).

2019 – Q1

Case study 2

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

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

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.

2019 – Q2

Case Study 5

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

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

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.

2019 – Q3

Case Study 8

Concern: An inspection report identified an issue with source of funds checks on a client file. The balance of monies paid by the buyers was £54,000.00. Bank statements on file showed that a building society account had been credited with three separate payments of £20,000.00 in March 2018 (over one year before completion), with a further £18,000.00 paid in June 2018. It was not clear where the payments came from or that the monies paid into the client account came from this account.

Action & Outcome: The practice was advised that, in the absence of a clear audit trail, they should ensure that there is an explanation as to why the evidence held on file is sufficient to satisfy source of funds and wealth check obligations. This is in accordance with paragraph 11 of the CLC's AML Code and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).

Case Study 9

Concern: A practice was using the CLC's list of 'AML red flags in conveyancing transactions' instead of having its own policies and procedures as required by Regulation 19 of the 2017 Money Laundering Regulations.

Action: The practice was advised to develop an adequate AML policy and procedure.

Outcome: The practice provided a compliant AML policy and procedure.

Case Study 10

Concern: A practice called the CLC to inform them that someone who was not a client had paid £3,500.00 into the client account. The individual then contacted the practice to inform that the payment was made in error, and requested that the money be credited to the practice account and then returned to another bank account.

Action: The practice informed the individual that they would need to conduct an internal investigation before returning the money. They filed a SAR with the NCA and reported the matter to Action Fraud. The practice asked the CLC if the funds could remain in the client account.

Outcome: The practice is awaiting further instruction from the NCA on whether funds can be returned to the originating account. The CLC advised as that the payer is not a client of the practice the money cannot remain in the client account (as per the Accounts Code). The practice agreed to contact their bank to have the funds removed and ring-fenced as possible proceeds of crime. The CLC further advised the practice to obtain bank statements and verify the identity of the individual once they have received further guidance from the NCA.

Case Study 11

Concern: An AML compliance inspection identified that a practice did not have a practice-wide risk assessment (Regulation 18 of MLR 2017), its AML policy was outdated (Regulation 19), and its MLRO had not completed necessary training (Regulation 24). This meant the practice was non-compliant and received a 'high-risk' risk rating.

Action: The CLC instructed the practice to complete its risk assessment, policy, and necessary training.

Outcome: The practice is now compliant and has a 'low-risk' risk rating.

2019 – Q4

Case Study 12

Concern: A practice responded to the CLC AML questionnaire advising that they had not undertaken AML training since 2016. The practice's AML policy was also missing key information.

CLC Action: The CLC advised the practice of the training requirements in the money laundering regulations, and pointed it to the LSAG legal sector guidance which recommends completing training at least every two years. The CLC gave the practice 3 days to bring its policy into compliance and provide an updated practice-wide risk assessment.

Outcome: The practice met the deadline and provided a compliant AML policy and practice-wide risk assessment. The MLRO completed enhanced AML training.

Case Study 13

Concern: A practice inspection in October 2019 revealed that the MLRO had not completed adequate AML training.

CLC Action: Advised the practice of training requirements and that it had been given a high-risk non-compliant rating. The practice was given 14 days to confirm that enhanced AML training was booked for the MLRO, in line with CLC requirements.

Outcome: The practice provided a booking confirmation within the timeframe, and undertook that the MLRO would complete enhanced AML training.

2020 – Q1

Case Study 14

Concern: At inspection a practice was found to be non-compliant for the following reasons:

- An out-of-date AML/CTF policy that only made reference to the 2007 MLRs.
- No records of relevant staff having received training.
- Only Post Office ID checks being undertaken for AML purposes.
- No matter-based risk assessments
- It was unclear whether the MLRO had *'an appropriate level of authority and independence, and access to resources and information sufficient to allow them to carry out that responsibility'* (section 10c CLC AML Code).

CLC Action: The practice was given 14 days from receipt of the inspection report to come into compliance.

Outcome: The CLC practice rectified all identified issues within the 14 day timeframe. Actions taken by the practice to come into compliance include that:

- The practice no longer accepts ID verified by the post office
- All photographic identification received from third parties is now certified as a true likeness of the holder
- Matter risk assessments are now completed on every file (at the point it is opened) to make a decision as to what level of due diligence is required
- A new MLRO with the appropriate level of authority and independence has been appointed.

Case Study 15

Concern: At inspection a practice was found to be non-compliant for the following reasons:

- No checks made to identify practice exposure to PEPs and Treasury financial sanctions as require by 9e of the Code.
- Not all files inspected had evidence of Source of Funds
- Unsigned and undated Practice Wide Risk Assessment.

CLC Action: The practice was given a 14 day deadline to comply with the AML actions given by the CLC.

Outcome: The practice has updated its policies, procedures, and practice wide risk assessment to ensure compliance going forward.

Case Study 16

Concern: At inspection a practice was found to be non-compliant for the following reasons:

- AML policy did not include procedures for CDD for remote clients and electronic ID and company checks
- Company checks procedures were not being followed: not all companies' details were being verified with Companies House and not all beneficial owners were being identified.
- Practice did not provide a practice wide risk assessment identifying the risks associated with their work and mitigations.

CLC Action: The practice was given 14 days to come into compliance.

Outcome: All corrective actions were completed within 14 days.

Case Study 17

Concern: the MLRO of a practice had not completed adequate AML training and did not meet the deadline to enrol and complete training given to them by the CLC following inspection.

Action: the practice was referred to the Legal & Enforcement Officer in line with the AML Enforcement Policy. The Legal & Enforcement Officer wrote to the practice to inform them of possible disciplinary proceedings.

Outcome: the MLRO enrolled in and completed an appropriate AML training course and the practice is now considered compliant.

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