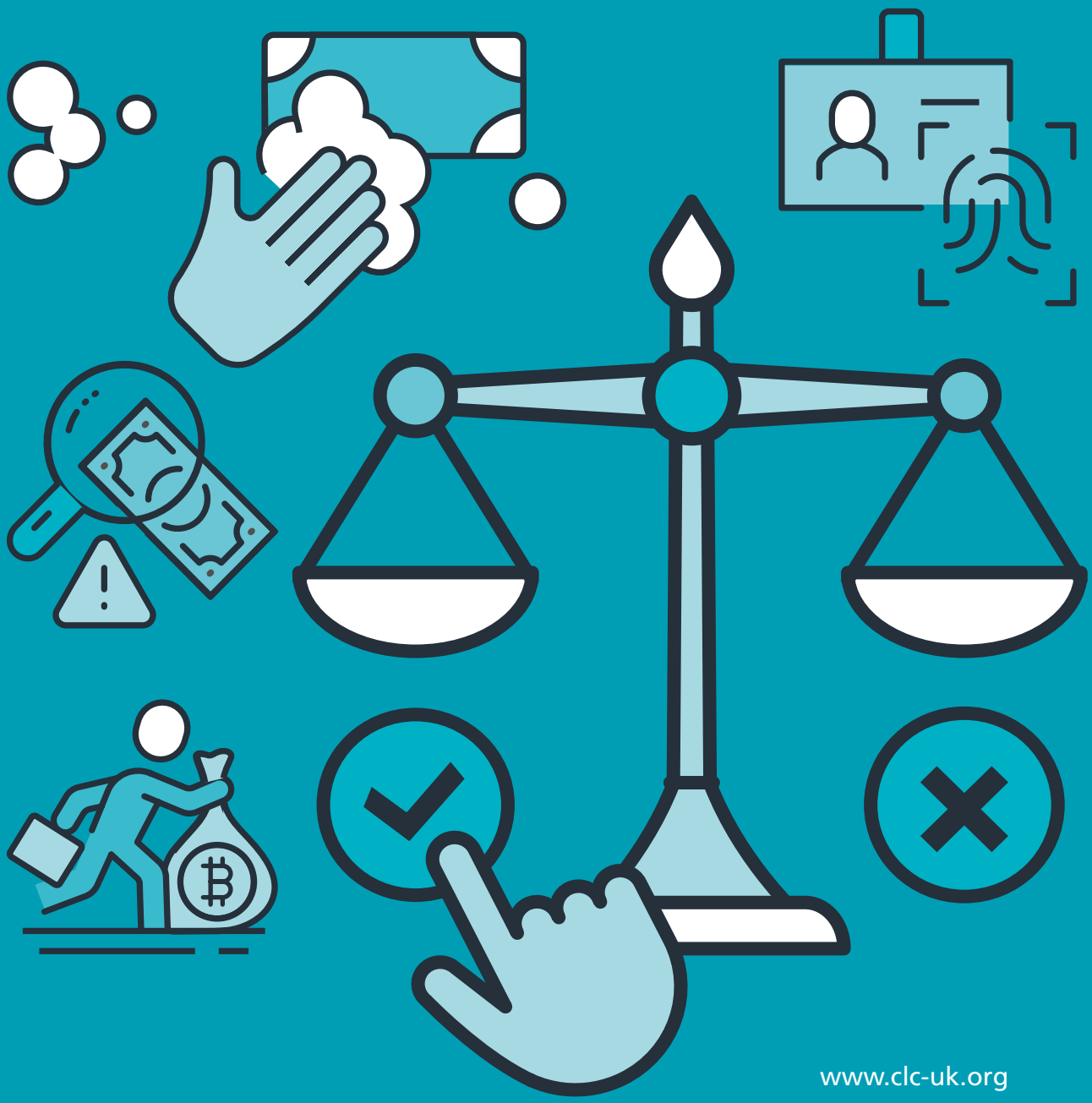
CLC
Regulating
Property
And
Probate
Lawyers

Council for Licensed Conveyancers

Risk Agenda 2025



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Foreword

The CLC is a proactive regulator. Through our close monitoring of the regulated community, day to day contact and formal inspections as well as through the collection of data through exercises such as the annual regulatory return, we maintain detailed insight into the evolving situation across the regulated community. This insight enables us to produce these annual Risk Agenda publications.

This Risk Agenda, like all those before it, provides a clear steer and advice on how the principal risks in the sector can be mitigated through proactive best practices. As every year, it also provides indications of where CLC lawyers can usefully focus their own efforts to maintain and extend their personal ongoing competence and ensure the balance of expertise across their practice.

This year, you will also notice that there is a golden thread running throughout the Risk Agenda: ethics and ethical conduct.

The CLC has long been and remains on the front foot in ensuring that the sector we regulate is held to account to the highest standards of integrity and ethical conduct so fundamental to maintaining public trust and confidence in the legal profession. So I am very proud to say that, against a backdrop of media reports which underscore the importance of maintaining high standards of ethical conduct in the legal profession, the Council for Licensed Conveyancers (CLC) has once more not shied away from reforms which, in the interests of consumers, set more exacting requirements when it comes to the professional conduct of the conveyancers and probate lawyers we regulate.

In January this year, we introduced six new Ethical Principles in our Code of Conduct which aim to ensure that CLC lawyers deliver legal services to the highest standards, underpinned by integrity and a commitment to professional conduct that transcends mere compliance.

Our new Ethical Principles place CLC lawyers under a duty to *uphold the rule of law and maintain public trust in the profession*. These Ethical Principles are underpinned by Outcomes which must be complied with, including that lawyers serve their client's best interests within *legal, ethical and regulatory bounds*.

Compliance and standards of professional conduct among CLC lawyers remains high, but in the small number of cases where the CLC must act to safeguard consumers, they and the wider public can be assured that the combined effect of our Ethical Principles and Outcomes leaves no room for any CLC lawyers to attempt to justify any unethical conduct, such as promoting SDLT mitigation schemes by claiming to have been 'acting in the best interests of their client'.

I invite CLC lawyers to reflect on the new Ethical Principles as you respond to the risks and issues we have outlined in this Risk Agenda and remind you that integrity and doing the right thing sometimes demands more than mere compliance with the black and white letter of the Code.

Dame Janet Paraskeva
Chair, Council of Licensed Conveyancers

Ethical Principles, complaints handling and title change applications are in the spotlight this year.

Introduction

This Risk Agenda is updated annually by the Council for Licensed Conveyancers.

We call this a Risk Agenda because it sets an agenda for action by the regulated community to address and reduce common and significant risks.

It sets out significant issues that the CLC observes in its close monitoring and supervision of the regulated community and provides advice on how those risks can be mitigated through best practice. CLC-regulated practices and individuals should reflect on what steps they might take to address these risks themselves through addressing policies and procedures and by considering whether training could be helpful.

This 2025 edition continues to highlight the demands of anti-money laundering (AML) and sanctions but in slightly less detail than last year. This does not reflect any reduction in the importance of managing risks in those areas and the frequency with which we observe compliance failures in those areas.

This year, we wanted to give increased profile to the CLC's refreshed Ethical Principles, good practice in complaints handling and to problems arising from poor-quality title change applications to HM Land Registry as well as failures to meet undertakings.

We urge practices to make use of this Risk Agenda, and the rules, guidance and advice available on the CLC's website, to protect their clients and themselves.

Individual lawyers will find this Risk Agenda a helpful prompt in planning personal training and development over the coming 12 months, during which time we will be introducing the CLC's new approach to maintaining ongoing competence throughout CLC lawyers' careers.

Professional ethics

The CLC puts ethics at the heart of the standards it sets as well as its approach to monitoring and enforcing compliance.

Practitioners will be aware of the strong focus the Legal Services Board and others are placing on improving professional ethics in the profession. This comes off the back of issues such as non-disclosure agreements, SLAPPs and, of course, the Post Office scandal.

While these issues do not directly affect the work of licensed conveyancers, there is a very strong ethical element to your practice, whether it is deciding to act for a particular client, avoiding conflicts of interest and complying with undertakings, or appreciating your wider role in society and obligation to avoid harming it, such as by not facilitating money laundering.

On 1 January 2025, the new CLC Code of Conduct came into force, improving clarity and reflecting the significant changes in practice and the societal context we all work in since it was last reviewed in 2011.

The previous Overarching Principles have been replaced by six new Ethical Principles which outline standards of practice that serve to protect and promote the interests of consumers.

These are that you must, at all times:

1. Act with integrity, honesty and independence
2. Know each client and understand their specific needs, treat them fairly, keep their money safe, and act in their best interests
3. Uphold the rule of law and public trust in the profession and legal services
4. Maintain high standards of professional and personal conduct
5. Collaborate openly and truthfully with regulators, ombudsmen, and other legal professionals; and
6. Promote and support equality, diversity, and inclusion in practice and service delivery.

Each Ethical Principle is accompanied by specific outcomes which must be met.

These changes reflect the outcome of a 2022 consultation and extensive engagement with the CLC's Consumer Reference Group and governing Council.

Though they may not seem substantially different from what went before, the Ethical Principles represent a focus not just on compliance, but on compliance in the right way.

We want practitioners to appreciate that what they do is founded in ethical practice – for example, we highlight later in this Risk Agenda the growing problem of practices not handling work required after a completion properly or promptly. The imperative to finish a transaction is not just one of compliance, it is also a matter of acting in the interests of your clients.

The Legal Services Board will be publishing in the coming month a policy statement setting out principles for legal services regulators in relation to securing adherence to professional ethics. The CLC is pleased to have been involved in the work to develop these proposals through the board's professional ethics and rule of law project.

Applications to HMLR

Data provided by HM Land Registry shows a wide variation in the quality of applications for changes to the register. This data is based on numbers of requisitions that were avoidable on the part of the submitting conveyancing practice. We are pleased that HM Land Registry is beginning to share this data with the CLC and other regulators as well as all account holders. We hope practices will make use of it and where necessary learn from it to improve the quality of their applications. HM Land Registry is looking to put the information in the public domain in due course, where it could be used by comparison websites and others.

HM Land Registry research last year showed that 22% of the more than 4.4 million applications received in the previous year required a requisition, each containing an average of two points, but many with more. As well as adding on average 15 working days to the time it took for a transaction to be registered, it estimated that requisitions could be costing lawyers as much as £19m a year in lost fee-earner time, with £3.6m attributable just to getting names wrong.

While there may be delays at HMLR, these are made worse by slow or sloppy title change applications from conveyancers. The HMLR data on requisition rates gives cause for concern that some practices are not taking their responsibility seriously or are using HMLR to check their work rather than making an effort to ensure that it is accurate to begin with.

From 1 October, all users of the digital registration service, on both the HMLR portal and through third-party software providers, will be unable to submit applications that contain any of 24 different errors and omissions – this is a good starting point for the most common mistakes conveyancers make. But it is clear that plenty of other errors will still cause requisitions.

We are also aware of a CLC practice that was removed from a leading lender's panel last year because it failed to improve its performance around requisitions, despite being given several opportunities.

The term 'post-completion' can feed into the notion that the applications to HMLR and, where needed, elsewhere (such as Companies House) are an afterthought, especially as they are done after collecting the fee. The reality is that clients have been charged for this work and there is an obligation to perform it promptly and with diligence. Taking the fee and not completing the work is a breach of the Accounts Code and demonstrates a lack of integrity.

We have seen failures to respond properly to HMLR requisitions lead to registrations being cancelled, a problem that may only manifest itself many years later when the owner looks to sell.

This can be a particular problem at firms that have dedicated 'post-completion teams' and where matters can fall through the cracks in the hand-off from the fee-earner.

Ensuring registration of a transaction remains your responsibility even in the event of closing your practice. Professional indemnity insurers will give permission to do post-completion work following a closure, and the practice must do it.

Better quality title change applications are vital in the client interest, and save practices time and money

Our new Complaints Advisory Note helps practices handle complaints more effectively.

Complaints handling

Practices need to approach complaints with an open mind. They are an excellent source of information and should be dealt with fairly, constructively and impartially. Having no complaints can be a good thing – showing you provide exceptional service – but alternatively it could show that your complaints process is difficult to navigate or that you otherwise discourage clients from making complaints.

The independent Adjudication Panel has in recent times sanctioned licensed conveyancers for systematically poor complaints handling and the CLC will not hesitate to refer cases to the Adjudication Panel where we see persistent failures.

Also note that, during inspections, if there is a complaint on a file we look at, we will check the practice's complaints log to see how it was dealt with.

A survey we conducted of the regulated community last year highlighted a series of strengths in how practices handle complaints:

- 99% of respondents have a complaints policy, and 99% of those policies name who complaints should be made to – most often the fee-earner (32%) or the HOLP (23%).
- 81% of respondents reported that their policy had an internal appeal mechanism.
- 100% reported that they provide clients with clear information how to raise a complaint, and 97% reported that when responding to a complaint they always advise clients of their right to escalate their complaint to the legal ombudsman.
- 81% of respondents rated the CLC Complaints Code and Guidance as four or five stars.

The most common areas of systemic issues were failures to keep clients informed, delay and post-completion issues.

Almost all those surveyed (95%) kept a complaint log, with 61% of them confirming they review it for trends regularly, 33% from time to time, and 6% never. Within their log, some respondents reported that they helpfully recorded 'nudges', which were emails sent by clients to more senior staff to encourage improved customer service, identifying issues before formal complaints were made.

Only a third of respondents reported that staff who deal with complaints regularly receive training in complaint handling, while 48% did occasionally and 18% neither.

It was encouraging to see that 62% of respondents' complaints policies offer vulnerable clients and those with protected characteristics the option of making a complaint other than in writing, and the CLC strongly encourages all practices to make similar provision.

Nearly two-thirds (64%) reported that they would work with their client to adjust the way they handle complaints from vulnerable individuals to accommodate their needs and 33% would make adjustments based on their own assessment of their client's needs.

More than half (55%) confirmed that if a client expresses dissatisfaction during the course of their matter, that they would always inform them how to make a complaint, with 45% saying it depends on the circumstances or the client's concern.

As a result of the survey, the CLC published a Complaints Advisory Note in March 2025 that highlights vulnerability – we also published a Guide to Identifying Consumer Vulnerability – as well as handling unreasonable behaviour from complainants and best practice tips.

Last year, the Legal Ombudsman published a refreshed version of its costs guidance, An Ombudsman's View of Good Costs Service.

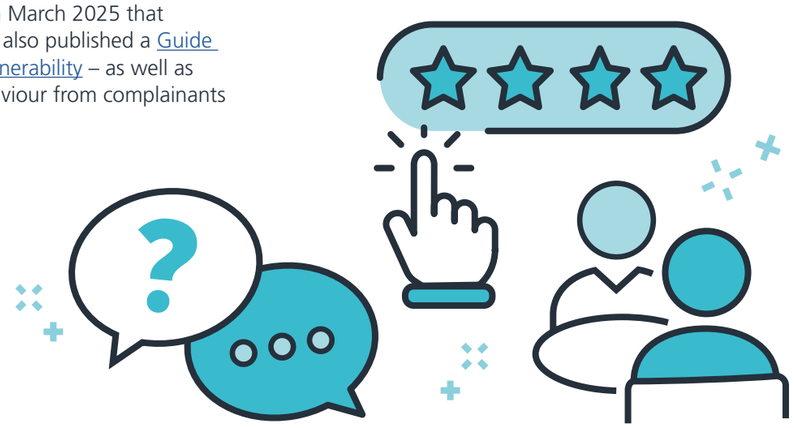
Around one in every ten complaints referred to LeO concerns fees, while many more feature unhappiness with costs, in particular, those about service providers' standards of communication, where the lack, or quality, of information about costs may be a factor.

LeO's stance has not changed since the last edition of the guidance, but in light of cases such as the Court of Appeal's ruling in *Belsner v CAM Legal Services Ltd*, which have put a spotlight on the issue of costs, the guidance includes more information to help lawyers and clients understand what LeO considers to be reasonable service.

The guidance outlines the three key principles which underpin LeO's position:

- A client should never be surprised by the bill they receive from their lawyer;
- If a service provider intends – now or in the future – to charge their client for something, they should tell the client clearly, as soon as they reasonably can; and
- Service providers should keep clear and accurate records of all the cost information they provide, including any confirmation from the client that they understand what they will be charged.

The Legal Ombudsman provides a great deal of useful learning resources that you can make use of.



IT resilience and recovery

Businesses of all sizes now suffer cyber incidents and law practices are no different. Attacks targeting conveyancers or their software providers in recent years have had very considerable impacts on the sector beyond the businesses targeted by those attacks.

It is important to understand just how dangerous and disruptive an attack can be – it's not just the incident itself but the recovery from it that has the potential to heavily disrupt client work and suck up huge amounts of management time, money and energy.

Explore the Cyber Essentials scheme now. It will help protect your practice and your clients and could be the difference between catastrophic failure and successful mitigation of threats.

Preparing for an incident

For these purposes, we expect that practices are keeping on top of their IT security. A cautionary tale came out in 2022, when the Information Commissioner's Office (ICO) fined a large solicitors' practice £98,000 for failures that led to a ransomware attack. The practice knew it had problems with cyber-security the previous year, having failed the government-backed Cyber Essentials standard, but did not rectify the known issues quickly enough. Further, there was a known system vulnerability for which a patch was released but only applied by the practice five months later.

Earlier this year, the ICO fined another law firm £60,000 after a cyber-attack saw highly sensitive details of 682 clients published on the dark web (it handled serious criminal work among other things).

After the firm's email server stopped working and staff lost access to its network, an investigation found evidence of "brute force attempts on its network" over several months. The way in ultimately was an administrator account for a legacy case management system. It was considered likely that an end-user laptop was compromised by the threat actor and subsequently authenticated onto the network, allowing them to access the administrator account.

The account had been set up in 2001 and had unrestricted access across the network, but the firm did not know the password and could not reset it. The legacy case management system was taken out of service in 2019 but was still operational because of the firm's data retention policy of six years.

The firm had multi-factor authentication for people connecting to its network but not for the administrator account, as a service-based account. Following the cyber-attack – which meant the firm could not access its case management system for eight days – it suspended the administrator account from its network and moved its entire system to a managed hosted environment.

The ICO found that the firm had failed to audit and adequately manage the accounts on its servers in breach of the UK GDPR. Failing to notify the ICO of the data breach within 72 hours was a further breach.

Your IT department/supplier should be continually monitoring the range of data protection options, and counter-measures, available. Microsoft, for example, offers new counter-measures every fortnight.

Systems are ever more integrated nowadays but the risk and impact of a cyber incident can be effectively reduced by segmenting, rather than separating, systems. This means they are restricted to talking to each other in very defined and limited ways and allows them to be isolated if needed. You should deploy an endpoint detection response tool to spot an incident, which will quarantine any device which has this problem detected.

People can be both your greatest strength and your greatest weakness. You need to keep awareness among staff and clients high, and have regular testing in place to see if your systems can be penetrated in different ways.

Remind clients about payment procedures and the importance of sticking to them. Tell them to call should they receive an email with new banking details – some firms state in their email footers that their bank account details will not change.

We have identified five issues to consider in preparing for an incident:

- Ensure you have an internal incident response team with representatives from at least operations, IT and communications. Rehearse and simulate to test readiness to deal with issues in a live environment. Mapping out your digital processes will be useful as part of this and may allow you to adopt offline processes for a time if required. Also, maintain a separate list of customers so you can contact them if core systems are down.
- Select specialist vendors of key services ahead of time: legal, IT forensic and public relations (your cyber-insurer may have a panel of these). Engaging external legal advice gives you the benefit of privilege, which can later be waived by you, as necessary.
- Have appropriate cyber-insurance arrangements and really understand the scope and scale of cover. Business interruption and response cover are vital too.
- Carry out a mapping exercise to understand your regulatory obligations, such as reporting requirements to the CLC and clients.
- Are you prepared to pay a ransom? If so, in what circumstances and are there any barriers to doing so?

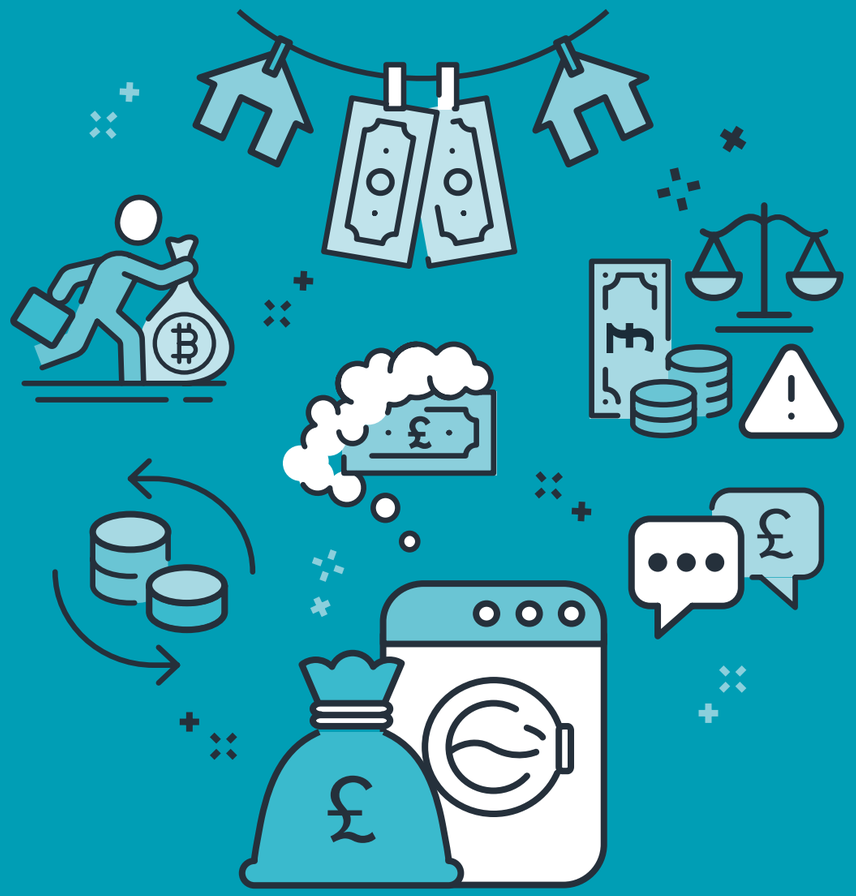
The government has launched a cyber advisor scheme in collaboration with the IASME (Information Assurance for Small and Medium Enterprises) consortium. It is aimed at firms classed as small and medium enterprises and so will be very helpful for CLC-regulated practices.

Last year, the ICO approved the Legal Services Operational Privacy Certification Scheme, or LOCS:23, which it said would reassure clients that lawyers have strong information security in place.

The introduction to the standard says: "This standard has been developed in response to client concern, senior management feedback, the increasing risk of personal data breach or theft and a general industry desire to ensure the privacy and security of client personal data when selecting third-party service providers."

Approving the 85-page scheme, the ICO said it applied to legal services providers (both controllers and processors of data) which process large amounts of sensitive personal data in relation to the legal services provided and held in the client file.

More broadly, the CLC's technology and innovation group will issue guidance later this year on how practices can confidently take advantage of new technology.



The 2025 National Risk Assessment highlights that conveyancing continues to be a high risk activity for AML.

Anti-money laundering

Overview

Anti-money laundering is always a high priority for the CLC and government alike, and the focus on it remains intense.

Certainly, the CLC's latest sectoral risk assessment from March 2024 assessed the risk of conveyancing being exploited by those seeking to launder money as high as have all past National Risk Assessments produced by HM Treasury, including the new National Risk Assessment published in July 2025.

The Economic Crime and Corporate Transparency Bill 2023 introduced a new Regulatory Objective for the legal sector to promote the prevention and detection of economic crime. The Legal Services Board has consulted on draft guidance that identifies what frontline regulators must do to ensure compliance with the new objective. So, the CLC will in future be judged on its efforts to ensure that licensed conveyancers understand their duties and the risks related to economic crime in the provision of legal services and to monitor their compliance.

Let there be no doubt that AML remains a top priority for government, the CLC and other regulators.

Your duties

Your duties are laid out in the Anti-Money Laundering and Combatting Terrorist Financing Code and the Money Laundering Regulations 2017 (as amended).

The Legal Sector Affinity Group (of which the CLC is part) has recently published updated guidance for the sector. The guidance has been approved by HM Treasury and is available here in our Anti-Money Laundering Toolkit.

In April 2025, LSAG released updated guidance. This is HM Treasury approved, and we encourage CLC practices to review the changes, which are summarised in the Schedule of Amendments section, and make any necessary alterations to their own AML policies and procedures. A summary of the key changes can be found here.

The CLC's approach

The CLC additionally takes specific AML action based on our specialist knowledge. We are obliged, under regulation 17 of the 2017 AML Regulations, to conduct a risk assessment of our own sector, setting out the main money laundering risks that we consider relevant to those we supervise. You can read our latest update, published in March 2024.

We would also encourage you to read the CLC's Anti-Money Laundering Report 2024, which sets out in greater detail our work with practices to improve AML compliance, the themes that emerge from our inspections and other valuable information. This annual report is a requirement of regulation 46A and is another useful resource for practices.

The report showed that, of the 46 practices inspected by the CLC during the relevant period (the year to 5 April 2024), only four were considered totally compliant, 17 were generally compliant, and 25 non-compliant, with inadequate documented policies and procedures and inadequate client due diligence (CDD) procedures being the main issues identified. No or inadequate client risk assessments were also common failings, as was inadequate staff training.

Practices must be aware that having robust policies and procedures is crucial to your overall AML approach and will often have a significant influence on other areas of compliance, such as in client due diligence. A comprehensive and updated AML policy is a crucial step in discharging your AML obligations.

Money laundering reporting officers (MLROs) and other practice managers should read our published AML supervision arrangements, which will help them understand what to expect from the CLC's supervision in this area. We also publish details of Enforcement Determination Notices and Adjudication Panel Findings on our website; AML-related decisions are highlighted.

Source of funds and wealth

This is a significant issue at all times but particularly so at the moment. It is difficult to understand the source of funds without understanding the source of wealth – conveyancers should realise that these two concepts are interlinked and should be considered together.

The LSAG guidance says:

*The **Source of Wealth** (SoW) refers to the origin of a client's entire body of wealth (i.e., total assets). SoW describes the economic, business and/or commercial activities that generated, or significantly contributed to, the client's overall net worth/entire body of wealth. This should recognise that the composition of wealth generating activities may change over time, as new activities are identified, and additional wealth is accumulated. You should seek to answer the question: "why and how does the individual have the amount of overall assets they do – and how did they accumulate/generate these?"*

***Source of Funds** (SoF) refers to the funds that are being used to fund the specific transaction in hand – i.e., the origin of the funds used for the transactions or activities that occur within the business relationship or occasional transaction. The question you are seeking to answer should not simply be, "where did the money for the transaction come from," but also "how and from where did the client get the money for this transaction or business relationship." It is not enough to know the money came from a UK bank account.*

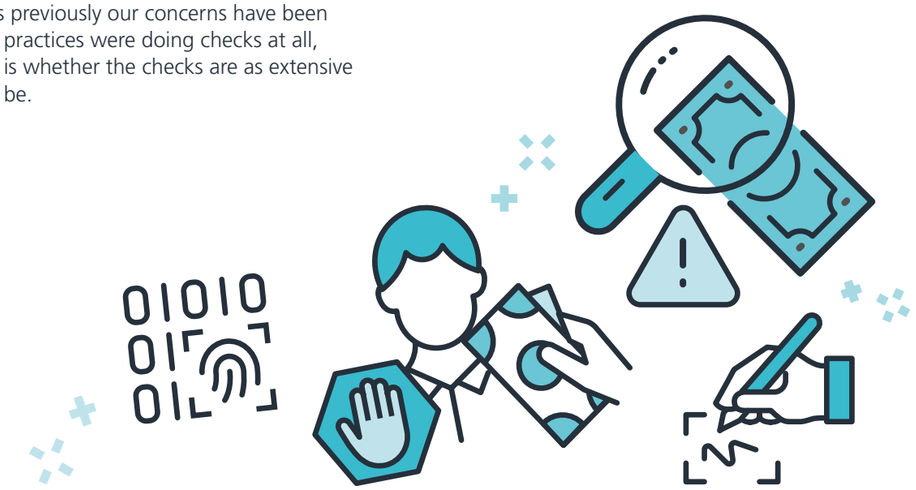
The profession has made progress on this in recent years. Whereas previously our concerns have been whether some practices were doing checks at all, the focus now is whether the checks are as extensive as they should be.

Our inspections have discovered different interpretations of what practices have to do and the evidence they need to obtain to ensure they are complying with their duty to check the source of a client's funds and wealth. One of the most common misinterpretations we see is practices concluding that merely obtaining a bank statement, or 'proof of funds', is sufficient when they are obligated to go further and establish the source of the funds in question.

We would expect practices to investigate and satisfy themselves that the clients' reported income and wealth aligns with the documentation and information the practice has been provided. For example, does their income and wealth correlate with their job role? Information must be verified with evidence, rather than simply taking clients' assertions or making assumptions based on clients' profiles.

The extent of the evidence required to verify the source of the funds or wealth will vary from case to case and will also depend on your assessment of risk in the circumstances. One area of concern is that some practices are not properly risk assessing funds from cash-intensive businesses, such as taxi drivers, hairdressers and laundromats, which clearly raise source of funds issues.

We find that a lot of practices use open banking and can be over-reliant on the checks carried out through that – while it looks at source of funds, it does not extend to source of wealth, and practices need to conduct their own due diligence.



Another issue is the growth of electronic money institutions, which are similar to banks (except they cannot lend) but are not regulated as rigorously and can have quite weak controls. Practitioners need to take greater care about money passing through such institutions.

Remember that just because you have an existing relationship (including family and friends) does not mean you can shortcut this process by assuming you understand an individual's financial position. We find that practitioners can feel uncomfortable asking invasive questions to longstanding clients or those they know personally. You should be able to overcome this with a clear explanation of your legal obligations and being transparent with the client from the outset as to what you will require.

This is not a tick-box or cursory exercise and ongoing monitoring of risk is required throughout the duration of transactions, even if they are low risk. Evidence of this needs to be visible on the file. Practices need to make sure they undertake checks at the right points during the transaction – a common problem is that they leave it too late to ask about how the purchase will be funded.

By doing so near to exchange, for example, practitioners put themselves under unnecessary time pressure and as a result, in some cases we have seen, accept substandard or insufficient documentation or just fail to undertake checks properly.

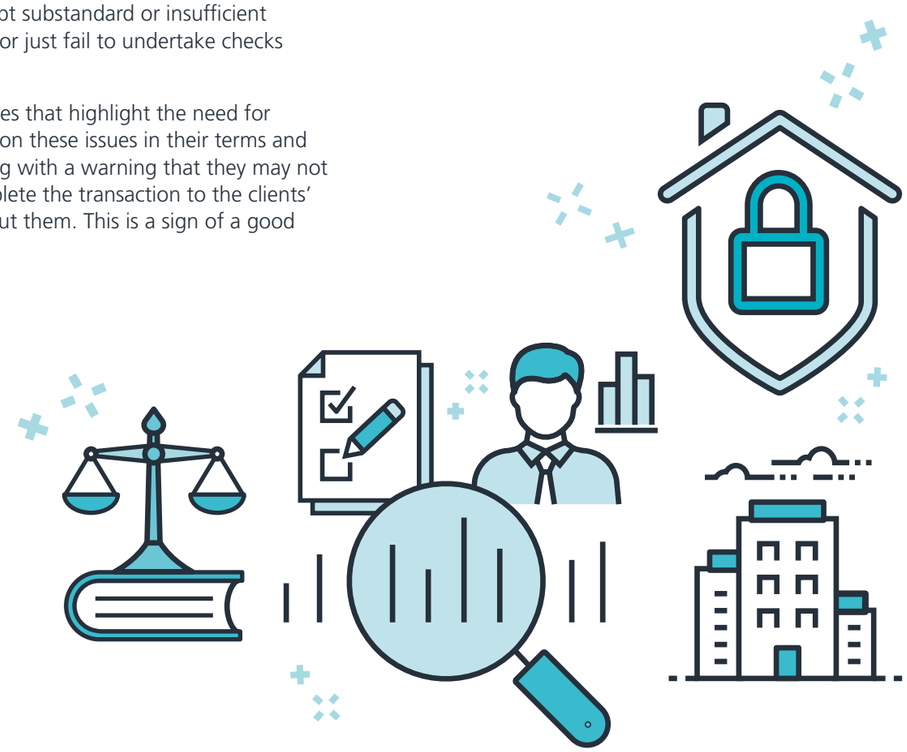
We have practices that highlight the need for documentation on these issues in their terms and conditions, along with a warning that they may not be able to complete the transaction to the clients' timetable without them. This is a sign of a good AML culture.

You need to look for triggers that require fresh CDD, such as a new passport or address, or if a transaction has aborted and the client comes back some time later wanting to buy a new property. It is also good practice to redo checks after a period of time, such as a year, has passed.

The use of checklists and other documents, such as purchase questionnaires, can also ensure that the practice is working consistently and has the necessary information at an early stage in the process and that any follow-up work is recorded and undertaken in a timely manner. The CLC has drafted a source of funds checklist and guidance. Practices must also ensure that their AML policies and procedures capture source of wealth and funds.

The CLC takes the approach that the higher risk associated with conveyancing means that practices must undertake source of funds checks on every transaction, although the extent to which they do so will be dictated by the risk arising in each case.

In June 2024, the CLC published a compliance notice on this topic that MLROs and practice leaders should read.



Risk assessments

CLC practices are required to have a practice-wide risk assessment (PWRA), as well as risk assessments for all clients and most matters. PWRAs are another regular issue during inspections – we expect them to be reviewed annually, which is often not happening, or when there is a significant development, such as new legislation or a change to the business. You can use the PWRA template that we have developed.

A poor PWRA is often emblematic of a poor AML culture. If you are not identifying the risks, how can you discharge your AML obligations? We are pleased to say that in the previous AML annual report (2024), there was a marked improvement in that only 2 practices out of 25 found to be non-compliant with AML had an inadequate practice wide risk assessment. While recognising this positive trend, we would like practices to keep up this improved standard.

However, in relation to client/matter risk assessments the situation has deteriorated in that 11 practices out of 25 found to be non-compliant with AML had no client/matter risk assessments. The LSAG guidance explains that these assessments will help you to consider whether you are comfortable acting and, if so, to adjust your internal controls to the appropriate level according to the risk presented.

In limited circumstances, it may not be necessary to conduct an assessment on every matter, such as when the matters undertaken for a particular client are highly repetitive in nature, with risk remaining consistent and where the risk is addressed in detail in the client risk assessment. However, it is important to ensure that ongoing monitoring of the client relationship occurs at regular intervals, including redoing client due diligence on existing clients at certain intervals.

However, we find that conveyancers are often not undertaking assessments because they do not perceive a transaction to be risky. Given the risks inherent in conveyancing work, this is not good enough – you must show you have considered the risk and then use that assessment to decide what level of client due diligence you will undertake.

Also, it is not a one-time assessment – as a matter evolves, it may be necessary to revisit and adjust the assessment. Our template client and matter risk assessments recommend that the matter-based assessment should be completed not only at the beginning of a transaction but also during it and just before contracts are exchanged. We recommend that these are tailored to your particular practice.

The CLC is concerned that matter-based risk assessments are too often not being done or are not comprehensive enough. We are now looking to move to disciplinary action for practices where we have identified a pattern of failure.

Independent audits

Regulation 21(1) lists three internal controls practices should have where it is appropriate "with regard to the size and nature of its business". One of these is an independent audit function (at least independent from the operations team) to examine, evaluate and make recommendations regarding the adequacy and effectiveness of the practice's policies, controls and procedures.

The LSAG acknowledges that smaller practices are unlikely to need such a function, assuming that the individuals within the practice feel that they have a good understanding of the clients and matters undertaken, but an audit remains good practice given the fast-moving nature of AML, rather than waiting for a CLC inspection.

An independent audit does not necessarily need to be carried out annually but should occur following material changes to a practice's risk assessment. It gives the CLC comfort about a practice's AML culture.

As much as we expect large practices to have audits, smaller practices – especially those that are long established – can need them just as much; it can be overwhelming for one person to keep on top of all the latest changes. Firms could engage an external consultant to undertake such an audit but a cheaper alternative is to strike an agreement with a local solicitor's firm to audit each other.

Digital ID checks

Nearly all CLC practices now use some kind of digital checking tool. The CLC is content with this but warns practices about checking their procedures from time to time – one practice we saw was not doing sanctions or PEP checks because of user error.

While manual checks are still a viable option, they require a significant amount of work.

An issue we have observed is where a client with a common name matches a politically exposed person, the practice does not necessarily follow up, perhaps because they know the client personally. In such a situation, the practice should make some reference to this on the file.

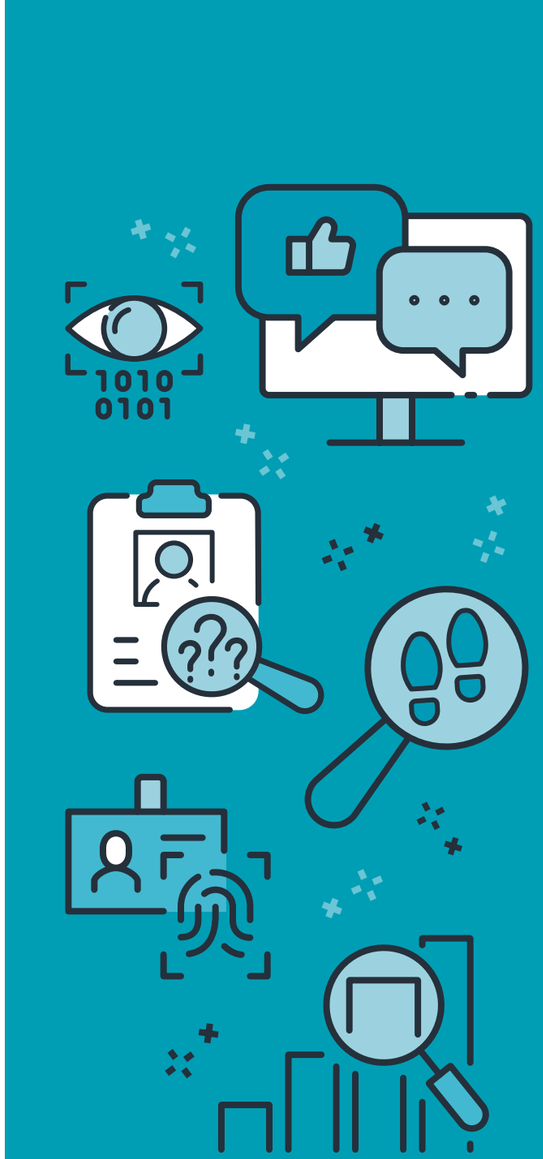
HM Land Registry offers a 'safe harbour' to conveyancers using a digital identity method that complies with its digital ID standard, meaning it will not seek recourse against them, even if their client was not who they claimed to be.

High-risk third countries

High-risk third countries (HRTCs) are defined as those subject to increased monitoring ('grey list') or to a call for action ('blacklist') by the international Financial Action Task Force (FATF). The combined list can be found here. HM Treasury has produced an advisory note and the CLC has updated its AML Toolkit.

Bear in mind that enhanced due diligence (EDD) must be applied when a client is "established" in an HRTC, which means for an individual being resident in that country (not just having been born there) and for a company/legal person that means being incorporated in or having its principal place of business in that country.

CLC practices need to keep a careful watch on the FATF list, as it changes throughout the year. There are also some countries that are not on the list – such as Russia and Belarus – where firms would be wise to apply EDD.



Nearly all CLC practices now use some kind of digital checking tool.

Cryptocurrencies

The latest annual regulatory return reveals that more and more practices are prepared to act where cryptocurrencies are part of a transaction. The CLC intends to issue more detailed guidance later this year.

Cryptocurrencies raise significant issues for CDD and we would recommended conducting EDD whenever they are involved. The requirement to identify source of funds and wealth means the origins of the money used to purchase the cryptocurrency need to be understood as well as the crypto itself, which can accumulate or depreciate in value over time and can be comprised of a wide variety of sources. Some kinds of crypto offer anonymity and can be used to disguise funds, while the use of 'mixers' and 'tumblers' – which combine different users' cryptocurrencies and conceal their origin – should be red flags.

In practice, it is likely to prove very challenging and time-consuming to conclude satisfactory SoW and SoF checks in relation to cryptoassets. You should consider whether you have the expertise and skills to handle this type of work or if it is outside the usual remit of the business, which is likely to increase the risk to the practice. You can consider using blockchain analytical companies to help understand the flow of money. Other key considerations are set out below.

Since January 2020, the Financial Conduct Authority has supervised how cryptoasset businesses manage the risk of money laundering and counter-terrorist financing – they must comply with the 2017 Regulations and register with the authority. The authority maintains a register of compliant cryptoasset providers, as well as a list of the unregulated businesses it is aware are operating in the UK. There are also numerous unregulated service providers including large ones that are based abroad.

CLC practices should be extremely cautious when considering cryptocurrency for conveyancing transactions. We would advise that the practice's professional indemnity insurance position be checked first of all – some insurers are reluctant to offer cover where cryptocurrency assets are being used – and then that the transaction is properly risk assessed.

Although such transactions should normally be considered as high risk, the risk may be mitigated depending on the type of cryptoasset or trading platform used, and whether it is regulated.

Ultimately, the same principles apply to identifying source of funds and wealth irrespective of where funds originate from. But currently we consider the AML approach to transactions funded by cryptoassets to be similar to that of cash purchases. This means EDD should be undertaken and meticulous records kept of the measures adopted to understand the source of funds. If due diligence cannot be completed satisfactorily, then the 2017 Regulations require that the business relationship be terminated.

Due diligence may include obtaining statements and trade histories and considering whether this information is sufficient to establish the legitimacy of the original funds or whether the investment has generated the funds to be used in the transaction. A few things to consider are:

- Were the funds originally deposited in the bank account/crypto-wallet consistent within the lifestyle and economic means of the client?
- Can the client explain, verify and provide evidence for any unusual activity or transactions?
- Do you have enough information to be satisfied that the funds are legitimate?
- Does the name and address contained on the bank statement/crypto-wallet correspond with the information provided by the client?

Politically Exposed Persons (PEPs)

Practices must apply EDD in relation to PEPs as they are considered to be generally high risk under regulation 33(1)(d).

The new starting point for any risk assessment involving such people is that the level of risk is lower than a non-domestic PEP.

Provided there are no other enhanced risk factors present (for example, the client is based in an HRTC), practices are now permitted to apply a less stringent standard of EDD measures for domestic PEPs, their family members and known associates.

While AML policies should reflect this, the CLC would recommend that practices still consider undertaking EDD when they have any doubt.

China

An increasing number of CLC practices have acted on transactions in the last year where funding originated in China.

Chinese underground banking has been a concern for some years. The Chinese government maintains tight controls on the transfer of funds for personal purposes out of China by Chinese citizens, and in all but exceptional circumstances it is limited to the equivalent of $50,000 per year.

According to National Crime Agency guidance from 2019: "All such transactions, without exception, are required to be carried out through a foreign exchange account opened with a Chinese bank for the purpose. The regulations nevertheless provide an accessible, legitimate and auditable mechanism for Chinese citizens to transfer funds overseas.

"Chinese citizens who, for their own reasons, choose not to use the legitimate route stipulated by the Chinese government for such transactions, frequently use a form of Informal Value Transfer System (IVTS) known as 'Underground Banking' to carry them out instead. Evidence suggests that this practice is widespread amongst the Chinese diaspora in the UK."

As money entering the UK by this route has left China illegally, these are not funds that should be accepted for transactions or payment of fees.

Further, buying real property overseas for the purposes of investment, for example, is strictly prohibited unless the individual is leaving the country permanently.

In 2023, the Legal Sector Affinity Group issued an advisory notice on this issue which we strongly advise practitioners to read.

This says that, while misleading the Chinese authorities about the reasons for a currency transfer is not a crime in the UK, the fact that a person may be knowingly misrepresenting the reasons for the transfer is, however, something to consider carefully.

"Ultimately the key issue is the need to establish that the funds come from a legitimate source. You should also establish whether the client has misrepresented the reason for the transfer, and if so, why they did this and what the real purpose of the transaction is."

Auction houses

The CLC has received reports recently from some practices regarding the quality and extent of CDD checking that is being undertaken by auction houses on purchase clients.

Whilst some agent/auctioneers may request just a passport and a utility bill, others have a more comprehensive approach. In light of the reported surge in properties being sold at auction in 2024, this represents a cause for concern.

The CLC's concern is that poor AML checks undertaken by auction houses could potentially expose CLC practices to the risk of committing a money laundering offence, particularly where there are known or suspected concerns about the extent and/or quality of CDD checking. It may also be unethical to proceed in a transaction where you have relevant concerns about the CDD checking that has been performed on the other side.

The CLC is considering this issue carefully and has noted that real property auctioneers fall under the category of 'estate agents', and that they must be registered with HMRC.

The CLC will be advising CLC practices in due course that if they are aware of deficiencies in CDD checking by particular auctioneers, that they should report those concerns to HMRC as their AML regulator and consider not working with these organisations if the issues persist.

The CLC's Anti-Money Laundering Toolkit

We have gathered together a large amount of useful information and advice in our online Toolkit.

Sanctions

The CLC has recently published a comprehensive update to its sanctions advisory note. This note sets out in detail the relevance of financial sanctions for CLC practices and also provides a thorough guide in relation to what we expect practices to do and what we would recommend is done. We would urge practices to read this note carefully and digest its contents, particularly as compliance with the sanctions regime will be checked when the CLC conducts its monitoring work including inspections. The new sanctions advisory note can be found here https://www.clc-uk.org/sanctions-updated-advisory-note/

The list of individuals and companies that have been sanctions keeps expanding, and the CLC would remind practices that, on 30 June 2023, The Russia (Sanctions) (EU Exit) (Amendment) (No. 3) Regulations 2023 came into force. This introduces a ban on UK lawyers providing 'legal advisory services' to Russians.

It defines legal advisory services as "the provision of legal advice to a client in non-contentious matters" that involves the application or interpretation of law, "acting on behalf of a client, or providing advice on or in connection with, a commercial transaction, negotiation or any other dealing with a third party", or preparing, executing or verifying a legal document.

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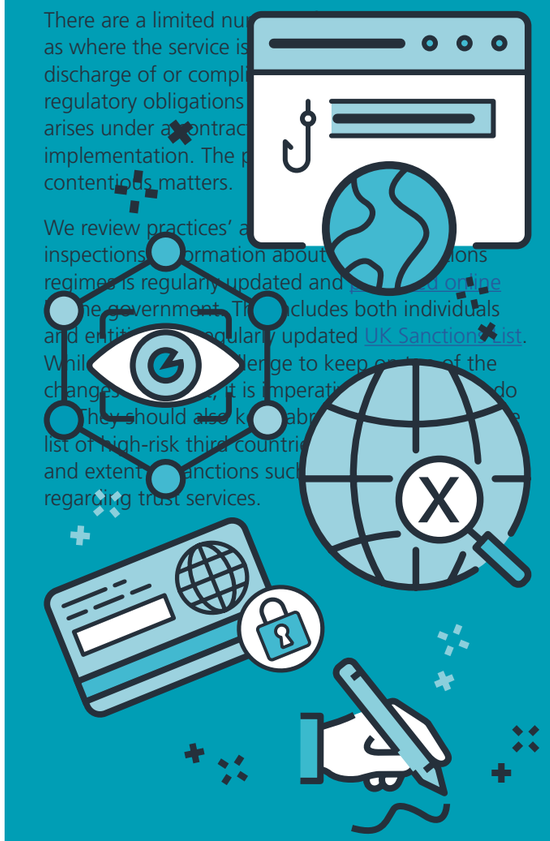


CLC practices should make use of our online AML Toolkit, which lawyers say they find very useful.

There are various online providers that can help with this but practices should ensure they use a recognised provider that updates the latest risks and responds to new rules and regulations. If a practice is using manual checks for sanctions, they should consider using the Office of Financial Sanctions Implementation (OFSI) search tool, which is comprehensive and covers partial matches and even misspellings.

Practices should also consider whether a client is acting as an agent or proxy for a sanctioned person. It is imperative that beneficial owners of companies are identified appropriately and corporate structures properly understood.

Remember that sanctions do not just apply to Russia and Belarus – the sanctions regime has a global reach and applies to multiple nationalities and organisations, a point made in OFSI's Legal Sector Threat Assessment report, published by OFSI in April 2025.

While Russia remains a priority and the main cause of reports, it said other sanctions regimes where OFSI has recently identified threats to compliance include those relating to Libya, Global Human Rights, Belarus, Global Anti-Corruption, Myanmar and South Sudan.

The report said that, since Russia's invasion of Ukraine in February 2022, the legal services sector has submitted the second highest number of suspected breach reports to OFSI by sector, accounting for 16% (compared with 65% submitted by the financial services sector). Solicitors' firms and barristers' chambers submitted 98% of them.

The report made four key judgements about the legal services sector:

1. It is highly likely that UK trust and company services providers have not self-disclosed all suspected breaches to OFSI.
2. It is almost certain that most non-compliance by UK legal services providers has occurred due to breaches of OFSI licence conditions.
3. It is almost certain that complex corporate structures, including trusts, linked to Russian designated persons (DPs) and their family members have obfuscated the ownership and control of assets which could be frozen under UK financial sanctions.
4. It is likely that Russian DPs have transferred the ownership and control of assets to non-designated individuals and entities. In some cases, this could breach UK financial sanctions.

While most reports made to OFSI by legal services providers concerned suspected breaches by clients operating in other sectors, "OFSI has observed areas in which sanctions compliance by legal services providers themselves could be strengthened".

Specific issues included billing sanctioned clients more than the value limits set in their licence, or after the licence has expired. The report said: "OFSI has also observed legal services providers failing to adhere to asset freeze prohibitions, including through delays in freezing funds belonging to DP clients and by transferring frozen funds into accounts other than those specified in specific OFSI licences."

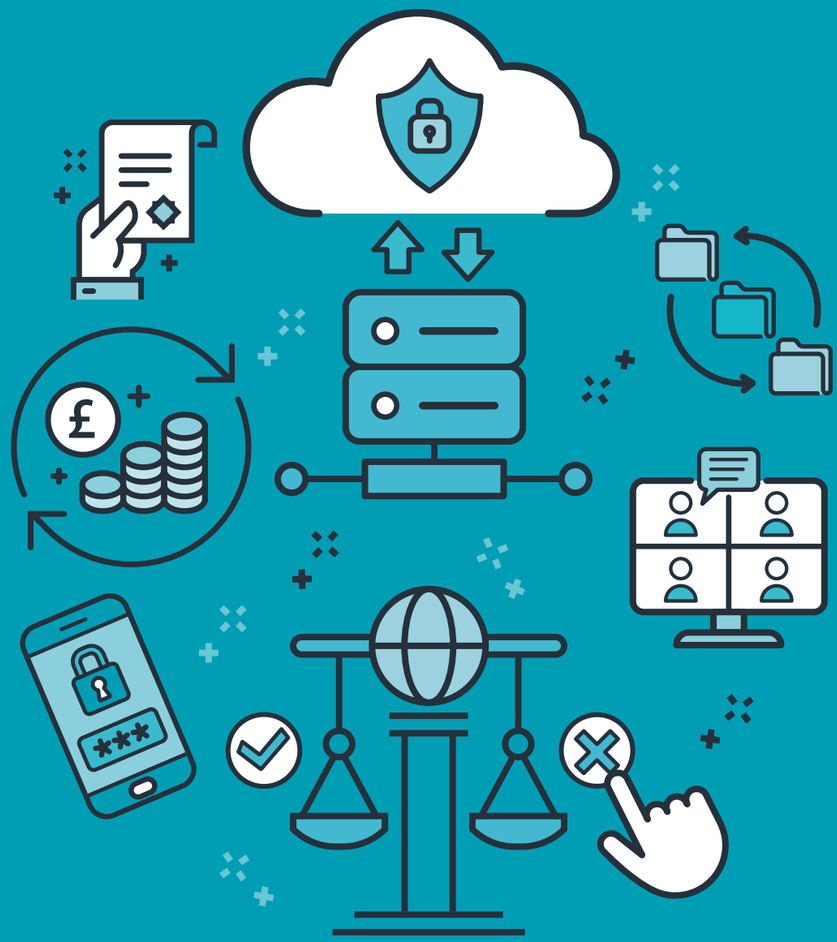
Fees/Exemptions

Some exemptions may be possible under OFSI, which will decide if fees for some work are permissible. The rules on the above may also change rapidly and should be carefully checked in all relevant transactions.

Your responsibilities

Failing to follow the financial sanctions requirements could result in disciplinary action, criminal prosecution or a large public fine. You should ensure that you have the right processes, systems and controls in place now – and in future – to comply with any sanctions developments.

For more information, read the CLC's Sanctions Advisory Note.



Remember that sanctions do not just apply to Russia and Belarus.

Compliance with the Accounts Code

Compliance with the CLC Accounts Code is, of course, a core obligation. Too often, we come across unreconciled items and aged balances when we inspect client accounts. Typically practices undertake reconciliations on the last day of the month – our requirement is that reconciliations are performed monthly, as a minimum, with larger practices often choosing to reconcile every week or even every day, which the CLC supports.

Practices must ensure appropriate oversight on signing off reconciliations – either the HOFA (if an ABS) or authorised person (if not).

We have found that some practices use consolidated ledgers for a related sale and purchase, or even for multiple transactions. But they are separate transactions and must have separate ledgers. This can cause confusion in identifying what money belongs to who, and risks drifting into offering a banking service if you allow a client to park money in the client account.

Aged balances

Aged balances are identified in a large proportion of inspections that we carry out. It is not acceptable to not give money back to clients. It indicates a lack of integrity and is a clear failure to act in a client's best interests. We have seen another legal regulator recently fine several practices for having substantial aged balances accruing over many years, and the CLC is considering taking similar action where we have raised the issue with practices repeatedly but they have not rectified it.

We appreciate that there can be reasons for holding client money – such as after a transaction aborts but the client is looking for another property – or delays at HMLR. But, put simply, if money you are holding is not moved for 12 months and you do not have reason to keep it, it becomes an 'aged balance' and you need to pay it to the rightful recipient. The longer you wait, the harder it will be to track down the rightful recipient, often the client. We also expect accountant's reports to detail aged balances held by a practice.

Aged balances can occur, particularly at larger firms, because of the handover of a file from the fee-earner to a post-completion team. We deal with this in more detail below.

CLC practices can self-certify – without needing our permission – for any balances not exceeding £50 to be transferred to the office account, paid to a charity or to the CLC's Compensation Fund. Records of such transfers must be kept indefinitely. Practices must still report to us what steps they have taken to try to pay the balances to the rightful recipient and seek permission where the balance exceeds £50.

We issued guidance on aged balances to compliment the Accounts Code.

Rather than deal with aged balances, best practice is to stop them arising in the first place. Practices should consider implementing a policy that a file cannot be closed and archived until residual balances (not including retentions or other funds validly retained) have been resolved. Regular reviews of aged balances can also be instrumental in preventing the problem from escalating into a serious issue.

Suspense accounts

Related to aged balances is the issue of suspense accounts, which we are identifying with increasing regularity. Their use must be avoided as the money sitting in them can otherwise be forgotten about – as transactions disappear from bank reconciliations once allocated to a suspense ledger, it becomes harder to trace the origin of the money as time goes on.

Not allowing the use of suspense ledgers will ensure that they remain visible on the reconciliation and you and your staff investigate the source of the funds and appropriately post the funds to a client ledger promptly.

Conflicts of interest

The Conflicts of Interest Code provides that CLC-regulated practices can act for more than one party to a transaction with informed written consent.

It specifies that, in such a situation, each party must at all times be represented by different authorised person(s)/parties conducting themselves in the matter as though they were members of different entities.

Some firms that refuse to act on both sides think they do not need a conflicts policy. This is incorrect. Conflicts can arise in different situations, such as where staff or family members are involved in transactions.

It is a requirement of the CLC code that every practice has a conflicts policy and that all team members understand what they need to do when there is an actual or perceived conflict.

This also feeds into the wider ethical picture. When faced with a potential conflict, practitioners should think to themselves: are we doing the right thing by our clients? Would I feel comfortable on the other side of the transaction?

What are the risks?

There is a heightened risk of a conflict of interest in such situations and so there need to be people of an appropriate level of seniority handling the matters to ensure they recognise any conflict that may arise.

However, we have seen examples of unauthorised individuals with inadequate supervision handling such transactions. This is not acceptable. If the nature of a practice's structure means it cannot meet the requirements for acting for both sides in a transaction, then they must not take on the second client.

To be clear, while the fee-earner handling the matter does not have to be authorised in these circumstances, their direct supervisor is required to be. In May 2023, the CLC issued new Acting on Both Sides Guidance, which expands on this issue.

The 2023 guidance assists practices in achieving compliance with the Conflicts of Interest Code and is a useful tool when devising policies and procedures in this area.

Practices also need to ensure there is adequate separation between the fee-earners and authorised persons acting for the different parties. At a minimum, this means they should not be able to overhear each other's conversations – we have seen cases of them sitting next to each other – and ideally, they should be in separate rooms or even offices.

Additionally, best practice is to ensure that case management systems have controls in place which prevent individuals accessing the other side's file.

An issue for practices to consider is whether the authorised persons involved in such matters also hold compliance roles that may conflict or lead to information leaking out.

In one recent disciplinary matter, the practice's HOLP and HOFA/MLRO acted on either side of a transaction. This created a foreseeable risk if the HOLP needed to escalate a money laundering issue to the MLRO, which would undermine the information barrier that was between them.

The practice's view was that, in such a situation, the MLRO would cease to act, and a different authorised person would take over conduct of one side of the transaction. The Adjudication Panel disagreed, saying the practice would have to cease to act altogether. It also considered that there was a clear and significant risk of conflict arising in circumstances where the MLRO acts on one side of a transaction, and that acting in such circumstances demonstrated a lack of integrity.

The property transfer system will break if conveyancers do not adhere to undertakings.

Breaches of undertakings

Last year's Risk Agenda highlighted the number of complaints the CLC receives about practices it regulates breaching undertakings in relation to HMLR applications. This is of significant concern; the property transfer system will break if conveyancers do not adhere to undertakings. As a result, we published a new Advisory Note on Breaches of Undertaking.

This says: "Ensuring that their properties are registered promptly following completion, something which relies on undertakings being adhered to, is an integral, if not the most important, aspect of your role as a conveyancer.

However, unacceptably, it has come to the CLC's attention that following receipt of their legal fee, some conveyancers do not prioritise the work required following completion, which results in breaches of undertakings and properties not being registered. We consider that such conduct lacks integrity.

The CLC expects you to prioritise post completion work by ensuring that teams responsible for this work are adequately resourced and trained, so that 1) all undertakings provided are capable of, and are, complied with, 2) clients receive the full service they have paid for, and 3) their interests are protected. It is imperative that you comply with undertakings and ensure post-completion work is undertaken promptly, with the requisite care, skill and diligence expected by the CLC."

While we understand that sometimes an individual breach is due to the action/inaction of a third party – such as a lender or management company – the CLC is increasing its activity on this issue and tracking practices where we are seeing repeated or systemic breaches. Problems can emerge from practices not having proper processes in place post-completion or even to provide undertakings in the first place.

Practices should also have considered the impact of the Supreme Court's 2021 ruling that undertakings provided by law practices that were limited liability partnerships or limited companies were not enforceable by the court. Though the court said Parliament should extend its jurisdiction to cover incorporated practices, this has yet to happen.

File storage

We frequently receive questions asking how long practices should store files for. You should not keep them for longer than you need for data protection reasons – this includes data stored electronically.

Under the Transaction Files Code, CLC practices must retain the contents of files relating to all matters for a minimum of six years (for a sale transaction) and 15 years (for a purchase transaction), except those relating to:

- wills for a minimum of six years after the testator has died; and
- probate matters for a minimum of six years from the end of the executor's year.

Consideration should be given on a case-by-case basis as to the appropriate date of destruction for the contents of files relating to deeds of gift, gifts of land, transfers at an undervalue, right to buy where funds came from someone other than the purchasing tenant(s), and lifetime gifts, as it may be prudent to retain files for longer than the minimum 15 years.

Our Transaction Files Guidance notes that, due to increasingly diverse relationships and family structures, people living longer, and growing challenges/disputes regarding testators' wishes, practitioners may wish to consider retaining will documentation for much longer.

Should a practice decide to store files electronically, you must review paper files to ensure that you do not destroy original paper documents where they are required to have legal effect (such as wills and deeds), or where questions about the authenticity of the document may in some instances only be determined on production of the original.

In the case of aborted matters, retaining files is in the practice's discretion, but note that any data held must comply with the practice's obligations under AML regulations, i.e. it must be held for five years from the date of the last active matter's file closure.

Firms should not be charging clients for archiving and storage. You are required to retain their files and so it is a business overhead that should not be passed on to the client.

File storage is also a key part of an orderly shutdown – the regulatory obligations to retain archived files do not cease at that point. The CLC lawyer must plan for files' ongoing retention.

Closing your practice

The CLC expects licensed conveyancers closing their practices to do so in an orderly fashion, with post-completion work attended to in a timely manner, to ensure clients' interests are protected, but this is not always happening.

We are increasingly concerned that some practitioners abandon their practices expecting the CLC to step in. Over the last year, the CLC has had to intervene in closed practices after receiving complaints from clients and HMLR that matters had been left in limbo. This is unacceptable. The CLC will track down the responsible practitioners and take appropriate action against them.

Other sections of the Risk Agenda – on applications to HMLR and file storage – are relevant to this too.

The process for surrendering your CLC licence is outlined on the CLC website, including a Sample Exit Plan detailing what needs to be done. We would generally expect to receive a minimum of six months' notice from a practice that is shutting down, at which point it should not take on any new work.

Rapid closure can generate extra risks, including completing transactions and returning client money.

One matter often overlooked is the need to maintain a record of what files have been destroyed during the closure process.

An effective business continuity plan will contain the delegations needed to close down a practice in certain circumstances, such as the death of an owner.

The CLC is planning to issue guidance on closing your practice this year.

Look out for guidance on firm closure later in 2025.

Contact us
For enquiries, please use the details below.

We are open Mon-Fri, 8am-5pm.

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