



Guidance

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Firm closure due to financial difficulties

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Case study 1 - Transfer of practice

The SRA was contacted by a specialist regulatory firm of solicitors [A] who had handled the closure of several law firms. They told us that a client firm of solicitors [B] was in financial difficulty and could not continue trading. The options were closure, sale or merger.

We assigned an investigation officer in our Investigations Directorate. They spoke with A to establish what the plan was for B. We asked about how many live files there were, what the position on client account was, how many files were archived, and what urgent work was still happening. We then were in a position to fully understand the situation of the firm and to ensure that client interests were protected.

A third-party firm then became interested in acquiring B. A dealt with the transaction and sent us weekly reports on progress. We were happy that B was complying with its regulatory obligations and was protecting client interests. The transaction completed and the third party successfully acquired B. We liaised with all parties to confirm that all client files and funds were properly transferred.

We were satisfied that no wider regulatory issues arose as a result of the financial difficulties of B and the matter was closed without further action.

Case study 2 - Winding down due to health issues

The SRA was contacted by a solicitor [A] who, because of serious health issues, could no longer run his own firm. A asked us for our assistance.



His firm both had live client files and a wills bank as well as a number of closed files in storage. A wrongly assumed that the only option would be for the SRA to intervene into his practice.

We gave A advice on how to conduct an orderly wind down of his firm, ensuring amongst other things that client interests, money and confidential information were all protected. We identified a local firm which was willing to help and we worked with A and the local firm to arrange for the transfer of live matters and client money. The firm's archived files and wills bank were transferred to another firm for safekeeping. There was therefore no need for an intervention.

Case study 3 - Archive files held by storage companies

We were contacted by a sole practitioner [S], who after many years in practice could no longer afford to continue. She had informed clients and was finishing off work on live files. She was not taking on any new work and was properly distributing any client money she still held.

Her problem was that her firm had an extensive archive held in a commercial off-site storage facility. Many thousands of client files were stored there. S told us that she would not be able to maintain the rental for more than a couple of months after closure of the firm.

We had no concerns with how S was dealing with closure. We did not need to get involved at this point. We suggested she try to renegotiate rental terms with the storage company but asked that if she came to the point where she could no longer pay the rent, she contact us again.

Our experience is that storage companies will fairly quickly consider disposing of files once they are no longer being paid. We may then have to intervene into the remnants of a firm to take possession of archived files.

Case study 4 - Intervening only into parts of a practice

A three-partner firm practised in two offices providing general high street legal services. One of the partners [A], provided a conveyancing service from one office. The other two partners [B and C] provided a wider range of legal services from a separate office. A was responsible for the firm's accounts.

We received four complaints from clients who had not received the proceeds of their house sales from A. The SRA carried out an inspection of the firm. We found that A had improperly transferred around £400,000 to third parties unconnected with the transactions.

Nothing wrong was found in B and C's practices. Both B and C were shocked at what was discovered about A who refused to resign from the partnership.

In some situations, we can intervene only into the practice of one partner of a firm which is what we did in this case. We intervened into A's practice, taking files and documents that he was working on together with all client money held which related to his matters. We did not intervene into the practices of B or C who were able to continue practising.