

Compli | December update

As the year draws to a close and the festive period approaches, Compli continues to monitor an evolving regulatory landscape where momentum remains strong, even as we begin to wind down for the holiday season. However, you are planning to spend the break, we hope you find time to relax and switch off.

AML and financial crime

SRA AML annual report

The SRA's latest AML annual report, for the period April 2024 – April 2025, was published on 30 October 2025. The number of pro-active engagements with firms increased by 72% to 935 (including thematic engagements), an increase from 545 in the last reporting year, with over 800 firms receiving an onsite AML inspection or desk-based review. Over 30% of firms were found to be non-compliant, in relation to e.g. failure to carry out due diligence or client/matter risk assessments, failure to have FWRA and/or adequate PCPs. A total of 137 firms received SRA enforcement outcomes with almost £1m fines, and 14 cases going to the SDT, with total fines of almost £550,000. The SRA identified three key themes it says contributed to breaches:

- Inadequate importance placed on having robust and compliant AML controls in place.
- Inadequate supervision or training of fee earners on the regulations and PCPs.
- No process in place to stop moving to the next stage in the transaction when e.g. an element of customer due diligence has not been performed, monies received from an unexpected source.

Only half of the firms had carried out an independent audit, with the majority having been carried out within the last two years, but over 30% of the audits were not compliant with regulation 21 as they did not include file reviews. The SRA found that firms with a compliant independent audit had a higher rate of overall compliance than firms who had not conducted an audit at all.

SRA Thematic review of source of funds and wealth compliance

The results of the SRA's latest thematic review were published on 5 November. The report sets out the findings from a review of how regulated firms are complying with source of funds/wealth requirements and how the SRA expect firms to comply. It also provides regulatory best practice, FAQs, case studies and further resources, including a form, with guidance, to record the approach taken. It found that while awareness is

good, there was evidence of non-compliance including weak document review (collecting without proper analysis), poor record-keeping and audit trails, and a disconnect between declared fund origins and those shown in ledgers (in 8% of cases). Over 5,800 client files were reviewed in 2024/25, with 11% lacking evidence of any source of funds checks and 18% showing inadequate scrutiny of the information provided.

The SRA emphasises that checks must be proportionate, risk-based and clearly documented, and reminds firms that the costs of CDD, including source of funds and wealth checks can be charged to clients, providing the cost is clearly stated in your terms and conditions. It accepts there is need for more clarity on when and how the checks should be carried out and will be working with HM Treasury and stakeholders to examine existing guidance but whether this work will be completed prior to the FCA taking over AML supervision remains to be seen.

The next SRA thematic review, on Regulation 19, PCPs, including monitoring and management of compliance with PCPs, is expected to be carried out early 2026.

Next steps after SRA sanctions data exercise

The SRA has analysed the data collected through the recent AML and sanctions data collection exercise. As a result, over the next few months, the SRA will be increasing its engagement with firms by:

- Sending tailored guidance letters to 490 firms where the data suggests sanctions controls could be strengthened, signposting practical steps and good practice. These are firms that confirmed they have not assessed their sanctions risk in writing and do not screen new clients for sanctions.
- Carrying out desk-based reviews to understand sanctions risk and exposure with firms who have clients with connections to sanctioned countries and/or offer services that may carry a higher sanctions risk.
- Continuing with the sanction control in its AML inspection programme, so firms inspected for AML compliance will also have their sanctions procedures reviewed.

All firms should ensure that their sanctions controls are proportionate and kept under regular review, and, in particular, should:

- Assess and document their sanctions risk in writing.
- Carry out appropriate sanctions screening of new and existing clients; and
- Ensure staff understand when and how to report to OFSI.

New OFSI sanctions licence

The Office of Financial Sanctions Implementation (OFSI) issued a new General Licence (INT/2025/7323088) effective from 28 October 2025. This allows UK legal firms and advisers to receive payment for services provided to designated persons under the UK autonomous sanctions regimes without needing an individual OFSI licence. The requirements are different to previous versions, so, where relevant, policies, onboarding processes etc. should be updated.

HMT consultation on AML reform

Further to the decision that the FCA should take over responsibility for AML/CTF supervision of legal, accountancy, and trust and company service providers, on 6 November HMT has published the first of what is expected to be a number of consultations, 'The Anti-Money Laundering and Counter-Terrorist Financing Supervision Reform: Duties, Powers, and Accountability Consultation', which closes midnight on 24 December 2025 – great timing! It sets out proposals for the key duties, powers, and accountability mechanisms that the FCA will need and the legislative changes required and asks for views on whether these are the right changes to make, setting out a list of 28 questions. One area that stands out, which is already within the FCA enforcement process, is the ability to deny, suspend or cancel a business registration, which would mean that firms could no longer carry out work within scope of MLRs.

New SAR guidance

The UK Financial Intelligence Unit (UKFIU) has published updated guidance, available on the NCA and SRA website [SRA | Your AML obligations | Solicitors Regulation Authority](#) under the tab 'Suspicious activity reports', covering:

- Using the SAR portal
- Submitting a good quality SAR
- Understanding DAMLs and DATFs.

This replaces all previous guidance, so update links were applicable.

ECCTA

The legal requirement for new directors, PSCs and members of LLPs, to verify their identity, and the 12 month transition plan for existing directors, PSCs and members of LLPs to verify their identity, began on 18 November 2025. On 17 November 2025, Companies House published guidance on its approach to non-compliance with mandatory identity verification, which includes three main routes for enforcement action; prosecution, referral to The Insolvency Service and financial penalties (which may be issued to the company or individual officer). Where there is evidence of fraud and criminal activity, it will use its powers and work with law enforcement partners to convict criminals.

Financial Services Compensation Scheme (FSCS)

The FSCS will increase its protection limit from £85,000 to £120,000 from December 1 2025. The limit for temporary high balances will also increase, from £1m to £1.4m, lasting for up to 6 months after significant life events e.g. buying or selling a house. If you make reference to the scheme in your terms and conditions, don't forget to update them.

SRA Consultations

Changing requirements on first-tier complaints

Following the consultation earlier in the year and feedback from stakeholders, the SRA has applied to the LSB for approval to regulatory changes to:

- make changes to when complaints information must be provided to a client, to include providing it at the conclusion of the matter (despite most respondents to the consultation opposing this proposal);
- require complaints information to be clear, accessible and in a prominent place on firms' websites, where they have one (and made available on request when they don't have a website); and
- include the LSB's definition of a complaint in the SRA glossary of defined terms.

The SRA will produce new new complaints handling guidance and case studies and start to collect more complaints data.

Safeguarding client money

You may well recall the three SRA consultations relating to protecting client money, which closed on 25 February. We understand that a further consultation will be issued at the end of November/early December relating to a requirement for all firms to file Accountants reports; the numbers of compliance roles that can/should be held by one person, and SRA oversight of mergers and acquisitions. Responses will be due by end of January (unless, by the date of publication, the SRA has reconsidered the closing date in view of the Christmas period). The question of solicitors holding client money remains on the SRA agenda for the longer term but will not be included in this consultation.

New practice notes and guidance

SRA guidance

- [SRA | AML guidance – reporting breaches | Solicitors Regulation Authority](#)

Law Society practice notes/guides

- [Social media | The Law Society](#)
- [Administering insolvent estates | The Law Society](#)
- [Consumer protection measures in conveyancing | The Law Society](#)
- [Support for solicitors facing disciplinary investigation and enforcement | The Law Society](#)
- [UK sanctions regime | The Law Society](#)
- [Mazur and the conduct of litigation | The Law Society](#) NB The latest version, as at the date of writing, is dated 18 November 2025, and is the fifth published since 16 October 2025, with no indication of amendments from previous versions. This has been pointed out to the Law Society.

Disciplinary and regulatory decisions

No dishonesty in costs schedule

A solicitor alleged to have provided false and/or misleading information in a schedule of costs was cleared by the SDT. It found that while correspondence was poorly drafted, there was no intention to mislead, and the schedule accurately reflected the fee agreement in place.

Suspended for failing to undertake due diligence with employees

A sole practitioner who failed to carry out basic checks, resulting in the employment of a disbarred barrister using a false identity and a struck-off solicitor working under a pseudonym, and the closure of the firm, has been suspended for 18 months and ordered to pay £25,000 costs. The individuals carried out reserved legal work, generating significant fees, and were involved in serious compliance failings, including breaches of AML and accounts rules. In addition to the suspension the SDT imposed an indefinite restriction order.

Struck off after admitting misleading client

A partner specialising in immigration and asylum law was struck off following his admission that he misled a client, the client's MP, the COLP and the Home Office regarding the progress of an asylum claim. He was ordered to pay £6,000 costs.


Struck off for providing false information as company director

A solicitor was struck off by the SDT after providing false information to obtain a corporate loan as a company director, impersonating a co-director and electronically signing a guarantee without authorisation. He also misrepresented to counsel's clerk that payment had been authorised when it had not, and failed to co-operate with the SRA investigation. The tribunal found his behaviour clearly dishonest, lacked integrity, undermined public trust and amounted to professional misconduct despite the conduct occurring outside active legal practice.

How Compli can help...

The Compli Solicitor Regulatory and Professional Discipline Team can provide expertise and advice on risk and compliance, AML, disciplinary assistance etc. If we can help in any way, please get in touch at compli@weightmans.com

Key contact

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