



The Property Lawyers Alliance

Briefing Note for

Local Law Societies

Concerning AML Reforms

PLA Campaign

The Property Lawyers Alliance (**PLA**) has launched a campaign to cut the mountain of red tape suffocating conveyancing. The PLA understands the necessity for the government to tackle money laundering. However, the panoply of Anti-Money Laundering (**AML**) guidance notes, laws, regulations, and sanctions in conveyancing, including their enforcement (**AML Regime**), represents a serious impediment to the efficient working of the U.K. property market and a significant burden for law firms.

Briefing Note

PLA has prepared this briefing note for local law societies (**LLSs**) so that they are aware of the key points of PLA's campaign.

Red Tape

PLA estimates that the AML Regime exceeds 1,500 pages in length, including:

- The Proceeds of Crime Act 2002
- Money Laundering and Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, and subsequent amending regulations
- The Terrorism Act 2000
- Many pages of guidance published by the Solicitors Regulation Authority (**SRA**)
- Legal Sector Affinity Group Guidance – (228 pages of detailed guidance for the legal sector)
- Other Anti-Money Laundering guidance notes, such as those issued from time to time by the Financial Action Task Force (**FATF**) and the National Crime Agency (**NCA**)
- Joint Money Laundering Steering Group guidance notes
- HM Treasury UK financial sanctions guidance published through the Office of Financial Sanctions Implementation (**OFSI**), including 'sectoral,' 'geographical,' and 'thematic guidance notes.'

- Sanctions lists published by OFSI, comprising individuals, organisations, and businesses.

The above are frequently updated.

Crippling Burden

Property lawyers must acquire detailed knowledge of the AML Regime via regular training, which detracts from their legal practice. They must also ensure their staff receive similar training. Property lawyers must also devote precious time to creating AML Regime policies, procedures, and other mechanisms (**AML Controls**) and verifying, recording, and evaluating the material produced. This is on top of mastering the law in their chosen specialist areas and acquiring the necessary commercial and other skills to run their legal practices successfully.

Who Supervises the SRA?

Individual professional bodies such as the SRA must meet the demands of the 'Office for Professional Body Anti-Money Laundering Supervision' (**OPBAS**).

OPBAS Report

In a recent report by OPBAS (**Report**), it stated that it supervises twenty-two 'professional body supervisors' across the accountancy and legal sectors (plus three who have delegated their regulatory functions, for example, the Law Society) (**PBSs**).

OPBAS's key objectives are set out in the Report:

- 'Ensuring a robust and consistently high standard of supervision by PBSs; overseeing the legal and accountancy sectors; and
- facilitating collaboration, information and intelligence sharing between PBSs, statutory anti-money laundering AML supervisors and law enforcement agencies'

The Report also reached various 'conclusions,' including the following:

- ‘Although PBSs could demonstrate compliance with their obligations under the money laundering regulations (**MLRs**), there remained a lack of full and consistent effectiveness across the PBSs it assessed in 2024, with none yet fully effective’.
- ‘OPBAS’s assessments of nine PBSs and additional activities included ‘sub-sectoral deep dives’ on advocates, barristers, bookkeepers, and conveyancers.’

OPBAS stated that it had not seen any material improvement in the

- ‘Effectiveness of PBSs in the core areas of supervision, risk-based approach, enforcement, and information and intelligence sharing.
- Problems applying a risk-based approach reduced the effectiveness of supervision by PBSs.’
- Some PBSs demonstrated limited understanding and took little proactive action to capture and address certain risks.
- Weaknesses remain in AML supervision, with a large proportion of the PBSs assessed as ‘partially effective.’

So, OPBAS wants PBSs to go **even further** with their enforcement of the AML Regime, a prospect that fills many property lawyers with real dread.

SRA Enforcement

Over the last year mandated by OBPAS, the Solicitors Regulation Authority (**SRA**) has been investigating compliance with the AML Regime and issuing substantial fines to firms whose compliance measures were determined by the SRA to have fallen short, but on a retrospective basis.

Fear in the Legal Profession

Fines for small to medium firms have ranged from £12,000 to £120,000. They are significantly higher for the largest firms. Many solicitors are fearful of what has become a punitive fining regime. Even firms that have worked hard to do their best to comply with the

rules are still fined if found wanting, even where there is **no evidence** that any AML offences have been committed. This oppressive AML Regime has driven the profession's trust in the SRA to an all-time low. This is not conducive to a positive regulatory relationship. Joshua Rozenberg has observed that 'regulation should be a two-way street.' Moreover, there is also a perception that enforcement by regulators is inconsistent. For instance, enforcement of the AML Regime by OPBAS against Licensed Conveyancers, is perceived as 'light touch.'

Cost of compliance

All law firms must have an independent audit of their AML Controls. This has created a whole new industry of compliance experts. The resources required to commission an independent audit for a small law firm with three partners are typically in the region of £3,000. In addition, days of otherwise productive fee-earning time are spent on the audit. This extraordinary expense is on top of the regular costs of necessary training and the time spent complying with the AML Regime. It places a heavy burden on small and medium-sized law firms, whose client base is often unexceptional.

Excessive AML Controls

The AML regime has reached the point where the PLA considers that it is choking conveyancing. Since the early days when it was only necessary to verify a party's identity, requirements have snowballed, way beyond what is reasonable. Parties to property transactions are highly critical of the time taken. This is ironic, since they have little idea of the vast number of AML Controls in place to ensure that property lawyers fulfil the duties imposed on them by the government and other bodies to detect criminal activity.

The government is openly critical of how long conveyancing takes, so it claims it will 'speed up' the home moving process, using law tech products, and facilitating greater 'digitalisation.' However, when excessive, government-imposed AML and sanctions

obligations are the cause of so many of the delays in conveyancing, it is little wonder that property lawyers across the country become angry. They receive little recognition for the AML Controls they must implement. Instead, only criticism and blame. Moreover, **where is the evidence that such lawyers facilitate money laundering in the UK?** One eminent regulatory lawyer has observed that the number of solicitors prosecuted for money laundering is ‘vanishingly small.’

The Client’s Perspective

From a client’s perspective, not only are clients unhappy about the intrusive investigations and the time and additional costs involved in their lawyers having to comply with AML controls, but they become irritated that they are ‘made to feel like criminals.’ It hugely undermines the relationship between a solicitor and their client.

Costs of Unstable Transactions

The hurdles identified above give rise to wasted costs in the property market. Transactions become unstable and vulnerable. Delays increase the risk that, because there is increased potential for parties to change their minds, chains will break down.

Inconsistencies by OPBAS

Enforcement of the AML regime by OPBAS significantly differs between SPBs. This highlights how difficult it is to regulate SPBs consistently. Moreover, this lack of consistency puts solicitors at a commercial disadvantage.

Cost/Benefit Analysis Needed.

Solicitors are fined significant sums for technical non-compliance with the AML Regime, even though no money laundering has been committed. PLA argues that if the measures imposed on the SRA by OPBAS were subject to a credible ‘cost/benefit analysis’ based on the total lack of evidence of solicitors being involved with money laundering, the existing AML regime in terms of its enforcement could not be justified.

Government Priorities

The Prime Minister and the Chancellor have made clear their government's ambitious plans for economic growth through new housing. The Prime Minister has also said that he would not allow red tape to frustrate his government's plans, so his government would 'slash red tape.' However, how is the current AML Regime consistent with these aspirations? The public, also wanting speedier homebuying, has become the unintended victims of an oppressive AML Regime.

Law Firms Undermined

The current AML Regime not only damages the housing market by slowing down and impeding property transactions, but it also undermines the viability of law firms and, with it, reduces the provision of other vital legal services law firms provide to communities up and down the country.

The Law Society's Position.

Under the Legal Services Act 2007 (**Act**), the Legal Services Board (**LSB**) imposed on the Law Society internal governance rules (**IGRs**). The LSB considers that even though the Law Society has delegated responsibility for regulatory matters to the SRA, it cannot be considered by the LSB entirely independent from the SRA. Moreover, the Law Society is the sole shareholder in the SRA. So, the IGRs include a rule that the Law Society can do nothing that would 'undermine' the regulatory responsibilities of the SRA. The Law Society considers therefore unable to challenge the current AML regime.

Final Comments

PLA feels that OPBAS and/or the government must enter meaningful discussions with property lawyers concerning the above issues.

Such discussions might include:

- the government commissioning an independent cost/benefit analysis of the impact of the existing AML Regime on homebuying and the wider economy;
- an investigation into why OPBAS is so inconsistent in its treatment of PSBs;
- a reappraisal of the role of the Banks in detecting money laundering to eradicate duplication in the detection of money laundering; and
- the establishment of an independent commission to advise the government as to which parts of the AML Regimes are unfit for purpose and so could be revoked.

Considering the regulatory constraints on the Law Society, LLSs potentially have a vital role in the campaign by inviting their members to make written representations to their local MPs or the government.

PLA feels strongly that the AML Regime is untenable and must change. In addition, recognition and greater respect should be afforded to the highly trained professional property lawyers tasked with implementing the AML Regime for the good of society as a whole, when government is considering initiatives to 'speed -up' conveyancing.

The Property Lawyers Alliance

30th May 2025