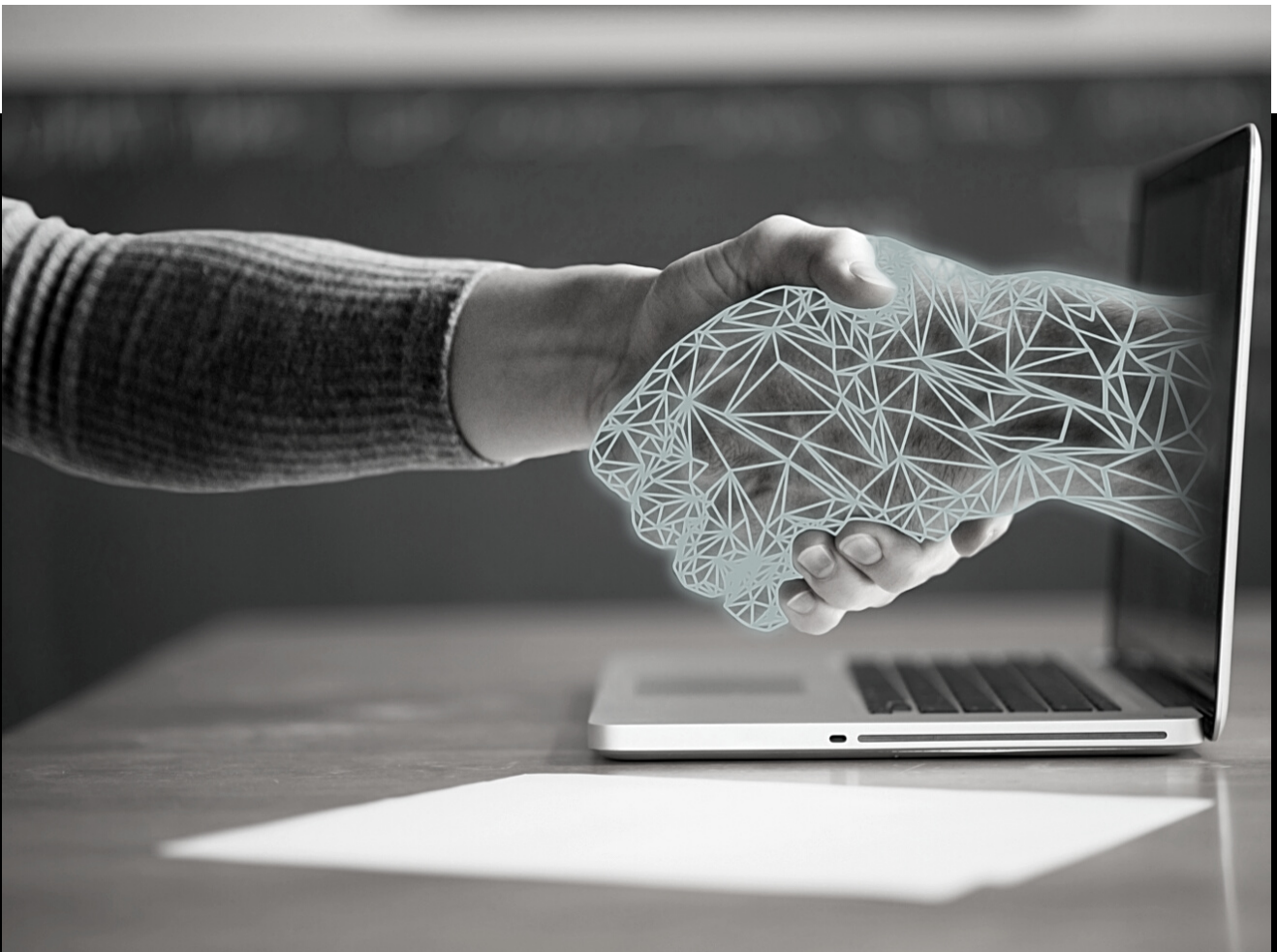


LEGAL SECTOR REPORT

AVOIDING FRAUD IN CONVEYANCING



intelligent client onboarding™



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INTRODUCTION



With law firms being urged to keep themselves up to date with all the latest developments and legislation regarding money laundering, information can sometimes feel like it is all over the place.

Trying to stay compliant, stay on top of the day to day matter file work and anything else that lands on a fee earners desk can feel overwhelming!

This guide seeks to bring together the latest information surrounding the current issues property lawyers and the conveyancing industry face when dealing with fraud.

In recent times there have been two new pieces of national sector-wide guidance issues in as many months.

Of particular note is the latest updated and amended Money Laundering legislation coupled with the guidance and commentary on the amended regulations (as well as those from 2017) for the legal sector from the LSAG, this guide hopes to provide a quick easy way for you to reach the information you need.

WHAT IS HAPPENING AT THE MOMENT?

At the time of writing this guide, in just three months there were **56 scams published by the SRA on their scam alert page**, and according to the SRA this was low!

A quick and easy way to monitor and keep up to date with what is happening is to ensure you check the SRA scam alerts page on a regular basis at the following link:

<https://www.sra.org.uk/consumers/scam-alerts/>

Tackling money laundering is a priority and the new legislation coupled with the LSAG guidance can help firms understand their obligations and how they might mitigate risk.

SRA SCAM ALERTS

INHERITANCE/ENTITLEMENT TO MONEY

4 ALERTS IN 3 MONTHS

EMAILS/PHISHING/MALWARE

26 ALERTS IN 3 MONTHS

BOGUS WEBSITES

26 ALERTS IN 3 MONTHS

OTHER: FOR EXAMPLE, TELEPHONE CALLS OR DOCUMENTS

9 ALERTS IN 3 MONTHS

Source <https://www.sra.org.uk/consumers/scam-alerts/scams-round-up/>

CYBER CRIME

There are many forms of cybercrime. Some cause inconvenience or disruption to business, such as website vandalism or DDoS attacks that force computers offline.

More serious crimes, however, involve the loss, or theft of, money or information.

A key issue surrounding cyber crime right now is that more and more staff are working from home and remotely.

Whether it be the pandemic or more flexible working, the BBC recently reported that



"One in five home workers has received no training"

ACCORDING TO A RECENT SURVEY CARRIED OUT BY
LAW FIRM HAYES CONNOR SOLICITORS

With more of us working remotely it is even more important to keep an eye out to those emails that may trick us into downloading a virus, or even a message pretending to be from the CEO asking for money.

CYBER CRIME

MONEY TRANSFER FRAUD

Making sure you **know who your clients are and that they know who you are** is equally important. Clients being victims of crime is becoming more and more prevalent.

Equipping clients with the knowledge that they need at the onset of a transaction is key.

THREE TOP TIPS

- 1** Make test payments with a £1 pathfinder – ensure that the recipient is who they say they are



- 2** Tell clients that you will NEVER change the firm's bank account details



- 3** Speak with clients directly and then ask for written confirmation of what has been spoken about.



CYBER CRIME

EMAIL FRAUD

Over the last two months of 2020 and across January 2021 there were **26 alerts for email, phishing and malware scams in law firms.**

Examples such as

EMAILS MISUSING THE NAMES OF GHULAM ABBAS AND IMTIAZ AHMED RANJHA OF SKY SOLICITORS LIMITED

EMAILS MISUSING THE NAME OF 'INCE GORDON DADDS LLP' AND 'JOHN BILES'



EMAIL
MODIFICATION
FRAUD

MALWARE

EMAIL
IMPERSONATION
& SEO FRAUD

PHISHING

CYBER CRIME

BOGUS WEBSITES

Another area where the cyber criminals still attempt to trick is through the use of **bogus websites** - those that are set up, have the intention of duping a user into thinking they are dealing with the person they have been dealing or whom they have dealt with before and they can be difficult to spot.

Here due diligence is imperative:

- 1** Carry out your own due diligence – contact the law firm directly and establish the authenticity through reliable means – in the case of what could possibly be a cloned email or site this is especially important
- 2** Contact the SRA to find out if the firm and its individuals named are regulated and authorised by the SRA – verify their practising details
- 3** Check companies house the law society and use bank account checking search tools to help verify that who you are dealing with is who they say they are.

CYBER CRIME

SCAMS



Although in the main scams occur digitally nowadays, there are still efforts made by criminals through more traditional means, over the same period, there were **9 alerts in relations to false, fraudulent telephone calls or documents.**

This is usually when an individual calls a law firm or a member of the public purporting to be a solicitor of a certain firm (in some instances this may be to 'back-up' or validate an email that has been sent) or in the case of documentation it may be where documents are sent that misuse a legal entities name.

SOME EXAMPLES INCLUDE:

- **Telephone calls misusing the details of Taylor Vinters LLP**
- **Individual purporting to be Simon Smith of Clarke Willmott LLP**
- **Documents and messages misusing the name Mancini Legal**

CYBER CRIME

ID FRAUD

Although we are all long aware of ID fraud, its rise in property transactions in particular has meant that The Law Society and HM Land Registry warn that the property owners most at risk of being targeted for this type of fraud include:

- **Sole and long-established owners (especially of unmortgaged properties)**
- **Couples who have split up acrimoniously**
- **Absent landlords or those who live overseas**
- **People living in a care home or hospital**
- **Deceased property owners**

Property law professionals are keenly aware that the need to obtain and check identity documents is paramount and must be part of adhering to all client due diligence.

Passports and driving licences are of course the preferred form of formal identification of a person.



CYBER CRIME

ID FRAUD

Sadly over the past decade the advances in forgery have meant that fake ID can appear incredibly realistic and it is virtually impossible to see if a document you are looking at as part of a manual check is not real.

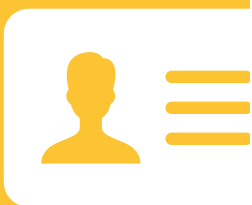
Other forms of ID that are also requested as common procedure are bank statements, utility bills, credit card statements etc.

Sadly people are all too often careless with their safekeeping of such paperwork and these can often be found by criminals looking to exploit them.

There are a whole plethora of fake ID websites to help criminals create that all important 'official ID' for them to prove that who they are claiming they are is valid.

These examples show how easy it is to obtain fake ID, bank statements and payslips.

fakeidentification.co.uk
banknovelties.net



CYBER CRIME

ANTI-MONEY LAUNDERING

AML

Getting risk assessments and compliance right is vital for law firms.

Noted as being ‘one of the greatest challenges for solicitors in the UK today’ by the Law Society, AML checks can be expensive, time consuming and often inaccurate when manual checks are carried out.

Finding cost effective and efficient ways of carrying out money laundering checks are key for solicitors.

With the legal industry having traditionally being seen as the ‘weak link’, the SRA and CLC have a vested interest in making sure robust AML frameworks are in place and this of course has been strengthened by the creation of the Office for Professional Body AML Supervision (OPBAS).



CYBER CRIME

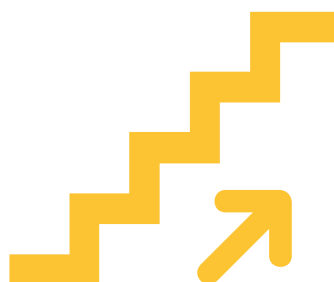
ANTI-MONEY LAUNDERING

The SRA are regulated themselves by OPBAS and are visited to ensure that they are complying with all obligations.

There is a perceived low number of SARs (Suspicious Activity Reports), this is a rapidly changing environment with the 5AMLD regulations coming into force early 2021 and the LSAG guidance which is awaiting HM Treasury sign off.

Additionally the CLC at the start of 2021 released their Risk Agenda which highlights issues to help to ensure that regulated practices and individuals do not find themselves out of compliance.

It also looks at steps firms can take ease the Professional Indemnity Insurance round.



CYBER CRIME

RISK ASSESSMENTS

Having strong AML framework practices in a firm is key. Of particular note are the stronger requirements for source of funds and firm wide risk assessments.

TOP TIPS FOR RISK ASSESSMENTS:

- 1** What do you do to protect a client account – detail this in your Firm Risk Assessment – how do handle this information?
- 2** Demonstrate reference and understanding of Reg.18 (2) 5AML when preparing your own risk assessment – evidence the steps your firm has taken in its preparation of the risk assessment.
- 3** Always consider the source of funds and the source of wealth, given the information you have, record the steps you have taken and review this information. Demonstrate that you have done this.
- 4** Explain to your clients why you carry out CDD - show that you care about preventing harm and that as much as it is a legal obligation, it is all part of your duty of care.

CYBER CRIME

RISK ASSESSMENTS

- 5** Give some thought to your existing clients when conducting CDD. Give your firm's CDD a shelf life and ensure that you capture and document on file consideration by the fee earner as to whether they think anything has changed.
- 6** Give your clients the required information – The 2017 Money Laundering Regs were amended by the DPA 2018.
- 7** Verifying a person's authority to act – it is always best practice to know a 'real' person when a person purports to act on behalf of a client. Carrying out the IDV of one of the directors of a company can help attach this 'real' person to a corporate client.
- 8** Know what your IDV search does. How does it work, what does it check? What datasets does it assess against? Using real time biometric facial recognition is recommended.

CYBER CRIME

FINAL TIPS

FINAL TIPS IN THE FIGHT AGAINST CYBER-CRIME;



Train all staff on the red flags and dangers that surround cyber fraud activities



Ensure your firm has up to date cyber cover as part of your insurance – does it cover cyber-attacks? Make sure that it does



When there are issues, make liaising with the SRA or CLC your first port of call – the sooner a firm engages the better



Protect your data – cyber-crime is not only about stealing money

USEFUL LINKS

[CYBER SECURITY - THEMATIC REVIEW](#)

[CYBER SECURITY Q&A](#)

[SRA SCAM ALERTS](#)

[RISK OUTLOOK 2020/21](#)

[FIND A SOLICITOR](#)

[SRA SECTORAL ASSESSMENT ON THE LSAG GUIDANCE](#)

[PRACTICAL HELP - RISKS WITH BOGUS FIRMS](#)

[BOGUS LAW FIRMS AND IDENTITY THEFT](#)

[IT SECURITY: KEEPING INFORMATION & MONEY SAFE](#)

[TACKLING FRAUD & CYBERCRIME TOOLKIT](#)

[ANTI-MONEY LAUNDERING GUIDANCE FOR THE LEGAL SECTOR](#)

[TAKE FIVE TO STOP FRAUD](#)

[CYBER ESSENTIALS ACCREDITATION](#)

[NATIONAL CYBER CENTRE ADVICE & GUIDANCE](#)

[GOVERNMENT ID DOCUMENT GUIDANCE](#)

[HMLR SAFE HARBOUR STANDARD](#)

YOUR QUESTIONS ANSWERED



Will the CLC or SRA be regulating digital ID providers?



Stephen Ward, CLC

No – we tend to describe the features and outcomes that a firm will want to achieve, by using a particular tool to deliver compliance. These are those that are required of you as a professional in this field. You need to decide whether they cover off your needs in your practice and whether they meet the compliance requirements that we set out. There are moves afoot to have an independent scheme to accredit digital ID providers and develop a single ID check for the conveyancing process, but that is some way off.



Sean Hankin, SRA

The SRA is the same and no we will not be approving providers. I would say that the new guidance from the LSAG has a section on EIDV which would be helpful. There is also FATF guidance around ID providers which would be useful to refer to.

YOUR QUESTIONS ANSWERED



In relation to CDD and obtaining AML reports, although no longer considered to be disbursements, can we make a charge to the client for the time and effort taken in undertaking this work?



Sean Hankin, SRA

So it used to be the case that firms could not charge and we provided guidance to that effect. From the work we have done with the thematic team in particular though and looking at how the onboarding works – we have said it can be charged now as there is a risk that those who need a lot of CDD onboarding are subsidised by everybody else. We have stated that whilst there can be a charge, it must be transparent and part of the retainer.



Stephen Ward, CLC

Yes I agree with Sean. The key point is that transparency one, be very, very clear what you are charging and whether you are charging cost or above. The client needs to be able to make an informed choice.

YOUR QUESTIONS ANSWERED



How do we level the playing field to ensure we do not lose work because other firms do not take a similarly strict approach to AML and KYC?



Sean Hankin, SRA

So we often have this where firms say – ‘we took this client on as if we did not they would go elsewhere.’ Personally this is the wrong attitude to take. Firms who are not conducting those stringent checks are being found out. I can confirm that as part of the work we are doing. In particular the FI teams.



Stephen Ward, CLC

There is a compliance issue but is also about protecting your firm and reputation – why would you put yourself at risk? If firms are being cavalier about about AML and KYC then they are putting themselves at risk in ways that I would suggest you probably don’t want to.

YOUR QUESTIONS ANSWERED



How can you best satisfy your AML obligations when the funds for the property purchase are coming from crowdfunding?



Sean Hankin, SRA

Be very cautious, we have taken firms to Tribunal over things such as this. Where there is fractional ownership it is very tricky, we have seen car parks and even storage pods as part of those schemes. It is very difficult – in terms of the CDD and EDD needs to be done on an individual basis – easier where there are verifiable businesses; it makes it easier rather than individuals or foreign investors and foreign jurisdictions.

YOUR QUESTIONS ANSWERED



Could regulators issue a risk assessment checklist for a firm to use when onboarding a client?



Sean Hankin, SRA

We have moved away from things like checklists as we want firms to properly consider what the transaction is and what the risk are around that. We'd advise firms to really look at your obligations and what you have got when you are onboarding particular clients as it is very specific to the firm, to the client and to the transaction itself.



Stephen Ward, CLC

We don't provide checklists or templates for precisely the same reason, we want you to think about how the risks 'bite' on your firm and what are the sensible steps for you to take? That said, there is a lot of advice out there to help you find your way towards developing using these tools for yourselves. So we have made it as easy as possible, whilst requiring you to do the work to really think about how to protect your practice and your client.

ABOUT

Connecting lawyers to their clients - faster.
A quick, safe and simple experience.

Law Firm Services' digital onboarding solution, Minerva, offers law firms a quicker, safer and simpler experience for their clients.

With an aim to help law firms succeed in an ever increasing digital age, Minerva has been created with law firms for law firms. Technology that works, helping law firms put clients first.

Remove the worry surrounding the safe onboarding of clients with one solution - a fully branded quoting tool and client portal. Securely share and communicate important information with clients to help onboard them quickly, compliantly and effectively.

Bring great customer experience to clients of all practice areas, but in particular provide your conveyancing team with a solution that massively speeds up the process, removing headaches and delays for all parties.

Find out more and book a demo at **www.minervaportal.com**



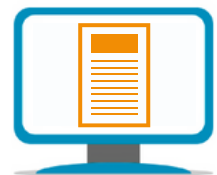
Quote
management



Digital facial
recognition ID



Intuitive online
form filling



HMLR
integration for
office copies



Collect monies
on account



Case management
system integration



Instant website
quote calculator



Reporting
dashboard

These firms are improving client experience and onboarding clients in record time

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