



Combating the risks posed by fake law firms: A guidance note by Lockton in conjunction with Lawyer Checker

Are you walking a constant tightrope ensuring clients monies are safe?



What is Vendor Conveyancer Fraud?

Criminals are able to infiltrate the conveyancing process, duping solicitors and conveyancers into sending purchase funds, believing that they are dealing with a legitimate transaction and a real vendor conveyancer.

In 2012 the SRA issued 22 warnings about criminals faking, cloning or making up a firms and individual lawyers. In 2013 this figure leapt to 102, and as of June 2014 there have been over 80.

In 2012 the SRA released a Warning Notice stating that the Find a Solicitor list cannot be relied upon as verification that a firm is genuine.

How can Vendor Conveyancer Fraud happen?

- A firm's brand is cloned/identity stolen or individual solicitor's details used to create authenticity;
- Infiltration – a real employee uses their position within a firm to set up a fake transaction. In Feb 2014 CIFAS reported an 18% increase in employee fraud
- An entirely fake firm is set up

Why do I need to worry?

The impacts for firms have been well publicised with significant brand damage, raised insurance premiums and lender involvement that can lead to removal from panels and being taken to court.

The 2012 case of Nationwide v Davisons set a precedent for relief being available to honest and reasonable firms in these situations, leaving conveyancers feeling somewhat protected.

In 2014 the appeal case of Santander v R A Legal shook the conveyancing industry, when relief was denied. The judgment stressed that the burden of proving the conveyancer acted "reasonably" is on the defendant and it should take into account all elements of reasonableness in its broadest term, rather than just whether the loss would have not occurred "but for" the conveyancing failures.

If conveyancers cannot rely on the check which is required by the CML, how do you prove that you acted honestly and reasonably with the high standard set by the courts?

Expectations are high. Conveyancers of today must arm themselves with the best information in order to be satisfied that they are comfortable with transferring client funds. The ability to demonstrate due diligence and Outcomes Focussed processes is essential.

Impacts on your clients could be overwhelming. Rather than moving into their dream house, they may find themselves relying on family and friends as they no longer have a home to move into. They could also face spending considerable money and time in lengthy litigation in order to recover their original lost funds.

Top 10 tips to beat the Bogus Conveyancer

- 1 Look out for simple spelling errors and discrepancies on headed note paper and contact information.
- 2 If the conveyancer you are dealing with is using a mobile phone only coupled with generic email addresses, do consider this. It could be a sole practitioner working from home, but could also indicate a risk.
- 3 If the sort code you are sending funds to is a long distance away from the office that you are dealing with, check why this is. Most firms will have their bank account based in the same town or near to another office.
- 4 Be wary of continued unexplained delays in your transaction and any continued inability to get hold of the conveyancer you are dealing with.
- 5 Keep track of Scam Alerts (link: <http://www.sra.org.uk/alerts/>) issued by the SRA.
- 6 Look out for inconsistent telephone numbers to those used by the firm - they could even be the same area code.
- 7 Be vigilant to look for and investigate all discrepancies or issues throughout your transaction. For example, is the account name suspicious? Is the person you are dealing with handling the transaction as you expect? Check ALL documents as they come to you for discrepancies.
- 8 Take this risk seriously! Ensure that your entire team are educated on this type of fraud and that you have measures in place to protect your firm.
- 9 Check listings for your own firm - criminals could steal your identity too!
- 10 Ensure your due diligence processes are top notch- RA Legal v Santander – changed the face of s61 relief for Conveyancers – lenders will expect conveyancers to be more diligent than ever before. The burden of proof still lies with the legal profession – how do YOU prove you have acted reasonably and honestly?

Protect yourself, your firm and most importantly your client

Enhance your due diligence on the solicitors on the other side of the transaction before sending funds. Checking the authenticity of the vendor conveyancer's bank account, for example, by using a Lawyer Checker online search, can provide a valuable risk management tool to assist conveyancers in their fight against fraud.



For more information on Lawyer Checker please visit www.lawyerchecker.co.uk or contact them on 0845 835 4666.



Lockton Companies LLP
138 Houndsditch
The St Botolph Building
London EC3A 7AG
Sales 0845 0501 471
Enquiries 0845 0501 471