



THE COST OF RECESSION

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The Solicitors Regulation Authority (“SRA”) chief operating officer Mike Jeacock has stated that the SRA’s 2010 budget will absorb an underlying cost increase of £3.6 million compared to last year due to the significant rise in interventions and the rising cost of archiving seized files.

The cost of archiving files is said to be astonishing. One recent intervention involved the uplifting of 38 tons of files. Mike Jeacock has stated that “archiving is a real issue. At the moment our intervention agencies are keeping the files there and charging us rent.”

When the SRA intervenes in a firm it effectively closes the solicitors practice down. A law firm is appointed to act as an intervention agent. They will take possession of all monies held by the intervened firm. Client files including archived files, wills and deeds will be removed from the practice and stored.

An SRA spokesman has stated that “much of the increase appears to be recession related”. The grounds for many interventions this year were due to abandonment or bankruptcy. Cash flow problems are crippling most firms.

An escalating problem is mortgage fraud. There has been a noticeable increase in fraud during the recession. Data from the SRA show that reports of suspected mortgage fraud have increased by more than 400% in four years, from 85 in 2005 to 350 in 2008. However, it has been emphasised by an SRA spokeswoman that only a “very small proportion” of solicitors have direct involvement in mortgage fraud.

A recent case involving mortgage fraud is *Orie, Agho, Ibegule and Ori* (SDT 10059-2008). I was instructed to bring proceedings on behalf of the SRA. Mr Ori, a partner in Ori & Co, permitted conveyancing transactions to proceed where the documentation evidenced a sale price that was never paid. His conduct induced mortgage lenders to lend without being fully aware of material facts.

Incorrect sale prices were used for the purposes of Stamp Duty Land Tax returns and upon registration at the Land Registry. The Tribunal found this allegation to have been substantiated and ordered Mr Ori to be struck off.

During 2010 the SRA’s mortgage fraud project will seek to profile the involvement of solicitors and make proposals for improved deterrence, intelligence-gathering and enforcement action. The SRA has put more resources into the discovery, investigation and prevention of mortgage fraud and has developed better intelligence-sharing with the police, the Financial Services Authority, the Council of Mortgage Lenders and individual lenders since the start of 2009.

The SRA are anticipating 100 interventions in this forthcoming year and are predicting that next year it will have to intervene into 120 practices. Tighter controls may be needed so that the same solicitor does not act for both borrower and lender. Separate representation may help reduce the risk of mortgage fraud. The increase in interventions and the rising cost of archiving seized files are likely to be a drain on the profession’s practising fees. This could lead to a further large increase on practising fees for the following year.

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The winner of our Christmas Quiz, which appeared in the December 09 Edition, is Miss Bisma Mahmood. Miss Mahmood is a student at the College of Law, and has been presented with a bottle of champagne, courtesy of Townshends LLP.