

## Statement

### Axiom Ince intervention and its impacts

14 November 2023

There has been widespread attention following our decision to intervene into Axiom Ince and the potential impacts for the public and the profession.

As there are ongoing investigations – and any allegations are as yet unproven – we are limited in how much detail we can go into about this case. However, due to the understandable interest in this case and its impacts, we thought it would be useful to clarify some key points about the case before reflecting on some of the issues it raises.

#### The first Axiom intervention

We first intervened on grounds of suspected dishonesty and breaches of the SRA Solicitors Accounts Rules. The sole shareholder at the firm, Pragnesh Modhwadia, was suspected of misusing significant amounts of client money, resulting in an account shortage estimated to be more than £60 million. So on 10 August we [closed down his personal practice](https://upgrade.sra.org.uk/consumers/solicitor-check/394676/1) [\[https://upgrade.sra.org.uk/consumers/solicitor-check/394676/1\]](https://upgrade.sra.org.uk/consumers/solicitor-check/394676/1) and that of two other directors of the firm.

We also referred the issue to the relevant law enforcement agencies, and the Serious Fraud Office has now announced an investigation and [that it has made arrests](https://www.sfo.gov.uk/2023/11/14/serious-fraud-office-launches-investigation-into-suspected-fraud-at-axiom-ince-with-nine-raids-and-seven-arrests/1) [\[https://www.sfo.gov.uk/2023/11/14/serious-fraud-office-launches-investigation-into-suspected-fraud-at-axiom-ince-with-nine-raids-and-seven-arrests/1\]](https://www.sfo.gov.uk/2023/11/14/serious-fraud-office-launches-investigation-into-suspected-fraud-at-axiom-ince-with-nine-raids-and-seven-arrests/1).

#### When we identified the issue

The suspected dishonesty and missing client money was uncovered in late July. This was a result of a visit by our forensic investigation team, and further digging behind what on the face of it looked like well-ordered accounts. The nature of the suspected dishonesty was sophisticated and included falsified bank statements and letters.

At this point in time – apart from any individuals who may have been complicit – no one was aware of or identified issues with the client account. This includes partners in the firm, accountants, banks or auditors. It was not raised in any of the accountant's reports – these must be produced annually by an independent accountant who must highlight if a firm has not met our rules, and if client money is at risk.

Like any firm of a reasonable size, we have had a number of complaints about Axiom over the years. Yet nothing out of the ordinary. We visited



the firm last year to investigate a self-report by the firm about another solicitor in relation to immigration work, but neither this complaint – or any others – were linked to the issues we uncovered with the client account or the suspected dishonesty that led to the intervention.

## **Axiom's takeover of other firms**

This year Axiom carried out two takeovers of firms who had entered administration: in April it took over Ince Gordon Dadds and in early July Plexus Legal.

In the last year, there have been more than 110 law firm takeovers. A takeover can be beneficial for clients and the wider public. For instance, if a firm is on the brink of collapse, then a takeover can make sure clients' matters continue to be dealt with, avoiding a disorderly closure where we have to intervene into the firm.

Yet takeovers can also result in new or increased risks to clients. Firms must notify us if a takeover has happened. We then assess on a case-by-case basis the risks of that takeover, what assurances we might need and actions we may need to take to protect the public. For instance, we have the power to impose conditions on how a firm operates, and to refuse or restrict the approval of role holders within the firm.

In this case, it was unusual that Axiom was taking over a larger firm, Ince Gordon Dadds, which was also doing specialist work, shipping law, which Axiom was not experienced in. Therefore, we visited the firm to check all was in order and assess whether we needed to take further steps to manage risks. This is when we identified the issue of the significant shortage in the client account.

## **Intervening into the whole firm**

Our focus is on the public interest. We took prompt action to protect the public by intervening into the practices of three of the firm's directors. This intervention removed the immediate possibility of ongoing harm to the public and the firm's clients.

The missing money meant that it was not going to be possible for the whole firm to carry on operating in the long term. However, it was not in the interests of clients to close the whole firm down immediately. This was because the firm was still able to deal with many clients' matters, while it could also move some matters to other firms if a client was happy to do so.

We liaised with the remaining directors to make sure they were working in the best interest of their clients and to achieve as orderly a closure as possible in the circumstances. The firm announced its intention to call in the administrators on 1 October. The firm would no longer be able to



deliver legal services effectively to its clients, so we stepped in to protect them, [intervening into the rest of the firm](https://upgrade.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-statement/) [\[https://upgrade.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-statement/\]](https://upgrade.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-statement/) on 2 October.

We continue to deal with the impacts of this case. We have appointed other law firms (known as intervention agents) to deal with the closure and have [published further details of what clients need to do if they have been impacted](https://upgrade.sra.org.uk/sra/news/axiom-ince-intervention-information/) [\[https://upgrade.sra.org.uk/sra/news/axiom-ince-intervention-information/\]](https://upgrade.sra.org.uk/sra/news/axiom-ince-intervention-information/).

## **The short-term impacts**

This case is the biggest intervention ever in England and Wales. It follows two other large interventions in recent years, and the number of interventions, 65, has more than doubled this year.

This raises questions about the issue of consumer protection and specifically the role of the compensation fund. A discretionary fund of last resort – paid for by the whole profession – it provides a vital safety net for clients where a solicitor has stolen or not accounted for client money and is not covered by a firm’s professional indemnity insurance.

In the short term, we are working through the best way to compensate current claims while also ensuring the fund remains financially viable.

It is too early to say how many claims there will be from Axiom that will need to be met from the compensation fund. A key reason for this is it that we need to confirm how much might be covered by the firm’s insurance.

More widely we are seeing a pattern of increased claims on the fund. So although we have not made any decision about what this means for a collection of funds from the profession, it looks likely that, after years of keeping them stable, we will need to increase levies. We recognise that firms are already expressing concerns about potential increases, particularly smaller firms.

## **Longer-term impacts**

In the longer term our overall policy towards consumer protection will need a wider discussion once the immediate priorities have been resolved. Developing the right approach is an absolute priority for our Board and leadership. We know from our consultations on the future of the Solicitors Indemnity Fund in 2021/22 that the profession and other stakeholders have all told us how important consumer protection is to trust and confidence in legal services but we also hear the concerns being expressed about the costs to and impact on the profession.

In December, the SRA Board will review the risks posed by what are referred to as accumulator firms. We need to understand whether there is now a new systemic risk which would mean we need to adapt our regulatory approach and how we can best proactively identify early warning indicators. In the meantime, we have increased our scrutiny of firms we have classified as accumulators and will commence inspections of a number of such firms.

We recognise that the public and profession will have strong views on the approach we take, so we will make sure we involve relevant stakeholders as we move forward and, of course, will formally consult on any policy changes that may subsequently flow from this work.