# Lord Chancellor demands urgent reforms as Axiom Ince collapse exposes SRA failings



The recent collapse of law firm Axiom Ince has sent shockwaves through the legal profession, prompting significant scrutiny of the Solicitors Regulation Authority (SRA) and its oversight capabilities. Shabana Mahmood, the Lord Chancellor and Justice Secretary, has called for accountability and decisive action from the SRA, stating that the situation severely compromised public trust in solicitors. In a letter to Craig Westwood, CEO of the Legal Services Board (LSB), she highlighted the dire consequences of the firm's downfall, remarking how it affected consumers and cast doubt on the professional ethics of lawyers.

Mahmood's concerns are echoed by the LSB's findings, which pinpointed numerous regulatory failings on the part of the SRA. These oversights were catastrophic, culminating in a financial crisis that saw approximately £60 million of client funds vanish and around 1,400 jobs lost. The LSB's recent announcements indicate a shift towards stricter regulatory measures, with Mahmood advocating for "specific and deliverable changes" to restore consumer confidence in the legal profession. This balance of robust consumer protection without imposing excessive regulatory burdens on law firms is essential, she argued, to prevent future incidents while ensuring access to justice remains intact.

Further compounding the fallout from Axiom Ince's closure, the SRA is now facing unprecedented enforcement actions under the Legal Services Act. The gravity of the situation is underscored by the awareness that this regulatory failure will have lasting repercussions. The SRA's reputation is not just at stake; its approach to intervening in cases of suspected dishonesty and financial irregularity has been significantly ramped up. Interventions for breaches of accounting rules, for example, rose sharply from just four to eleven in the year leading to October 2024, a reflection of the urgent need for a more vigorous oversight mechanism.

This commitment to reform and enhanced regulatory scrutiny is necessary not only for public confidence but also to mitigate the risk of similar crises in the future. The legal community, represented by figures such as Richard Atkinson, the Law Society president, has expressed dismay at the SRA's inadequate response during the Axiom Ince crisis. Atkinson pointed out the distress caused to many clients, emphasizing that the SRA's failure to act effectively laid the groundwork for impending financial loss and emotional turmoil for consumers.

Meanwhile, the Serious Fraud Office (SFO) has charged five former Axiom Ince executives with serious allegations, including fraud and forgery, following extensive investigations into the firm's financial misconduct. This development accentuates the systemic failures within the firm and the regulatory framework that was supposed to protect consumers. The implications of these accusations suggest that the accountability process will extend well beyond just the SRA to include individuals who have influenced the direction of the firm.

In a climate where the legal profession is facing increasing scrutiny, the importance of establishing a firm regulatory foundation cannot be overstated. As the SRA navigates this turbulent period, it must focus on restoring trust not only within the profession but also among the consumers it serves. This situation presents a pivotal moment for both the SRA and the legal services sector as a whole, demanding immediate and effective action to prevent history from repeating itself.

## Reference Map:

* Paragraph 1 – [[1]](https://www.lawgazette.co.uk/news/axiom-ince-collapse-has-negatively-affected-trust-in-solicitors-says-lord-chancellor/5123430.article), [[2]](https://www.reuters.com/legal/government/british-legal-regulator-criticised-over-collapse-law-firm-axiom-ince-2024-10-29/)
* Paragraph 2 – [[1]](https://www.lawgazette.co.uk/news/axiom-ince-collapse-has-negatively-affected-trust-in-solicitors-says-lord-chancellor/5123430.article), [[4]](https://www.lawgazette.co.uk/news/breaking-axiom-ince-sra-faces-enforcement-action/5121349.article)
* Paragraph 3 – [[3]](https://www.lawgazette.co.uk/news/sra-tightens-intervention-grip-after-axiom-ince-failure/5122467.article), [[6]](https://www.lawgazette.co.uk/news/lsb-must-insist-the-sra-puts-its-house-in-order-law-society-statement-in-full/5121352.article)
* Paragraph 4 – [[5]](https://www.ft.com/content/496b95bf-32a6-4544-b53a-3424376fd608)
* Paragraph 5 – [[4]](https://www.lawgazette.co.uk/news/breaking-axiom-ince-sra-faces-enforcement-action/5121349.article), [[6]](https://www.lawgazette.co.uk/news/lsb-must-insist-the-sra-puts-its-house-in-order-law-society-statement-in-full/5121352.article)
* Paragraph 6 – [[1]](https://www.lawgazette.co.uk/news/axiom-ince-collapse-has-negatively-affected-trust-in-solicitors-says-lord-chancellor/5123430.article), [[7]](https://www.lawgazette.co.uk/news/law-society-demands-talks-over-potential-axiom-ince-levy/5117728.article)

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## Bibliography

1. <https://www.lawgazette.co.uk/news/axiom-ince-collapse-has-negatively-affected-trust-in-solicitors-says-lord-chancellor/5123430.article> - Please view link - unable to able to access data
2. <https://www.reuters.com/legal/government/british-legal-regulator-criticised-over-collapse-law-firm-axiom-ince-2024-10-29/> - An article from Reuters dated October 29, 2024, reports that the Solicitors Regulation Authority (SRA) faced strong criticism for its inadequate handling of the collapse of law firm Axiom Ince in October 2023. The Legal Services Board found that the SRA did not act adequately, effectively, or efficiently, leading to the disappearance of millions of pounds, job losses for hundreds, and a criminal investigation. The SRA has since revised policies to ensure better oversight of client accounts during firm acquisitions.
3. <https://www.lawgazette.co.uk/news/sra-tightens-intervention-grip-after-axiom-ince-failure/5122467.article> - This Law Gazette article from February 25, 2025, discusses how the SRA increased its interventions in cases of suspected dishonesty and financial irregularity following the Axiom Ince collapse. The number of interventions for potential breaches of accounting rules rose from four to eleven in the year leading up to October 2024, and interventions for suspected dishonesty increased from fourteen to sixteen. The SRA's intervention in Axiom Ince was the most costly in its history, contributing to a £29 million loss in the compensation fund in 2023.
4. <https://www.lawgazette.co.uk/news/breaking-axiom-ince-sra-faces-enforcement-action/5121349.article> - An article from the Law Gazette dated October 29, 2024, reports that the Solicitors Regulation Authority (SRA) is facing unprecedented enforcement action under the Legal Services Act following a damning independent review of its handling of the 2023 collapse of law firm Axiom Ince. The review found that the SRA did not act adequately, effectively, or efficiently, leading to the loss of around £60 million in client money and the loss of 1,400 jobs. The Legal Services Board has initiated enforcement action against the SRA, which could involve monitoring or performance targets being set.
5. <https://www.ft.com/content/496b95bf-32a6-4544-b53a-3424376fd608> - A Financial Times article from December 20, 2024, reports that the UK Serious Fraud Office (SFO) has charged five men in connection with the collapse of law firm Axiom Ince, which left over £60 million of client funds missing. The defendants, including former CEO Pragnesh Modhwadia, co-director Shyam Mistry, CFO Muhammad Ali, former CTO Rupesh Karawadra, and VP of IT Jayesh Anjaria, face accusations of fraud, forgery, conspiring to conceal documents, and misleading the Solicitors Regulation Authority with false documents. The case follows extensive SFO investigations and dawn raids after Axiom Ince was closed in October 2023 due to allegations of fund misappropriation.
6. <https://www.lawgazette.co.uk/news/lsb-must-insist-the-sra-puts-its-house-in-order-law-society-statement-in-full/5121352.article> - This Law Gazette article from October 29, 2024, features a statement from the Law Society president, Richard Atkinson, commenting on the independent review of the Solicitors Regulation Authority's handling of the Axiom Ince collapse. Atkinson criticises the SRA for its inadequate and ineffective handling, stating that the SRA's failure to take necessary steps led to the loss of client money and significant distress to clients. He calls for the Legal Services Board to insist that the SRA reforms its procedures to prevent similar situations in the future.
7. <https://www.lawgazette.co.uk/news/law-society-demands-talks-over-potential-axiom-ince-levy/5117728.article> - An article from the Law Gazette dated October 31, 2023, reports that the Law Society has expressed concern about solicitors potentially being asked to cover a multi-million-pound shortfall in the Compensation Fund caused by the collapse of Axiom Ince. The Solicitors Regulation Authority stated that the £18 million in the compensation fund reserves is unlikely to cover the potential claims from clients of the national firm, which was shut down earlier that month. The Law Society demands proper consultation before imposing a one-off levy on the profession to cover the shortfall.