



Managing Client Affairs and Making Introductions: Case Study



Lawyer's judgment clouded by relationship with longstanding client

Current to July 2021

The Facts



You are a sole practitioner with 18 years of experience in general practice, with a focus on employment law. A longstanding client of yours asked for your help in selling his cottage. Although you rarely do real estate work, you agreed to assist with the sale to keep this client's employment law business. You relied on your longstanding relationship with the client and did not take steps to verify the client's identity or otherwise try to learn anything more about the client.

The client advised that he wished to sell the property quickly and was willing to list it at almost two-thirds its potential value.




You found this odd, but accepted the client's explanation that he was experiencing financial difficulties and could no longer keep up with mortgage payments.

You heard a rumour that the police had investigated the client at some point for involvement in drug dealing, but you were not aware of any details. The client was subsequently convicted of drug trafficking. It emerged that he sold the cottage in a hurry as he feared it might be confiscated as part of the criminal proceedings.

NOTE: While the legal services described in this case study are outside of the paralegal scope of practice, the red flags and best practice recommendations apply, with appropriate modifications, to the provision of legal services by paralegals.

Red Flags



-  Client asked you to perform work outside your usual area of practice
-  The instructions to sell the cottage below value were unusual and could result in a loss to the client
-  Client may be involved in the illegal drug trade

What Should You Have Done?



You should have:

- Confirmed that the information you previously obtained to verify your client's identity is accurate and unchanged (see s. 23(12) of [By-Law 7.1](#)).
- Made inquiries to determine whether the retainer related to a *bona fide* transaction, particularly since you heard “rumours” indicating that a transaction for which you have been retained may pose a risk for illegal activity.
- Monitored your client on an ongoing basis to ensure the information and instructions given were consistent with the purpose of the retainer and that you were not involved in or encouraging dishonesty, fraud, or illegal conduct.
- Declined to proceed with the transaction if your inquiries into red flags remained unresolved.

Supports and Resources



- **Guidance Documents:** For more information, consider consulting the Law Society's [Client Identification and Verification Requirements](#) and [Fraud](#) webpages.
- **Practice Management Helpline:** Lawyers or paralegals who have questions about their professional obligations relating to client identification and verification, fraud, money laundering, terrorist financing, or other illegal activity may wish to contact the [Practice Management Helpline](#).



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Helpline

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