



Managing Client Affairs and Making Introductions: Case Study

Failure to complete due diligence due to source of referral

Current to July 2021

The Facts

You, a junior partner in a law firm, visited an important corporate client to make a pitch on a potential major new file. During a break in your meeting, the CEO for the client introduced you to his nephew. The nephew needed help on some commercial matters and the CEO told you that he would be “very grateful” if you would act for his nephew. You wanted to please the corporate client and the work sounded straightforward. Urged to say “yes” or “no” right away, you agreed to act for the new client. Relying on the referral by a respected client and proof that the nephew had accounts with at least two major banks, you decided to forgo the full due diligence checks.

Over the next two years, you acted for the nephew in straightforward commercial matters and significant funds remained in your law firm’s trust account following the transactions. One day, the police contacted you and advised that they were investigating the nephew for suspected involvement in a fraud ring. Shortly afterward, the nephew called to ask you to transfer a large sum of money held in trust for the client to a bank overseas.

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 puts pressure on you to represent an unknown relative of the client (in this case, leveraging your desire to please the client)



Significant funds were being held for the client in your firm's trust account following completion of the transactions



Client is being investigated for fraudulent activities

What Should You Do?



Regardless of the source of a client referral, you should always complete your client identification and verification checks in accordance with the requirements set out in [By-Law 7.1](#).

You must also ensure that you understand and comply with the Law Society's trust account requirements:

- Only hold funds directly related to your provision of legal services in your trust account (see r. 3.2-7.3 of the [Rules of Professional Conduct \(Rules\)](#)).
- You must disburse funds held in trust for the client as soon as practicable following completion of the related legal services (see, r. 3.5-6 of the [Rules](#) and [By-Law 9](#))

Supports and Resources



- **Guidance Documents:** For more information, consider consulting the Law Society's [Client Identification and Verification Requirements](#) and [Trust Accounts](#) 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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