

## **“Blind Eye” Dishonesty:**

### **Grosvenor Property Developers Limited (In Liquidation) v Portner Law Limited**

**[2025] EWHC 2362 (Ch)**

The story goes that, at the Battle of Copenhagen, Nelson raised a telescope to his blind eye and declared that he could not see a signal indicating that his fleet should withdraw. In this case, two centuries on, the High Court was asked to consider whether a solicitor was guilty of “Nelsonian”, or “blind eye”, dishonesty.

### **The Basis for the Claim**

The Claimant was a victim of fraud, with around £7 million misappropriated by its sole statutory director, Mr England, and its *de facto* director, Mr Varma. Following the company’s collapse, its joint liquidators brought a claim against the Defendant firm of solicitors in the hope of recovering some £2 million of the lost funds.

Mr Broughton, a solicitor and partner in the Defendant firm, had acted for Mr Varma and his son, Siddhant Varma, in respect of a number of conveyancing transactions. The Claimant alleged that, in the course of those transactions, Mr Broughton had dishonestly assisted in breaches of fiduciary duty by Mr England and Mr Varma.

### **Mr Broughton’s Conduct**

The Claimant’s case centred on three transactions in which Mr Broughton acted:

- “Green Street” – the proposed purchase of a flat in Mayfair.
- “Charles Street” – a loan to assist the purchase of another flat in Mayfair.
- “Hallam Street” – the purchase, and subsequent transfer and sale, of a flat in Marylebone.

### **Green Street**

Mr Broughton acted for Siddhant Varma in this proposed purchase, although he knew that Mr Varma was behind the offer. Despite being the Defendant's deputy anti-money laundering ("AML") officer, he did not complete the required AML checks. In particular, he did not check the source of the funds for the transaction.

In addition, after £30,000 was paid into the Defendant's client account by Casa Investments Ltd, a company owned and controlled by Mr England, Mr Broughton made no enquiries into the source of those funds, and took no steps to satisfy himself that the company had authority to make a payment to fund a deposit for a property to be acquired in the name of Siddhant Varma. Later, when it became clear that the transaction would not complete, he returned the funds to an account belonging to Siddhant Varma, rather than to their original source. This breached the Defendant's own AML policy, as well as the terms of the client care letter sent to Siddhant Varma.

#### Charles Street

Siddhant Varma transferred £2 million to the Defendant, apparently for the purpose of advancing a loan to Dare to Invest Ltd, which would in turn offer loans. The money had come to Siddhant Varma from Mr Varma, and represented funds misappropriated from the Claimant.

Mr Broughton did not inquire why the funds were to be held on the Defendant's client account rather than in a bank, and when Mr Varma informed him that the money was a gift from him to Siddhant Varma, Mr Broughton sought no documentary evidence of either the gift or the source of the funds to make it. Moreover, upon being provided with the outline of the terms of a proposed loan by Dare to Invest Ltd to a company under Mr Varma's sole control, the intention being that the funds would be a construction loan for Charles Street, he took no steps to inquire further.

#### Hallam Street

Siddhant Varma wished to purchase Hallam Street to sell it or rent it out, using funds provided by his father. Again, at the outset, Mr Broughton did not complete the requisite AML checks.

An initial payment of £78,000 for the purchase was paid into the Defendant's client account by Casa Investments Ltd. Mr Broughton did not inquire into Casa Investments Ltd, and therefore did not see that the company's sole director and shareholder was Mr England. Mr Broughton did not check whether that company was making the payment on a proper basis, i.e. that either Siddhant Varma had authority to direct it or that the company's funds could be used for the transaction. Had he checked, he would have found that the company was unconnected with his client.

Furthermore, when Mr Varma made a further payment of £291,000, Mr Broughton made no checks as to the ultimate source of the funds. He then misled the lender which was providing Siddhant Varma with a mortgage by incorrectly confirming that no third party was contributing funds towards the purchase.

The property was subsequently transferred to My Casa PBSA Ltd, a company of which Mr Varma was the sole shareholder and director. Mr Broughton signed a certificate falsely confirming that he had acted for the company for a year and that the company was known to him, and then breached undertakings to the new lender in transferring the mortgage funds to accounts other than the borrower's.

### **The Judge's Findings**

The Judge, Saira Salimi, noted that gross negligence, and even acting in reckless disregard of another's possible rights, is not tantamount to dishonesty (though the latter is strong evidence of dishonesty). Nevertheless, she had little hesitation in finding that Mr Broughton had acted dishonestly. She found, in particular:

- Green Street: Mr Broughton showed complete disregard for his professional obligations. He failed to ask questions and that failure was dishonest because any honest lawyer would have done so. Any honest conveyancing solicitor of Mr

Broughton's experience would have carried out basic checks to ensure that they were not facilitating money laundering.

- Charles Street: an honest solicitor would have taken further steps, there being features of the transaction which would have concerned an honest solicitor. Mr Broughton turned a blind eye to the absence of evidence that the funds were a gift from Mr Varma. He also knew that the funds had been transferred to the Defendant's client account before any transaction was contemplated, and that the proposed loan was, ultimately, to a company controlled by Mr Varma, but took no steps to inquire further into any of those matters.
- Hallam Street: Mr Broughton, *inter alia*, must have known that the information he provided to the original lender was untrue, and signed a false certificate. When he breached the undertakings to the new lender, he must have known that he was doing so, which was dishonest.
- Even after the Claimant's solicitors made him aware of potential claims relating to the use of the Claimant's funds, Mr Broughton certified to a proposed lender that he had no suspicion that My Casa PBSA Ltd was involved in criminal conduct and money laundering. He also failed to cooperate with the joint liquidators in their later enquiries.

Mr Broughton was therefore found not only to have repeatedly turned a blind eye to obvious causes of concern, but was also actively dishonest in some instances. The Defendant, being vicariously liable for his actions, thus dishonestly assisted in a misappropriation of the Claimant's funds, and the claim succeeded.

### **So What?**

This was not a case involving exclusively "blind eye" dishonesty – some of the dishonesty was active. Nevertheless, the case serves as a reminder that, in the context of dishonest assistance, omissions to take steps that an honest solicitor would have taken can amount to dishonesty where the facts known to the solicitor are such that one can infer a dishonest state of mind.

In this regard, the Judge emphasised that it does not matter that the allegedly dishonest individual may have no suspicion of any *specific* wrongdoing: *“It is enough for him or her to be aware of facts that would cause an honest individual to make further inquiries, and to fail to make those inquiries without a credible reason for that failure.”* [108]

This means, in the context of conveyancing and AML, that a solicitor may be found to have acted dishonestly where they persistently fail to carry out basic checks on clients, even if there is no particular suspicion about any individual client. Clearly, therefore, it isn’t enough to simply have policies in place around AML – those policies, alongside Law Society guidance, must actually be followed. As this case demonstrates, failing to do so may have the effect of a firm’s client accounts being used to launder money, presenting a very serious litigation (and perhaps even more serious reputational) risk to the firm.

**Joe Docherty**

Hailsham Chambers

29<sup>th</sup> September 2025

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