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## Treasury Backs AML Reform for Legal Sector

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The UK Treasury’s latest proposal to streamline anti-money laundering (AML) regulations has been welcomed by legal finance professionals, who have long raised concerns about the mounting burden of compliance.

As part of its broader Industrial Strategy, HM Treasury confirmed that it will introduce a package of updates to the Money Laundering Regulations (MLR) by the end of 2025. The aim is to create a framework that is “clearer and more proportionate”, particularly for law firms that have struggled under increasingly complex reporting requirements.

Legal finance teams – including cashiers, administrators and accountants are currently balancing MLR requirements alongside various other obligations, such as VAT rules, client account compliance, and indemnity insurance protocols. Smaller firms, in particular, often lack the resources to handle the ever-growing administrative workload.

While intended to reduce financial crime, the existing MLR framework frequently imposes a disproportionate burden, with little regard for actual levels of risk. This has led to punitive enforcement actions, including five-figure fines in recent years, as the Solicitors Regulation Authority (SRA) clamps down on perceived non-compliance.

This bureaucracy not only limits profitability but also restricts the ability of finance teams to focus on strategic financial planning and client service delivery.

The Treasury's public recognition that current AML demands are excessive is being seen as a turning point. According to the Institute of Legal Finance & Management (ILFM), which represents legal finance professionals across the UK, the move is a long-overdue response to industry calls for reform.

Finance teams are already contending with rapid digital transformation, unpredictable economic shifts, and shifting payment behaviours among clients. Streamlining MLR rules would allow them to allocate more time to vital operational areas such as billing, cash flow and technological upgrades.

While details remain sparse, early signals from the Treasury have raised hopes of a more balanced, practical approach to financial regulation in the legal sector. Proportionate reforms would allow firms to maintain high compliance standards without sacrificing efficiency or profitability.

The ILFM has pledged to support its members throughout the reform process, offering training and guidance once changes are formalised.