

Voluntary Blindness in Financial Intermediation

Lessons from the Steven David Kinch Case

CASE STUDY

AML & COMPLIANCE

Author: Aurimen Insights

This case study examines how professional intermediaries can inadvertently become conduits for financial flows when due diligence procedures are insufficient — and what financial institutions and businesses can learn from enforcement actions like the Steven David Kinch case.

1. Case Overview

Background and context of the enforcement action

2. Where Controls Failed

Identifying the procedural breakdowns

3. Lessons Learned

For financial institutions and businesses

Voluntary Blindness – The Steven David Kinch Case

What Happened

British solicitor **Steven David Kinch** was sanctioned after allowing his client account to be used to transfer funds between third parties without an underlying legal transaction. He failed to perform sufficient AML checks and did not properly verify the source of the funds.

The case illustrates how professional intermediaries can inadvertently become conduits for financial flows when due diligence procedures are insufficient.

The Actor

British solicitor Steven David Kinch — a professional intermediary operating a client account

The Conduct

Allowed his client account to be used to transfer funds between third parties without an underlying legal transaction

The Failure

Failed to perform sufficient AML checks and did not properly verify the source of the funds

Where Controls Failed

The Kinch case reveals a pattern of procedural breakdowns that collectively created the conditions for misuse of a professional client account. These failures illustrate the risks associated with relying solely on client explanations without independent verification of the underlying transaction purpose.

✗ No Source-of-Funds Verification

Absence of source-of-funds verification — the most fundamental AML control was not applied

✗ Pass-Through Vehicle

Use of the client account as a pass-through vehicle — funds moved between third parties with no legitimate legal basis

✗ Unverified Client Explanations

Reliance solely on the client's explanations — no independent verification of the underlying transaction purpose

- ❑ These failures illustrate the risks associated with relying solely on client explanations without independent verification of the underlying transaction purpose.

The Signal That Was Ignored

The absence of an underlying legal transaction.

In professional intermediation, the existence of a legitimate legal transaction is the foundational justification for any movement of funds through a client account. When that foundation is missing, every subsequent transfer is unanchored — and every compliance failure that follows is, in effect, a choice to look away.

Red Flag Detected

No underlying legal transaction found.

Decision Point

Consider refusing to proceed if risks remain.



Required Response

Enhanced due diligence and verify source of funds.

The signal was clear. The absence of a legal transaction underlying the fund transfers was not a subtle or ambiguous indicator — it was a fundamental structural anomaly that should have triggered immediate scrutiny and, ultimately, refusal to proceed without adequate verification.

Why This Matters for Banks

For financial institutions, cases involving professional intermediaries often trigger heightened scrutiny because such accounts may be used to obscure the true origin or destination of funds.

The Core Risk for Financial Institutions

Professional intermediary accounts — held by lawyers, notaries, and consultants — present a specific typology of risk. Because these accounts are associated with legitimate professional activity, they can be used to lend apparent legitimacy to fund flows that have no genuine legal basis.

When a bank processes transactions through such an account without scrutinizing the underlying purpose, it may unknowingly facilitate the same conduct that led to Kinch's sanction.

What Banks Should Watch For

- Funds moving between unrelated third parties through a professional account
- No identifiable legal matter or transaction underlying the transfers
- High volume or frequency inconsistent with the professional's stated activity
- Client explanations that cannot be independently corroborated

Key Lesson for Financial Institutions

Banks and regulators pay particular attention to professional intermediaries (lawyers, notaries, consultants) because their accounts can be used to obscure the true origin of funds.



Heightened Scrutiny on Intermediary Accounts

Banks and regulators pay particular attention to professional intermediaries — lawyers, notaries, consultants — because their accounts carry an inherent appearance of legitimacy that can be exploited.



Independent Verification Is Non-Negotiable

Client explanations alone are never sufficient. The Kinch case demonstrates that reliance on unverified client statements, without independent corroboration of the underlying transaction, constitutes a material compliance failure.



The Legal Transaction Is the Anchor

Every movement of funds through a professional client account must be anchored to a legitimate legal transaction. Where that anchor is absent, the account is being misused — and the institution processing those flows bears responsibility for failing to detect it.



For businesses working with professional intermediaries: Understand that your advisors' accounts are subject to this scrutiny. Ensure that every transaction you route through a professional account has a clear, documented legal basis — and that your intermediary has performed proper due diligence on your behalf.

About Aurimen

Aurimen develops analytical frameworks designed to help entrepreneurs and advisors understand how financial institutions interpret corporate structures, financial flows, and compliance signals in modern banking environments.

Case studies like the Steven David Kinch matter are part of Aurimen's ongoing effort to translate enforcement actions and regulatory precedents into practical, actionable intelligence for professionals operating at the intersection of business, law, and finance.

Aurimen Insights

Analytical frameworks for entrepreneurs and advisors navigating modern banking and compliance environments.

- Corporate structure interpretation
- Financial flow analysis
- Compliance signal mapping

This case study is produced by Aurimen Insights for informational and analytical purposes. It is based on publicly available enforcement information and does not constitute legal advice.