

*Breaching law association agreement by failing to disclose payments*

## **WILLIAM FREDRIC MURRAY**

Burnaby, B.C.

Called to the bar: May 14, 1976

After practising together since 1989, Mr. Murray and lawyer R terminated their partnership at the end of 1995. At that time, there were outstanding issues concerning the settling of accounts between the two partners. Mr. Murray held an honest belief that R owed him money.

On January 1, 1996 Mr. Murray and R began practising in association, each maintaining a separate practice. R practised under the firm name "R & Company," which was a sole proprietorship. Under the terms of the association, Mr. Murray agreed to pay R & Company \$3,250 per month, including GST, for receiving a furnished office, computer, reception services, stationery and supplies, accounting and trust services and coverage under the firm's excess liability insurance.

Under the association agreement, Mr. Murray agreed to bill all of his files under the name of "*William F. Murray, Professional Law Corporation in Association with R & Company.*" His invoices included R & Company's GST and PST account numbers and stated that cheques should be "payable to R & Company."

Under the association, R & Company agreed to advance money for disbursements, GST and PST in respect of Mr. Murray's accounts. R & Company further agreed to pay Mr. Murray all money collected in respect of his accounts (in excess of Mr. Murray's \$3,250 monthly payment to the firm and less any money advanced on his behalf by the firm for interim draws, disbursements, GST or PST).

By the end of March, 1996 Mr. Murray was dissatisfied with the monthly accounting reconciliation statements he was receiving from R & Company and held an honest belief that the accounting statements inaccurately favoured R & Company. He expressed his view to R. After that point, Mr. Murray did not receive reconciliation statements from R & Company.

By July, 1996 the relationship between Mr. Murray and R had become difficult and the issues between them relating to their terminated partnership and their new association were unresolved.

Between July 31 and October 31, 1996, Mr. Murray received, among others, four cheques from clients totalling \$35,011.26 for legal services he had performed, including \$8,760.13 for GST, PST and disbursements. The cheques were payable to his law corporation, although the accounts had been prepared by R & Company, which had recorded these accounts as unpaid and outstanding. Mr. Murray deposited the cheques to the bank

account of his law corporation. His did this to rectify what he saw as an imbalance in the financial relationship he had with R.

Between August and November, 1996, Mr. Murray did not tell R & Company that he had deposited the cheques to his law corporation bank account. During this period he received from R & Company regular summaries of accounts receivable that incorrectly indicated that these accounts were outstanding. Mr. Murray did not advise the firm of the inaccuracies in their accounts or of the fact he had received payment directly on these accounts, even when members of R & Company expressed concern about the apparent level of his accounts receivable.

In May, 1999 Mr. Murray admitted that his actions caused the accounting records maintained for him by R & Company to be inaccurate. Although he maintained his own records showing the accounts had been paid, his actions resulted in R & Company failing to record receipts from clients, contrary to Law Society Rule 843 (now Rule 3-61). On reflection, Mr. Murray realized that he should have dealt with the situation in a forthright manner by advising R & Company of his actions and his reasons for them.

The Discipline Committee accepted Mr. Murray's admission that his conduct in depositing client cheques to the bank account of his own practice contrary to his arrangement with R & Company, and his failure to disclose this fact to R & Company, constituted professional misconduct.

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