

THE LAW SOCIETY OF BRITISH COLUMBIA

IN THE MATTER OF THE *LEGAL PROFESSION ACT*, SBC 1998, C. 9

AND

DGW LAW CORPORATION

(a former Law Firm in British Columbia)

RULE 3-7.1 CONSENT AGREEMENT SUMMARY

1. On July 8, 2025, the Chair of the Discipline Committee approved a consent agreement proposal submitted by DGW Law Corporation (the “Law Firm”) under Rule 3-7.1 of the Law Society Rules (the “Rules”).
2. Under the proposal, the Law Firm admitted that it committed professional misconduct pursuant to s. 38(4) of the *Legal Profession Act*, as follows:
 1. Between approximately January 2021 and June 2022, the Law Firm failed to adequately supervise and instruct staff in respect to compliance with the trust accounting rules set out in Part 3, Division 7 of the Rules, contrary to rules 6.1-1 and 6.1-3 of the *Code of Professional Conduct for British Columbia*, and Rule 3-54(2) of the Rules.
 2. Between approximately July 2020 and June 2022, in 27 instances totaling \$39,079.99, the Law Firm deposited trust funds into the Law Firm’s general account (the “General Account”) when the Law Firm had no entitlement to the funds, contrary to Rules 3-58(1) and 3-63, as follows:
 - (a) between July 2020 and June 2022, in 21 instances totaling \$18,150.00, the Law Firm directly deposited trust funds into the General Account; and

- (b) between July 2020 and May 2022, in six instances totaling \$20,929.99, the Law Firm deposited funds into the General Account as payment of invoices, resulting in overpayments totaling \$20,929.99.
- 3. Between approximately May 2021 and May 2022, in 58 instances totaling \$875,735.06, the Law Firm's non-lawyer staff withdrew trust funds by electronic fund transfers from the Law Firm's pooled trust account (the "Trust Account"), contrary to Rule 3-64.1 of the Rules.
- 4. Between approximately June 2021 and March 2022, the Law Firm improperly authorized the withdrawal of at least \$141,359.91 in funds from trust, when the Law Firm had no entitlement to the funds, contrary to Rules 3-63 and 3-64 of the Rules.
- 5. Between approximately June 2021 and April 2022, on the ABC client matter, the Law Firm did the following:
 - (a) deposited retainer funds totaling \$9,408.00 into the General Account, contrary to Rule 3-58 of the Rules; and
 - (b) improperly withdrew a total of \$10,000.00 from the Trust Account, in circumstances where the Law Firm was not holding sufficient funds in trust on the client matter, and the amounts withdrawn exceeded the fees billed to the client by \$1,592.00, contrary to Rules 3-63 and 3-64 of the Rules.
- 6. Between approximately January 2021 and June 2022, the Law Firm failed to maintain the books and records required under Part 3, Division 7 of the Rules in an accurate and reliable manner, contrary to Rules 3-68 and 3-72 of the Rules. This conduct includes not maintaining an accurate trust book of entry, client trust ledgers, client trust listings, and accounts receivable ledgers. As a result, the Law Firm made trust withdrawals when its records were not current, contrary to Rule 3-64(3) of the Rules.

7. Between approximately January 2021 and April 2022, the Law Firm failed to complete monthly trust reconciliations when required, contrary to Rule 3-73 of the Rules, with discrepancies not being corrected but carried forward. Further, monthly trust reconciliations for all periods in 2019 and 2020 were not dated or signed by a lawyer, contrary to Rule 3-73 of the Rules.
8. The Law Firm failed to take adequate care to ensure that the trust report submitted on March 31, 2022, for the period ending December 31, 2021, and certified as true, was accurate.
3. Under the proposal, the Law Firm agreed to pay a fine of \$50,000.
4. In making its decision, the Chair of the Discipline Committee considered an Agreed Statement of Facts dated June 24, 2025, and a letter to the Chair of the Discipline Committee. The Chair also considered that the Law Firm did not have a prior professional conduct record.
5. This consent agreement will now form part of the Law Firm's professional conduct record.
6. Pursuant to Rule 3-7.1(5) of the Rules, and subject to Rule 3-7.2 of the Rules, the Law Society is bound by an effective consent agreement, and no further action may be taken on the complaints that gave rise to the agreement.
7. The admitted facts set out in the Agreed Statement of Facts dated June 24, 2025 have been summarized below.

Summary of Facts

Background

8. At the material times, the Law Firm was located in Victoria, British Columbia.
9. Christopher G. Devlin, John W. Gailus and Timothy A. Watson were the partners and directors of the Law Firm (the "Partners"), and the authorized signatories on the Law Firm's Trust Account.

10. The Law Firm operated trust and general accounts, and some separate interest-bearing trust accounts.
11. The Law Firm's clients were primarily First Nations bands and Indigenous groups and individuals. The Law Firm's Trust Account was primarily used for receipt of retainers and withdrawals for payment of legal fees and disbursements.
12. The Law Firm partnership was dissolved on December 31, 2023.
13. The Law Society conducted a compliance audit of the Law Firm in June 2022 (the "2022 Audit"), for the period January 1, 2021 to June 10, 2022 (the "Audit Period"). The auditor noted various concerns including improper trust withdrawals/deposits to general, trust shortages, failure to maintain accounting books and records, failure to supervise staff, and an inaccurate trust report, among others.
14. The auditor referred the concerns to the Investigations, Monitoring and Enforcement department of the Law Society for further investigation.
15. An interim undertaking was obtained from each of the Partners requiring a trust supervisor, effective December 3, 2022 (the "Undertaking"). On December 7, 2022, the Partners entered into a Trust Supervision Agreement (the "TSA") with a chartered professional accountant approved by the Law Society.
16. The Undertaking and TSA were in place until July 7, 2023, after the Law Firm's trust supervisor was satisfied that its new procedures were in compliance with the Law Society's trust accounting rules.

Supervision of Staff

17. At the material times, the Law Firm's primary accounting staff member was responsible for the day-to-day accounting tasks, preparation of the Law Firm's trust reconciliations, recording transactions in the accounting records, and preparing trust cheques. The Law Firm's primary accounting staff member was not trained in accounting.

18. Prior to January 1, 2021, the Law Firm used PCLaw accounting software. Effective January 1, 2021, the Law Firm commenced using QuickBooks and Clio accounting software. The change in accounting software led to a series of issues with respect to the Law Firm's accounting records, as QuickBooks and Clio required an extra level of integration that had not been required for PCLaw.
19. The accounting staff member did not have sufficient knowledge or understanding of how Clio and QuickBooks worked together, including how to properly record transactions and prepare monthly trust reconciliations. The Partners were not aware of the degree to which the new software was contributing to issues that were arising with respect to the accuracy of the Law Firm's books and records.
20. With the benefit of hindsight provided by the findings of the 2022 Audit and the resulting investigation, the Law Firm admits that it did not ensure its staff received the support they required with regard to using Clio and QuickBooks, and it did not adequately supervise and instruct its staff in respect of compliance with the trust accounting rules.

Improper Deposits into General Account

Deposit of Trust Funds

21. During the Audit Period, the Law Firm recorded the deposit of trust funds into the General Account, and overpayments from clients, in a general account subledger.
22. Between approximately July 2020 and June 2022, in 21 instances totaling \$18,150.00, the Law Firm deposited trust funds directly into the General Account (the "General Deposit(s)"). The General Deposits were either retainers or rent payments received in trust on an estate matter, and ought to have been deposited to the Trust Account. The Law Firm had no entitlement to these funds.
23. The Law Firm subsequently transferred the General Deposit funds to the Trust Account; some were transferred on the same days as the General Deposits, and others were transferred 1 to 50 days after the General Deposits.

Overpayment of Firm Invoices

24. Between approximately July 2020 and May 2022, in six instances, the Law Firm deposited trust funds into the General Account in payment of legal fees, which resulted in overpayments totaling \$20,929.99 (the “Overpayment(s)”). The Overpayments were retainer trust funds and ought to have been deposited to the Trust Account. The Law Firm had no entitlement to these funds.
25. The Law Firm subsequently issued cheques to the clients to refund five of the Overpayments, and transferred funds from the General Account to the Trust Account on the remaining Overpayment.

Improper Trust Withdrawals - EFTs

26. During the Audit Period, the Law Firm electronically transferred trust funds to the General Account in payment of fees and disbursements.
27. Between approximately May 2021 and May 2022, in 58 instances totaling \$875,735.06, the Law Firm withdrew funds from the Trust Account by electronic funds transfers that were not compliant with Rule 3-64.1 of the Rules (the “EFT Withdrawals”). The Law Firm was entitled to the funds that were transferred through the EFT Withdrawals.
28. The EFT Withdrawals were made by the Law Firm’s non-lawyer staff as follows:
 - (a) in 36 instances totaling \$703,397.44, staff emailed instructions to the Law Firm’s bank manager to electronically transfer trust funds to the General account;
 - (b) in three instances totaling \$172,337.61, staff emailed instructions to the Law Firm’s bank manager to electronically transfer trust funds to a separate interest-bearing trust account;
 - (c) in nine instances, staff completed the trust transfers to the General Account by logging into the Law Firm’s online banking with a single password; and

- (d) the Law Firm did not prepare, and a lawyer did not sign, an EFT requisition form for any of the EFT Withdrawals.
29. None of the Law Firm’s practising lawyers specifically authorized the EFT Withdrawals.

Unallocated Trust Withdrawals

30. During the Audit Period, the Law Firm failed to record and properly allocate all trust withdrawals for payment of invoices in the accounting records. When trust funds were withdrawn for the payments of invoices issued to clients, including global withdrawals to pay multiple invoices, the withdrawals were not consistently recorded in the accounting records, such that:
- (a) all trust withdrawals were not allocated to the payment of specific invoices or client matters in the client trust ledger; and
 - (b) the Law Firm withdrew funds for their fees without deducting the withdrawal from the specific client’s ledger and without crediting the client’s accounts receivable balance.
31. As a result, the Law Firm created a cumulative trust shortage. Due to accounting records that were inaccurate, incomplete and not current, the Law Society auditor was unable to determine with certainty the cumulative total of the Law Firm’s trust shortage.
32. After further investigation, Law Society staff determined that, between approximately June 2021 and March 2022, the Law Firm authorized trust withdrawals of at least \$141,359.91 when the Law Firm had no entitlement to those funds (the “Unallocated Trust Withdrawals”). The Unallocated Trust Withdrawals created a cumulative trust shortage in the range of at least \$141,359.91 to \$163,825.61 as of March 30, 2022.
33. On April 21, 2022, the Law Firm deposited \$175,069.69 into trust to eliminate what it had then understood to be the uncorrected trust shortages. This deposit eliminated the cumulative trust shortage caused by the Unallocated Trust Withdrawals.

ABC File Transactions

34. Between approximately June 2021 and November 2021, the Law Firm received a total of \$14,408.00 in retainer funds from ABC (the “Client”), \$9,408.00 of which were deposited directly into the General Account.
35. Between approximately June 2021 and September 2021, the Law Firm issued three invoices to the Client totaling \$14,408.00.
36. Between approximately July 2021 and April 2022, the Law Firm made five trust withdrawals totaling \$16,000.00, to purportedly pay the above-noted invoices issued to the Client, when it did not hold sufficient funds in trust for the client matter, and the amounts withdrawn exceeded the outstanding invoices by \$1,592.00.
37. On July 7, 2021, the Law Firm created a trust shortage in the amount of \$786.37. The trust shortage began accumulating on July 7, 2021, and continued until April 14, 2022. The total shortage as of April 14, 2022 was \$10,000.00.
38. On April 21, 2022, the Law Firm deposited \$10,000.00 into the Trust Account, eliminating the trust shortage.

Accounting Books and Records

39. During the Audit Period, the Law Firm did not maintain books and records in an accurate and reliable manner, as required under Part 3, Division 7 of the Rules, including a trust book of entry, client trust ledgers, client trust listings and accounts receivable ledgers.
40. As a result, the Law Firm made trust withdrawals when its accounting records were not current, creating trust shortages that went unidentified by the Law Firm.
41. The Law Firm’s accounting records contained numerous errors which appeared to be a result of failing to properly record trust withdrawals on outstanding accounts receivables, as well as issues arising from the change in accounting software.

42. Staff calculated the amount to be transferred from trust based on the accounts receivable report, and then withdrew a global lump sum amount from the Trust Account to pay multiple invoices issued by the Law Firm for its fees.
43. In doing so, the Law Firm failed to:
 - (a) record the trust withdrawals accurately or, at all, on the trust book of entry and on the client trust ledgers. The Law Firm did not record the client matters or invoices being paid from the funds disbursed from trust; as a result, the listing of all valuables held in trust for each client was not accurate; and
 - (b) record the payment of all invoices on the accounts receivable ledger, resulting in the outstanding balances owed by clients being inaccurate.
44. Any recording of the global amounts withdrawn were inaccurate as the withdrawals were not allocated to the specific invoices being paid. As a result of the failure to record the trust withdrawals properly, the client trust listings, client trust ledgers and accounts receivable ledger were inaccurate, as were any monthly trust reconciliations.

Monthly Trust Reconciliations

45. The Law Firm's monthly trust reconciliations for all periods in 2019 and 2020 were not dated or signed by a lawyer.
46. The Law Firm failed to complete monthly trust reconciliations when required for the periods ending January 31, 2021 to February 28, 2022, and for the period ending April 30, 2022.
47. The Law Firm's monthly trust reconciliations each contained discrepancies that were not corrected, but rather carried forward over multiple months.

Inaccurate Trust Report

48. On March 31, 2022, the Law Firm submitted a trust report for the period ending December 31, 2021 (the "2021 Trust Report").

49. The Law Firm recorded information in the 2021 Trust Report that was inconsistent with the findings of the Law Society auditor during the 2022 Audit, by answering eight questions with incorrect responses.
50. The Law Firm now accepts that the 2021 Trust Report contained inaccurate responses.

Mitigating Factors

51. The Law Firm had inadequate and improper accounting procedures, and a lack of training and supervision of accounting staff. The Law Firm says that these deficiencies were compounded significantly by post-COVID-19 remote working arrangements and the Law Firm's replacement of PCLaw with Clio and QuickBooks.
52. The Law Firm says that, subsequent to the 2022 Audit, it took steps to update its recordkeeping practices to ensure compliance with the trust accounting rules. During the investigation, the Law Firm hired an external accounting firm to review the accounting records of the Law Firm and re-create the Law Firm's trust accounting records dating back to January 1, 2021 when the accounting software was changed. The Law Firm provided the work undertaken by the external accounting firm to the Law Society with a view to supplementing and assisting the work undertaken by Law Society staff.
53. The Law Firm made early admissions of misconduct and took remedial steps to bring the Law Firm's accounting practices into compliance with the Rules. During the investigation, the Partners took action to identify the source of their trust accounting issues, and to ensure that no similar situations arise in the future.
54. No client has suffered a financial loss as a result of the Law Firm's inadequate accounting practices and procedures.