

## CDD Case Studies

### Case Study 4 – An offer that's too good to refuse

#### Brief background

Seaside Accountants is a small firm of chartered accountants based in Bournemouth. Many of the firm's clients are in the hospitality sector and have been badly impacted by COVID-19 restrictions.

One of the firm's longstanding clients, Dave, is the owner of a small gift shop in the town-centre, which was transferred to him following his mother's retirement. Dave had to close his shop for an extended period of time during lockdown. Upon re-opening he received a visit from a gentleman in an expensive looking suit. Dave had assumed it was to do with one of his loans but was pleasantly surprised when the gentleman informed him that he was representing Zeus, a company looking to purchase his gift shop. It just so happened that Dave had had enough of the stress of running a business and wanted to get back into full-time education. Dave was informed that the company wanted a quick purchase and a significant cash offer was made, which was quite a bit higher than Dave had in mind.

The next day Dave contacted Seaside Accountants and asked for their advice regarding the proposed sale. The firm noted that Zeus is based in an offshore jurisdiction and was unable to identify the beneficial owners.

#### What were the red flags relating to the proposed sale?

- The large cash offer which appears to be above market value.
- The fact that Zeus is looking for a quick purchase.
- Zeus is based in an offshore jurisdiction.
- The identify of the owners of Zeus is not known.

#### What were the risks and the potential threats that the accountancy firm may be faced with in this situation?

- Should Dave accept the offer and the firm act for him in respect of the sale, Seaside Accountants may become exposed to an rganization involved in money laundering, which may cause reputational damage as well as lead to potential involvement in criminal investigations.

(cont.)

**What actions should be taken by the accountancy firm?**

- The firm should advise Dave to reject the offer.
- The firm should submit a SAR.

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