

Gone With The Wind

Messrs Underwood & Partners, the Insured Practice ("IP") was established in 1996. The Firm's main office in Petaling Jaya was managed by Frank and the branches in Ipoh and Johor Bahru were managed by Claire and Douglas respectively.

Douglas was brought in as a partner in 2010 when the Firm decided to establish another branch in Johor Bahru. However, Douglas was only a named partner and did not share any profits or losses with the other partners.

He ran the branch on his own and operated the office solely without any supervision or reporting requirements to the main office. The branch also had its own accounts where the signatory to those accounts was only Douglas. The management of the branch was akin to a sole proprietorship despite the existence of a partnership between Douglas and the other partners.

The Firm received a Letter of Demand ("LOD") in late 2015 requesting for a refund of RM500,000 which the Firm had undertaken to release to a tenant upon the delivery of vacant possession. The Firm represented a vendor in a conveyancing transaction involving the purchase of a commercial property. The existing tenant demanded a compensation for the delivery of a vacant possession since the tenancy agreement was still in force between

the purchaser and the tenant. The vendor agreed to compensate the tenant and instructed the Firm to release the cheque upon the delivery of vacant possession. Even after the vacant possession was delivered, the Firm failed to deliver the cheque to the tenant.

This conveyancing file was solely handled by Douglas in the Johor Bahru branch. When the other partners tried to contact Douglas, their calls were left unanswered. Suspecting that something might have gone wrong, they made a trip down to Johor Bahru to meet Douglas at the branch.

When they arrived, they found out that the branch had closed down. They also found a notice on the front door directing all current clients to contact the main office for all outstanding matters. Douglas did not inform neither Frank nor Claire, nor Bar Council about the branch's closure. The office closure heightened their suspicions that Douglas may have misappropriated the money and absconded.

Frank and Claire notified the Insurers and lodged a police report against Douglas. They forwarded all relevant documents to the Insurer to assist the investigation in determining whether the IP could be covered under the policy.

