

SRA Accounts Rules



Guidance, changes, terms, notes and tags

Introduction

These rules set out our requirements for when firms (including sole practices) authorised by us receive or deal with money belonging to clients, including trust money or money held on behalf of third parties. The rules apply to all firms we regulate, including all those who manage or work within such firms.

Firms will need to have systems and controls in place to ensure compliance with these rules and the nature of those systems must be appropriate to the nature and volumes of client transactions dealt with and the amount of client money held or received.

This introduction does not form part of the SRA Accounts Rules.

Part 1: General

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Rule 1: Application section

- 1.1 These rules apply to authorised bodies their managers and employees and references to "you" in these rules should be read accordingly.
 - 1.2 The authorised body's managers are jointly and severally responsible for compliance by the authorised body, its managers and employees with these rules.
 - 1.3 In relation to a licensed body, the rules apply only in respect of activities regulated by the SRA in accordance with the terms of its licence.
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Part 2: Client money and client accounts

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Rule 2: Client money

- 2.1** "Client money" is money held or received by you:
- (a)** relating to regulated services delivered by you to a client
 - (b)** on behalf of a third party in relation to regulated services delivered by you (such as money held as agent, stakeholder or held to the sender's order);
 - (c)** as a trustee or as the holder of a specified office or appointment, such as donee of a power of attorney, Court of Protection deputy or trustee of an occupational pension scheme;
 - (d)** in respect of your fees and any unpaid disbursements if held or received prior to delivery of a bill for the same.

2.2 In circumstances where the only client money you hold or receive falls within rule 2.1(d) above, and:

- (a)** any money held for disbursements relates to costs or expenses incurred by you on behalf of your client and for which you are liable; and
- (b)** you do not for any other reason maintain a client account

you are not required to hold this money in a client account if you have informed your client in advance of where and how the money will be held. Rules 2.3, 2.4, 4.1, 7, 8.1(b) and (c) and 12 do not apply to client money held outside of a client account in accordance with this rule.

2.3 You ensure that client money is paid promptly into a client account unless:

- (a)** in relation to money falling within 2.1(c), to do so would conflict with your obligations under rules or regulations relating to your specified office or appointment;
- (b)** the client money represents payments received from the Legal Aid Agency for your costs; or
- (c)** you agree in the individual circumstances an alternative arrangement in writing with the client or the third party, for whom the money is held.

2.4 You ensure that client money is available on demand unless you agree an alternative arrangement in writing with the client or the third party for whom the money is held.

2.5 You ensure that client money is returned promptly to the client or the third party for whom the money is held, as soon as there is no longer any proper reason to hold those funds.

Rule 3: Client account □

3.1 You only maintain a client account at a branch (or the head office) of a bank or a building society in England and Wales.

3.2 You ensure that the name of any client account includes:

- (a)** the name of the authorised body; and
- (b)** the word "client" to distinguish it from any other type of account held or operated by the authorised body.

3.3 You must not use a client account to provide banking facilities to clients or third parties. Payments into, and transfers or withdrawals from a client account must be in respect of the delivery by you of regulated

Rule 4: Client money must be kept separate

- 4.1** You keep client money separate from money belonging to the authorised body.
- 4.2** You ensure that you allocate promptly any funds from mixed payments you receive to the correct client account for business account.
- 4.3** Where you are holding client money and some or all of that money will be used to pay your costs
- (a)** you must give a bill of costs or other written notification of the costs incurred, to the client or the paying party;
 - (b)** this must be done before you transfer any client money from a client account to make the payment; and
 - (c)** any such payment must be for the specific sum identified in the bill of costs or other written notification of the costs incurred, and covered by the amount held for the particular client or third party.

Rule 5: Withdrawals from client account

- 5.1** You only withdraw client money from a client account
- (a)** for the purpose for which it is being held;
 - (b)** following receipt of instructions from the client or the third party for whom the money is held; or
 - (c)** on the SRAs prior written authorisation or in prescribed circumstances.
- 5.2** You appropriately authorise and supervise all withdrawals made from a client account
- 5.3** You only withdraw client money from a client account if sufficient funds are held on behalf of that specific client or third party to make the payment.

Rule 6: Duty to correct breaches upon discovery

- 6.1** You correct any breaches of these rules promptly upon discovery. Any money improperly withheld or withdrawn from a client account must be immediately paid into the account or replaced as appropriate.

Rule 7: Payment of interest

- 7.1** You account to clients or third parties for a fair sum of interest on any client money held by you on their behalf.
- 7.2** You may by a written agreement come to a different arrangement with the client or the third party for whom the money is held as to the payment of interest but you must provide sufficient information to enable them to give informed consent.

Rule 8: Client accounting systems and controls □

- 8.1** You keep and maintain accurate, contemporaneous, and chronological records to:
- (a)** record in client ledgers identified by the client's name and an appropriate description of the matter to which they relate:
 - (i)** all receipts and payments which client money on the client side of the client ledger account;
 - (ii)** all receipts and payments which are not client money and bills of costs including transactions through the authorised body's accounts on the business side of the client ledger account;
 - (b)** maintain a list of all the balances shown by the client ledger accounts of the liabilities to clients (and third parties), with a running total of the balances; and
 - (c)** provide a cash book showing a running total of all transactions through client account held or operated by you.
- 8.2** You obtain, at least every five weeks, statements from banks, building societies and other financial institutions for all client accounts and business accounts held or operated by you.
- 8.3** You complete at least every five weeks, for all client account held or operated by you, a reconciliation of the bank or building society statement balance with the cash book balance and the client ledger total, a record of which must be signed off by the COFA or a manager of the firm. You should promptly investigate and resolve any differences shown by the reconciliation.
- 8.4** You keep readily accessible a central record of all bills or other written notifications of costs given by you.
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Part 3: Dealing with other money belonging to clients or third parties

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Rule 9: Operation of joint accounts □

- 9.1** If, when acting in a client's matter, you hold or receive money jointly with the client or a third party, Part 2 of these rules does not apply save for:
- (a)** rule 8.2 - statements from banks, building societies and other financial institutions;
 - (b)** rule 8.4 - bills and notifications of costs;
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Rule 10: Operation of a client's own account □

- 10.1** If, in the course of practice, you operate a client's own account as signatory, Part 2 of these rules does not apply save for:
- (a)** rule 8.2 - statements from banks, building societies and other financial institutions;

- (b) rule 8.3 - reconciliations;
 - (c) rule 8.4 - bills and notifications of costs
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Rule 11: Third party managed accounts □

- 11.1** You may enter into arrangements with a client to use a third party managed account for the purpose of receiving payments from or on behalf of, or making payments to or on behalf of, the client in respect of regulated services delivered by you to the client only if:
- (a) use of the account does not result in you receiving or holding the client's money; and
 - (b) you take reasonable steps to ensure, before accepting instructions, that the client is informed of and understands:
 - (i) the terms of the contractual arrangements relating to the use of the third party managed account and in particular how any fees for use of the third party managed account will be paid and who will bear them; and
 - (ii) the client's right to terminate the agreement and dispute payment requests made by you.
- 11.2** You obtain regular statements from the provider of the third party managed account and ensure that these accurately reflect all transactions on the account.
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Part 4: Accountants' reports and storage and retention of accounting records

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Rule 12: Obtaining and delivery of accountants' reports □

- 12.1** If you have, at any time during an accounting period held or received client money, or operated a joint account or a client's own account as signatory, you must:
- (a) obtain an accountant's report for that accounting period within six months of the end of the period; and
 - (b) deliver it to the SRA within six months of the end of the accounting period if the accountant's report is qualified to show a failure to comply with these rules, such that money belonging to clients or third parties is, or has been, or is likely to be placed, at risk.
- 12.2** You are not required to obtain an accountant's report if:
- (a) all of the client money held or received during an accounting period is money received from the Legal Aid Agency; or
 - (b) in the accounting period the statement or passbook balance of client money you have held or received does not exceed:
 - (i) an average of £10,000; and

(ii) a maximum of £250,000,

or the equivalent in foreign currency.

12.3 In rule 12.2 above a "statement or passbook balance" is the total balance of:

- (a) all client accounts held or operated by you; and
- (b) any joint accounts and clients' own accounts operated by you.

as shown by the statements obtained under rule 8.2.

12.4 The SRA may require you to obtain or deliver an accountant's report to the SRA on reasonable notice if you cease to operate as an authorised body and to hold or operate a client account or the SRA considers that it is otherwise in the public interest to do so.

12.5 You ensure that any report obtained under this rule is prepared and signed by an accountant who is a member of one of the chartered accountancy bodies and who is, or works for, a registered auditor.

12.6 The SRA may disqualify an accountant from preparing a report for the purposes of this rule if:

- (a) the accountant has been found guilty by their professional body of professional misconduct or equivalent; or
- (b) the SRA is satisfied that the accountant has failed to exercise due care and skill in the preparation of a report under these rules.

12.7 The SRA may specify from time to time matters that you must ensure are incorporated into the terms on which an accountant is engaged.

12.8 You must provide to an accountant preparing a report under these rules:

- (a) details of all accounts held or operated by you in connection with your practice at any bank, building society or other financial institution at any time during the accounting period to which the report relates; and
- (b) all other information and documentation that the accountant requires to enable completion of their report.

12.9 The accountant must complete and sign their report in the prescribed form.

Rule 13: Storage and retention of accounting records □

13.1 You must store all accounting records securely and retain these for at least six years.

Supplemental notes

Made by the SRA Board on 30 May 2018.

Made under sections 32, 33A, 34, 37 of the Solicitors Act 1974, section 9 of the Administration of Justice Act 1985, and

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