
Solicitors Bulletin

SRA - New Accounts Rules

The updated SRA Rules (in effect from 25 November 2019) include a number of areas where solicitors may need to review and update their policies and procedures.

The focus remains on ensuring that client's money is not at risk.

Systems and Controls

Solicitors will need to review and document their own procedures, to confirm systems and controls are appropriate for safeguarding client money.

Weakness in the system, where client money could be put at risk, would be reportable.

Properly documented systems and controls required:

- *External – so SRA can review*
- *Internal – so can follow own procedures to ensure client money protected*

Transfer from Client Account

Rule 4.3 where holding client money and some or all will be used for your costs

- a) Must give a bill of costs (or written notification of the costs incurred) to client or paying party*
- b) BEFORE any transfer from client account*

There is no distinction between professional and non-professional disbursements.

A written notification of costs is required in all cases before transfer from client account. This will often be in the form of a bill, although other written notifications (including email or text message) would be acceptable provided a copy is retained (generally on client file) as evidence that notification was made before the transfer.

Repaying balances promptly

Rules 2.5 ensure money repaid to client or third party as soon as there is no longer a proper reason to hold those funds.

“Promptly” is not defined. Documented procedures should cover the period the solicitor considers “promptly” for their own circumstances. A documented policy is important to be able to demonstrate to the SRA why the actions/inactions taken were considered to be justified.

Rule 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 circumstances”

While rule requiring ongoing notification relaxed, SRA Ethics Guidance requires “systems which make sure clients ... are kept regularly informed when funds are retained for a specified purpose at the end of a matter or substantial conclusion of a matter”.

Residual balances

SRA statement: “the prescribed circumstances in which you can withdraw client money from client account to a charity of your choice”

- *Mandatory*
- *£500 limit for self certification retained*

Please do not hesitate to contact us

Leofric House, Binley Road, Coventry, CV3 1JN
Euston House, 12 Euston Place, Leamington Spa, CV32 4BN
Coventry +44 (0)24 7625 1333 Leamington Spa +44 (0)1926 88 88 65
Email: accts@leigh-christou.co.uk Web: www.leigh-christou.co.uk

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