

SRA Statutory Trust Rules

[<https://www.sra.org.uk/solicitors/standards-regulations/statutory-trust-rules/?docId=1265662901>]

Introduction

These rules set out what the SRA does with money it takes possession of following an intervention into a firm's and/or an individual's practice. We hold this money on trust for the people it belongs to. This type of trust is called a statutory trust. The people that the money belongs to are beneficiaries of the trust. We have produced guidance on the way that we deal with this money [<https://www.sra.org.uk/sra/decision-making.page>] .

This introduction does not form part of the SRA Statutory Trust Rules.

Part 1: General

Rule 1: Holding statutory trust monies

- 1.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] shall place all statutory trust monies [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-monies>] in an identifiable statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] .
- 1.2** All interest earned on the funds held in any statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] shall be paid into that account.

Rule 2: Identifying beneficial entitlements

- 2.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] will create a reconciled list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#reconciled-list>] or a best list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#best-list>] in respect of statutory trust monies [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-monies>] held, using the information which it has available.
- 2.2** In creating a reconciled list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#reconciled-list>] or a best list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#best-list>] , any sums of money which are identified within a statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] as being payments on account of fees [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#fees>] or unpaid disbursements [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#unpaid-disbursements>]



regulations/glossary/#disbursements] , or which are equivalent to the costs [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#costs] incurred in a matter to which the funds relate, will be treated as due to the client [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#client] rather than the intervened practitioner [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#intervened-practitioner] , unless there is sufficient evidence of a bill or other written notification of costs [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#costs] having been sent to the client [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#client] .

- 2.3** The SRA [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA] will attempt to contact all persons [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person] identified as having a potential beneficial interest in the statutory trust monies [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-monies] and invite them to submit a claim in accordance with rule 4.

Rule 3: Minimum level of funds

- 3.1** The SRA [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA] may set a minimum level of funds to which a beneficiary [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary] may be entitled within a statutory trust account [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account] below which it will not attempt to identify or locate potential beneficiaries [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary] on the basis that, in the opinion of the SRA [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA] , it would be unreasonable or disproportionate to do so.
- 3.2** The level in rule 3.1 applies to the sum identified as relating to a particular beneficiary [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary] , after the application of any pro-rata adjustment which may be made under rule 6.2 but without including any interest under rule 7.3.

Part 2: Claims

Rule 4: Claimants to money

- 4.1** Unless the SRA [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA] agrees otherwise, every claimant [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#claimant] must submit to the SRA [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA] a claim in the prescribed [https://www.sra.org.uk/solicitors/standards-



regulations/glossary/#prescribed] form accompanied by any documentation and other evidence as may be required by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] , and which must include, if requested by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] , a statement of truth.

Rule 5: Verification of claims

- 5.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may verify the individual potential beneficial entitlements claimed under rule 4 by examining all available evidence.

Rule 6: Shortfall in statutory trust account

- 6.1** In cases where a shortfall is revealed between statutory trust monies [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-monies>] held, and the beneficial entitlements shown in a reconciled list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#reconciled-list>] or best list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#best-list>] , the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may rectify the position, in whole or in part, by the use of other monies taken into its possession in consequence of the intervention to which that list relates.
- 6.2** Where, having applied additional funds under rule 6.1, a shortfall still exists on a statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] , the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] will decide on the method for calculating how to distribute the funds that are available in the account to beneficiaries [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary>] .

Rule 7: Distribution of beneficial entitlements

- 7.1** In a case where the accounting records of the intervened practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#intervened-practitioner>] are reconciled accounts [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#reconciled-accounts>] , payments to beneficiaries [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary>] will be made on the basis of the reconciled list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#reconciled-list>] .
- 7.2** In a case where the accounting records of the intervened practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#intervened-practitioner>] are not reconciled



accounts [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#reconciled-accounts>] , payments to beneficiaries [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary>] will be made on the basis of the best list [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#best-list>] .

- 7.3** Any interest which has accrued on a statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] under rule 1.2, will be distributed to beneficiaries [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary>] on a pro-rata basis in proportion to the payments made to them under rule 7.1 or 7.2.

Rule 8: Residual balances

- 8.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may use any funds which remain in a statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] following the distribution to beneficiaries [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary>] under rule 7 to reimburse any costs, charges, or other expenses, which it has incurred in establishing the beneficial entitlements to the statutory trust monies [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-monies>] and in distributing the monies accordingly.
- 8.2** If funds remain in a statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] after payment to beneficiaries [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary>] and the reimbursement of costs, charges and expenses in accordance with rule 8.1, the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may transfer such remaining funds into the compensation fund held by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] and any claim to such funds under these rules shall be extinguished.

Rule 9: Interim payments

- 9.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may make an interim payment to a beneficiary [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#beneficiary>] before the full distribution of funds in a statutory trust account [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust-account>] takes place provided that the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] is

satisfied that the payment can be made without prejudicing other claims to those funds.

Supplemental notes

Made by the SRA Board on 30 May 2018.

Made under paragraph 6B of Schedule 1 to the Solicitors Act 1974, paragraphs 32 to 34 of Schedule 2 to the Administration of Justice Act 1985, and paragraph 6 of Schedule 14 to the Legal Services Act 2007, governing the treatment of sums vested in the Law Society under paragraphs 6 or 6A of Schedule 1 to the Solicitors Act 1974 and under paragraphs 3 or 4 of Schedule 14 to the Legal Services Act 2007

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Guidance (1)

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Guidance

How we deal with money when we intervene (Statutory Trusts) [<https://www.sra.org.uk/sra/decision-making/guidance/consumer-money-intervene/>]

This guidance is to help you understand your obligations and how to comply with them. We may have regard to it when exercising our regulatory functions.
