



**Further consultation on client money in legal services:  
Protecting the client money that solicitors hold**

**Responses to our consultation**

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May 2026

These respondents, listed in the order in which they responded to the consultation, asked us to name them and publish their responses. The text of their responses follows the list of names.

Debbie Everett  
Tom Blandford  
Mark Adderley  
Sandra Blaxall  
Andy Harris  
Manchester Law Society  
Kate Davies  
Association of Chartered Certified Accountants  
Birmingham Law Society  
BlueSky Legal Finance & Management Solutions Ltd  
City of London Law Society  
Devon & Somerset Law Society  
Institute of Legal Finance & Management  
John Cooke  
Kreston Reeves - accountants  
Association of Lifetime Lawyers  
Legal Services Consumer Panel  
Solicitors Sole Practitioners Group  
The Law Society of England and Wales  
Forum of Insurance Lawyers

# Protecting the client money that solicitors hold in consultation

Response ID:90 Data

## 2. About you

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1.  
**First name(s)**

debbie

2.  
**Last name**

everett

3.  
**Please enter your SRA ID (if applicable)**

655345

6.  
**I am responding..**

in a personal capacity

7.  
**In what personal capacity?**

Other legal professional

8.  
**Please specify**

FCILEx

9.  
**How should we publish your response?**

**Please select an option below.**

Publish the response with my/our name

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.  
**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

100%. The AR1 has to be done so its barely any effort and not time consuming just to email this to a dedicated email address at the SRA.

11.  
**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

Definitely - annual declarations do not take time and this is a good idea as long as it goes along with the AR1 being supplied too. This shouldn't be done instead of the AR1 being submitted, 1 and 2 should both be carried out.

12.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

Yes this is fine too. We cannot or should not change what the reporting accountant has sent so I would agree to send this directly from reporting accountant to sra, with copy given to us.

13.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes. There needs to be some punishment for not doing this. The submission of the AR1 to the SRA will make the reporting accountants less inclined to follow their own rules (which may be corrupt) as they know it could be inspected.

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

No issues with this. The only firms that will have issue with this are the one's that don't follow client account rules.

#### 4. Consultation questions relating to strengthening checks and balances within law firms

**15. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

This I don't agree with. I am the COLP/COFA for my firm. We have a team of 15 individuals, some qualified some not. As this is my business, who better is there to do this role. I take no risks whatsoever as this is my life on the line. Whilst I could train another member of staff to do the job, I would still be overseeing and this will just duplicate the work. At the end of the day owners of a law make the final decisions so this would just be pointless. It doesn't work in practical terms.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

Our turnover is around £1.5m and we are classed as a small firm. From a personal point of view I would want it raised to at least £5m but at the same time a firm the size of ours can still be holding millions of client money, regardless of turnover and surely the amount held in client account is what is important here.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

See 2 above but I would suggest it is raised to £3m

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

no I don't. Essentially what you are saying is that sole owner manager then has to hire someone else (additional cost) and trust in that person to do such an important job. Again the people with the most to lose are the owners. Yes some owners have

breached the rules, as we've seen in recent cases but we shouldn't be tarred with the same brush. This is a very small %.

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Both roles cross each other. They are both time consuming. Depending on the size of the firm it is easier for the roles to be on the same person. For a larger firm I expect it is better for the roles to be split due to the amount of time you have to allocate.

## 5. Equality Impact Assessment

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**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

Yes

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

No

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

No

# Protecting the client money that solicitors hold in consultation

Response ID:130 Data

## 2. About you

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1.  
**First name(s)**

Tom

2.  
**Last name**

Blandford

3.  
**Please enter your SRA ID (if applicable)**

6.  
**I am responding..**

on behalf of an organisation

7.  
**On behalf of what type of organisation?**

Other

8.  
**Please specify**

Outsourced legal finance supplier

9.  
**How should we publish your response?**

**Please select an option below.**

Publish the response with my/our name

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.  
**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

Yes. Provided this can be done fairly easily on an online portal (or similar) we think having 100% of these reports will allow the SRA to be clearer about who is not complying and/or not complying in a timely manner.

11.  
**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

No. We are very unclear what this adds to the process. Firms already say they are compliant and asking them to specifically say

so does not actually change anything.

12.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

Yes. We note that other sister regulators (eg the FCA) already do this. By making the onus on the reporting accountant it will encourage compliance and adds a check and balance to those firms who might be tempted (for whatever reason) to do submit their report in a timely manner.

13.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes. Perhaps not unlike a personal tax return there could be an automatic fine for lateness in addition to any investigation action that the lateness might hint at. We note that if an accountant is late submitting a tax return they often pay the fine on their clients behalf and so the same logic could hold for reporting accountants when the lateness is at their end not at the law firms.

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

We doubt this will achieve much. If the law firms really want to hide an account, they can and will, and there are well-publicised examples (e.g., Paterisse Valerie) where auditors were misled in exactly this way.

#### 4. Consultation questions relating to strengthening checks and balances within law firms

**15. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

No. This is a fundamentally bad idea that will result in COLPs/COFAs having even less power over their colleagues than before. What employee is going to disagree with their boss? Which employee would volunteer to have a regulatory burden without the rewards of ownership? Which partners will invite an employee to the partners' meeting? Doing this will massively water down the ability of the COLP/COFA to "police" their own firm.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

£600k is a very small figure and represents firms with (approx) less than 4 fee earning staff. We believe the threshold should be raised considerably to £2m. At this level it is plausible there would be enough senior staff members to split the COLP and COFA roles.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

In most areas of the SE, this threshold represents mortgage funds for 1 single-conveyancing transaction. We are not sure you need a threshold here at all, but if you seek your intended outcome, it would have to be much higher.

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

No for the reasons set out above - no employee would take on that risk and no owner would defer to an employee. However, as noted above if the thresholds were set at a more appropriate level then this control could operate to ensure that the COLP and COFA are separated across two senior members of the firm.

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**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

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## 5. Equality Impact Assessment

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**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

yes

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

no

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

no

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# Protecting the client money that solicitors hold in consultation

Response ID:156 Data

## 2. About you

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1.  
**First name(s)**

Mark

2.  
**Last name**

Adderley

3.  
**Please enter your SRA ID (if applicable)**

6.  
**I am responding..**

on behalf of an organisation

7.  
**On behalf of what type of organisation?**

Other

8.  
**Please specify**

Reporting Accountants under the SRA ARs

9.  
**How should we publish your response?**

**Please select an option below.**

Publish the response with my/our name

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.  
**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

We support the proposed requirement to require submission of all Accountant's Reports (AR1), regardless of their qualification status. This should give a level of assurance that reports have been obtained by firms in line with the requirements of the SRA ARs, which was not available following the removal of the requirement to file all reports in 2014.

We are aware that the spot-checks undertaken by the SRA in January 2025 identified a number of instances of non-compliance in reports of AR1s, which is consistent with our experiences as reporting accountants under the SRA ARs.

11.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

We agree with the proposal to introduce mandatory annual declarations, provided that is in conjunction with mandatory filing or AR1s for firms that are required to obtain one.

A simple declaration is susceptible to abuse by firms that are seeking to circumvent the rules. If a firm has sufficient disregard for the SRA ARs that they do not obtain an AR1, the possibility remains that they would make false declarations if no further evidence is required.

As we discussed in our previous response to the initial consultation, PropertyMark requires firms who are taking the permitted exemption to obtain an accountant's report are required to obtain a health-check which effectively certifies that they have met the exemption requirements.

On the assumption that the proposed declaration will be required to be made by the firm's COFA, we would note that in our experience, particularly in smaller firms there are a number of COFAs that were appointed when the role was first introduced many years ago, and, in some instances the individuals that hold the roles are not "managers" and may not actually be permitted to sign declarations on behalf of the firm. This does pose the wider question of COFA competence, as there are no formal qualification requirements or professional development requirements for COFAs.

12.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

We disagree with the proposal to require reporting accountants to file reports, The SRA does not regulate reporting accountants there is no recourse against accountants, and the failure of a reporting accountant to submit an AR1 to the SRA should not result in disciplinary action against the firm.

Companies House filings of statutory financial statements remains the responsibility of the entity, not the accountant and or auditor that has been instructed to prepare and audit the same. Whilst not directly comparable, the burden of responsibility for filing should sit with the regulated entity.

We recommend that a requirement is introduced whereby reporting accountants notify the SRA upon their appointment by a regulated firm, giving the SRA a record of the firm who is expected to sign the AR1 form which can be cross-referenced upon receipt of the AR1. Accountants should also be required to notify the SRA if they have ceased to act as reporting accountants for firms, regardless of the circumstances (firm closure, becoming exempt, merger, acquisition).

13.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

We agree with this proposal. It is not dissimilar Companies House filings whereby penalties are levied for late filings.

At the present time there is no mechanism for a firm to obtain an extension to the six month deadline for completion of the AR1. If there is to be a fixed penalty regime, in a proportionate approach to regulation it would be fair to introduce a formal mechanism for firms to request an extension in prescribed circumstances, which could include serious illness, accounting system issues, death, data access issues or delays caused by the reporting accountant. The request for an extension would allow the SRA to consider any other factors that may indicate that there are risks to client money that would make an extension inappropriate, for example, repeated extension requests, whistleblowing reports, poor financial stability indicators and / or non-appointment of a reporting accountant. There was previously a facility to request an extension which was removed after introduction of the current SRA ARs.

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

Whilst bank confirmations often prove to be a useful verification tool, there are also alternative procedures and verification mechanisms that can be performed to enable reporting accountants to gain comfort over the existence and accuracy of bank balances. Such mechanisms might include Open Banking review access and/or direct observation of live online banking reporting.

Drawing parallels from a statutory audit perspective, there is no prescriptive requirement for auditors to seek bank confirmations from entities on which they are issuing an audit opinion, instead allowing for the use of professional judgement on a risk-based approach.

There are certain circumstances where there are nuances to firm's arrangements whereby obtaining direct confirmation is impractical, including where firm's operate hundreds of client accounts and confirmations are charged per account – this could result in confirmation charges well in excess of the fee charged for the preparation of the AR1.

Bank confirmations incur costs and charges can be up to £100 per bank account confirmation is sought for. These charges will be onward charged as disbursements by accountants to law firms, increasing costs, potentially significantly.

We would encourage the SRA to enter into engagement with the banking community to facilitate cost effective and efficient provision of information.

Given the reduced levels of prescriptive testing and the outcomes-focussed approach in the SRA ARs, we consider it disproportionate to prescribe the way in which the reporting accountant gains comfort over client account balances in forming their conclusion.

#### 4. Consultation questions relating to strengthening checks and balances within law firms

##### **15. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Whilst the COLP/COFA roles do hold a position of power within firms, in our experience they form part of a culture of compliance within a firm, and report into wider governance frameworks within organisational structures.

In our experience, where firms have had one individual appointed as both COLP and COFA, these individuals have been deemed by the firm to be the appropriate individual to hold the roles, having sufficient seniority within the firm to discharge the duties of the roles effectively. Indeed, they usually spend a significant amount of their working time on matters of firm management and compliance, rather than being a full fee earning individual, affording them appropriate time to fulfil the duties of the roles. As both roles are subject to SRA approval, then with adequate oversight of other risk factors the risk associated with the holding of both roles by one individual can be managed.

If an individual is seeking to misappropriate client monies, it is likely that they will do so regardless of whether they hold a compliance role or not. A better area of focus would be to consider the reintroduction of restrictions on who can approve withdrawals from client accounts, and mandatory dual approval of payments.

##### **16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

Whilst we note that the proposed threshold has been based on empirical evidence, it is important to note that turnover is not the sole determinant of the risk profile of a firm. Also noteworthy is that the client account balance figures outlined in the consultation are averages as at a particular point in time, which can be distorted by timing of transactions. Other risk parameters that could be included for consideration could include the work types undertaken by the firm, the throughput of client monies rather the

average balance held and the history of regulatory disciplinary actions against the firm and or its employees and compliance officers.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

From our observations, and consistent with the consultation, this would mean nearly all firms that undertake probate and or conveyancing work would be captured by the requirements. Whilst this may be the overall objective, in the interests of proportional regulation, a firm that deals with one or two moderately sized conveyancing matters or estates concurrently would likely become subject to the same regulations as a much larger firm handling significantly higher levels of client monies. As an observation, the £500,000 threshold is inconsistent with the exemption from the requirement to obtain an AR1.

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

It is unclear how this will work in practice for sole practitioners, who are often individuals or firms with very few employees. Considering the other points within the consultation, this raises the question of whether there should be a threshold at which a firm is not required to appoint a COFA. It is unclear who would hold these roles in such firms if the owner-manager were precluded from holding them.

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Due to a lack of publicly available information, we are not aware of the level of non-compliance arising in firms with concentrated role holdings compared to firms with segregated role holding, therefore, we are not able to comment.

## 5. Equality Impact Assessment

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**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

We have no comment.

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

We have no comment.

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

We have no comment.

# Protecting the client money that solicitors hold in consultation

Response ID:158 Data

## 2. About you

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1.  
**First name(s)**

Sandra

2.  
**Last name**

Blaxall

3.  
**Please enter your SRA ID (if applicable)**

653071

6.  
**I am responding..**

in a personal capacity

7.  
**In what personal capacity?**

Other legal professional

8.  
**Please specify**

Practice Manager

9.  
**How should we publish your response?**

**Please select an option below.**

Publish the response with my/our name

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.  
**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

I agree

11.  
**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

I agree

12.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

I agree

13.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

No I think the fine needs to be relevant to the size of the firm and the failures identified. I think you are monitored and if you put the correct processes in place then that can reduce the fine.

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

No I think this only needs to be done annually.

#### 4. Consultation questions relating to strengthening checks and balances within law firms

**15. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

I agree.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

I think turnover is irrelevant if the amount held in clients account exceeds an amount then you must have separate compliance holders.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

I am unsure of the amounts held by most firms. Therefore the figure that you will need to agree on could be staggered. Up to £500k you can be both. If you hold in excess of £10 million then you should be held to 6 monthly submitting of signed bank reconciliations.

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

They should only hold one role.

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Can you give guidelines on being able to out source the roles. IF for example I am both roles but have SRA approved companies assisting with compliance/finances. A sole practitioner cannot be all hats and still work on files.

## 5. Equality Impact Assessment

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20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

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21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

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22. 3) Do you have any other comments on our draft equalities impact assessment?

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# Protecting the client money that solicitors hold in consultation

Response ID:169 Data

## 2. About you

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1.  
**First name(s)**

Andy

2.  
**Last name**

Harris

3.  
**Please enter your SRA ID (if applicable)**

6.  
**I am responding..**

on behalf of an organisation

7.  
**On behalf of what type of organisation?**

Other

8.  
**Please specify**

Accountancy

9.  
**How should we publish your response?**

**Please select an option below.**

Publish the response with my/our name

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.  
**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

We support the requirement for the submission of all accountants' reports. We feel that submitting the report would be a simple and effective way of evidencing each practice's adherence with the Accounts Rules.

As Reporting Accountants, we have experienced that submission of multiple reports within a short period (e.g. a few days) is difficult on your current platform. The platform will need to be improved to allow multiple Accountants' Reports to be submitted each day.

Many of our clients have indicated that submission of their AR1 report would be a positive demonstration of their compliance with the Accounts Rules. We believe our client base is generally accepting of this proposal.

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**11.**  
**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

We also support this proposal.

Similarly to our comments above, we feel there should be some consideration around the ease for firms making this declaration, as well as sufficient reminders when the declaration is due.

There is a risk that a firm which had deliberately not obtained an Accountant's Report in the past may be more likely to submit an inaccurate declaration. In our view, it would therefore be sensible to introduce targeted spot checks for such firms to ensure the system is not being misused.

We also believe there may be value in allowing Reporting Accountants to submit the annual declaration on behalf of firms, in a similar manner to the current Accountant's Report process. While the ultimate responsibility should rightly remain with the firm, enabling an appointed accountant to complete and file the declaration could improve accuracy and reduce the number of firms inadvertently failing to comply. This option would offer additional assurance, particularly for smaller firms that may benefit from external support.

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**12.**  
**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

We welcome the requirement for Reporting Accountants to submit the report directly to you. As Reporting Accountants for approximately 140 firms, we have a duty of care to ensure our clients' reports have been submitted when qualified and feel this change would be consistent with our current responsibilities.

However, we feel that it is important that liability for non-submission of reports remains with the law firm. We feel that it would be inappropriate to sanction Reporting Accountants for late submission when this may be outside their control.

Where a Reporting Accountant is acting negligently, then it may be appropriate for the SRA to take direct action against them and the SRA would need to consider carefully how to monitor this, given that they do not regulate Reporting Accountants.

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**13.**  
**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

We agree that fixed financial penalties could serve as a meaningful deterrent for firms that fail to comply with the Accounts Rules and the Reporting Accountants' requirements. However, we consider that such penalties should be applied only in cases of deliberate and intentional breaches.

Please also note our comments above in respect of the Reporting Accountant's liability and our comments below in connection with obtaining bank audit letters.

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**14.**  
**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

We welcome the introduction of clearer guidance on the expectations placed upon Reporting Accountants. To provide meaningful clarity, this guidance would need to specify which types of accounts are within scope, the intended frequency associated with the term "routinely," and whether the requirements would apply universally across all law firms.

We feel that it is generally straightforward to obtain bank confirmations for general client accounts, designated deposit accounts, and related higher-interest accounts. However, if confirmations were also required for clients' own accounts, joint accounts or

trust accounts, this could introduce delays and practical challenges.

We recall that delays in receiving bank confirmations in the past frequently contributed to qualified reports and we would therefore require clarity around the SRA's expectations in this regard.

While we acknowledge that bank verifications would provide a clear and reliable measure of client account balances, we note that there will be additional costs that the Reporting Accountant would need to pass on to their client. If the requirement were limited to general client accounts, the cost could be relatively modest but may be higher if other types of account were included.

#### 4. Consultation questions relating to strengthening checks and balances within law firms

**15. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

We generally agree with this proposal. In our experience, this separation is appropriate and proportionate for larger firms, where governance structures tend to be more complex, and the risks associated with lack of segregation of duties are higher.

We also feel that a single individual holding multiple key roles within a firm may find it more difficult to discharge each role efficiently and effectively. Combining management and compliance responsibilities increases operational pressures and can introduce unnecessary risk to the firm, both from a regulatory compliance perspective and in terms of internal oversight. Ensuring that the COLP and COFA roles are held independently from those with unilateral decision-making power supports stronger governance, clearer accountability, and more robust risk management.

Overall, we support the proposal as a measure that aligns with good practice and enhances both transparency and regulatory assurance within larger law firms.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

In our view, this threshold will exclude a significant proportion of single owner practices, which appears consistent with the SRA's intention to identify firms where increased activity, volume of work, and operational complexity may justify enhanced oversight of compliance roles.

We feel that it is important that the SRA is satisfied that it has sufficient oversight over smaller firms that are excluded from the need to separate compliance role holder responsibilities.

Overall, we are supportive of the threshold as a proportionate mechanism for identifying firms where a more structured approach to compliance responsibility is appropriate.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

We support the intention behind the proposal but question whether the proposed £500,000 risk threshold is appropriate. The average house price in London is £559,000-£661,000 and therefore an individual conveyancer could exceed this threshold with just on transaction. Similarly, we act for a sole practitioner who is a private client lawyer, and her client account exceeds £1million with just four ongoing clients. In our experience, the fees for someone to hold the COFA role could be in the region of £5,000, but in the conveyancing example above, the average conveyancing fee in London is less than this. It would force the closure of some of the smaller law firms. We therefore think that, in addition to a threshold for client funds held (which we

believe should be higher than £500,000) there should be another metric involved, such as total open client matters below 10. This would also encourage better internal housekeeping, and act as a deterrent for residual balances.

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

We broadly agree with this proposal but feel it is essential that the COFA has meaningful access to information and a genuine ability to influence decisions affecting financial management and compliance. To fulfil the role effectively, the COFA must be empowered to challenge proposed changes within the business and obtain timely and accurate financial information. Without such authority, the purpose of separating the owner-manager from the COFA role could be undermined.

We also feel it likely that the owners of many very small firms will struggle to find someone within their firm to perform the COFA role and therefore may have no alternative but to outsource the role to a third party. This will result in additional cost for the firm, which may lead to increased fees to clients.

Overall, we support the proposal but emphasise that the effectiveness of this structure depends on ensuring the COFA has sufficient independence, access, and influence to discharge the role properly.

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

We are supportive of the direction of the proposals and the intention to strengthen governance and clarify the responsibilities of the COLP and COFA roles. However, we are unable to meaningfully quantify the financial or time impact at this stage. The effect will vary considerably between firms depending on size, structure, staffing and existing compliance arrangements, and without detailed guidance on the expectations of each role, any estimate would be speculative.

We do, however, encourage the SRA to remain mindful of the pressures on smaller firms. Additional compliance requirements can have a disproportionate impact where resources are limited, and clear, practical guidance will be essential to help firms understand what is expected and assess the impact once more detail is available.

## 5. Equality Impact Assessment

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**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

No comment.

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

No comment.

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

No comment.

# Protecting the client money that solicitors hold in consultation

Response ID:171 Data

## 2. About you

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1.  
**First name(s)**

Michelle

2.  
**Last name**

Garlick

3.  
**Please enter your SRA ID (if applicable)**

155308

6.  
**I am responding..**

on behalf of an organisation

7.  
**On behalf of what type of organisation?**

Law society

8.  
**Please enter the name of the society**

Manchester Law Society

9.  
**How should we publish your response?**

**Please select an option below.**

Publish the response with my/our name

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.  
**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

This response is submitted on behalf of Manchester Law Society ('MLS') members. By way of background, MLS has a membership of c4,600 solicitors and firms ranging from sole practitioners to large law firms. It is one of the Joint V local law societies along with Birmingham, Bristol, Liverpool and Leeds. MLS has an active COLP, COFA and MLRO forum which meets regularly and this consultation has been considered within that forum.

Executive summary

Overall, our members do not object to the proposals set out in the consultation related to the submission of accountants' reports

and the separation of compliance roles. It is recognised that there may be greater impact on the changes for smaller firms but the proposals incorporate certain exemptions for sole owner managed firms and our members agree that the changes are necessary to protect consumers from situations such as Axiom Ince in the future.

Our members agree that all accountants reports should be required to be submitted whether qualified or unqualified. However, what the SRA do with the data will be key to managing the risks/identifying non-compliance. Will the SRA have the resource to properly interrogate the data received?

**11.**  
**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

No objection

**12.**  
**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

No objection although we do question whether this might give reporting accountants an excuse for increasing their fee. The SRA should also consider some potential practical problems if there is a delay in submission by the accountant for reasons outside of the law firm's control. In such circumstances, it would be unfair of the SRA to impose a fixed penalty notice on the law firm (see below) A law firm or individual should only be sanctioned for the actions or omissions for which they are directly responsible, and not for third party (accountants) acts or omissions, which are beyond their control.

**13.**  
**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

We are concerned about this if the non-compliance is outside of the law firm's control. The SRA is seeking to introduce this to avoid casehandlers at the SRA having to exercise discretion and such penalty notices are likely to militate against justice if account is not taken of the circumstances in which infringement may have occurred. It is essential in our view that some discretion is factored in to decision-making in relation to sanctions in circumstances where the failure to submit the report is outside of the law firm's control.

There have also been examples of the SRA inaccurately issuing fixed penalty notices as their data is out of date/due to technology failings. Our members would expect the SRA to ensure that its technology to identify late/no submissions works well before being given the power to issue such penalties.

**14.**  
**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

No objections

#### **4. Consultation questions relating to strengthening checks and balances within law firms**

**15. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

We understand the risk that the SRA is trying to mitigate here. Whether separation in practice will have the desired effect is more debatable given the risk that the person with the power to exercise/direct management decisions will simply appoint individuals they can control.

Whilst many of our members will already have separation of roles, our concern lies with those smaller firms upon whom a greater burden will be placed to find people willing and able to take on the roles and could lead to significant additional expense.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that**

**present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

Any risk thresholds must be evidence-based and proportionate. If the SRA has data to justify the turnover risk threshold of £600k, we would welcome it being shared to better understand the proposal. Currently, it feels too low given the values of housing/conveyancing transactions for example. Ideally the SRA should be applying a more risk-based approach taking into account the risks of specific practice areas for example as opposed to an arbitrary financial limit

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

For the same reasons as above, we have concerns about applying this risk threshold.

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

Again, for similar reasons to the above, we have concerns about this proposal. The SRA's assessment needs to be much more risk-based than just applying an arbitrary figure and we fail to see how the proposal will help to prevent the perceived risk as owner-managers will still have effective control even if the COFA is a third party or employee.

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

It is very difficult for us to help the SRA in quantifying the impact of its proposals in relation to separation of roles. As referred to above, data is essential and the SRA should consider the data it has and ensure that it is being used effectively and proportionately to enable it to focus on higher risk firms.

## 5. Equality Impact Assessment

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**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

No objections but it is clear that the proposals in relation to separation of roles will potentially have an adverse impact on the smaller firms which in turn, given the demographics, could have an adverse effect on BAME solicitors

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

Nothing more to add

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

Nothing more to add

# Protecting the client money that solicitors hold in consultation

Response ID:176 Data

## 2. About you

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1.  
**First name(s)**

Kate

2.  
**Last name**

Davies

3.  
**Please enter your SRA ID (if applicable)**

335648

6.  
**I am responding..**

on behalf of an organisation

7.  
**On behalf of what type of organisation?**

Law firm or other legal services provider

8.  
**Please enter your organisation's SRA ID (if applicable)**

486857

9.  
**Please enter your organisation's name**

Stewarts Law LLP

10.  
**How should we publish your response?**

**Please select an option below.**

Publish the response with my/our name

## 3. Consultation questions relating to strengthening the accountants' reports regime

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11.  
**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

We have no objection. As a firm holding client money, we already undergo an annual accountants' audit. Submission of that

report to the SRA would be a straightforward administrative step and would not present any practical difficulty to us. Accordingly, we do not anticipate any adverse operational or cost impact to firms if the submission process is clear and proportionate. However, the SRA may wish to consider whether requiring submission of all \*unqualified\* reports is proportionate. These typically confirm compliance, so requiring their submission may add additional processing burden on the regulator without corresponding risk insight, potentially diverting supervisory focus from higher-risk firms.

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

We have no objection. As we already instruct reporting accountants annually, a declaration would not present a difficulty to our firm. We consider the proposed dual approach of accountants' direct submission and firms' declaration will retain firm accountability, provide a back-stop where reports are late, missing or not triggered and provide the SRA with more timely, complete and reliable oversight.

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

We have no objection. Direct filing would not present a difficulty for our firm; we operate transparently and we are already subject to regular accountants' reporting. The proposal appears to us to be unlikely to have any adverse impact on other firms with established compliance arrangements. We note that direct filing reinforces the accountant's independent role and may help close the risk of 'silent' non-compliance.

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes. Fixed penalties provide clear incentives for timely compliance and should not present any difficulty for firms with established processes. We do not anticipate any adverse impact, provided penalties are applied proportionately and only for genuine non-compliance.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

We have no objection to the proposal. Routinely seeking bank confirmations is already standard practice for our reporting accountants as accepted basic audit hygiene and so we do not anticipate the proposal would result in any material additional cost or administrative impact. We consider this to be a sensible clarification of existing good practice.

#### **4. Consultation questions relating to strengthening checks and balances within law firms**

**16. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

We agree. In our firm, the COLP and COFA roles are already held separately and specifically are not exercised by the managing partner (or an individual who can unilaterally determine or direct significant management decisions). They are however held at senior management level, reflecting our firm's commitment to these roles being held with appropriate seniority, credibility and experience. As such, the proposal would not have any adverse operational impact on us. More broadly, we consider the proposal to be proportionate and appropriate and likely to strengthen confidence in the effectiveness of law firm compliance by allowing compliance officers to operate with sufficient independence from commercial decision making.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment**

have?

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18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

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19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?

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20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

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## 5. Equality Impact Assessment

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21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

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22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

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23. 3) Do you have any other comments on our draft equalities impact assessment?

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# Further consultation on client money in legal services: Protecting the client money that solicitors hold

A [public consultation](#) issued by Solicitors Regulation Authority, United Kingdom  
Comments from ACCA to the Solicitors Regulation Authority, United Kingdom

20 February 2026

**REF: TECH-CDR-2313**

## **About ACCA:**

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we have long championed inclusion and today proudly support a diverse community of over 257,900 members and 530,100 future members in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators, and other accountancy bodies, we are strengthening and building a profession that drives a sustainable future for all. Find out more at: [www.accaglobal.com](http://www.accaglobal.com).

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## GENERAL COMMENTS

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ACCA welcomes the opportunity to provide feedback on this *“Further consultation on client money in legal services: Protecting the client money that solicitors hold”*.

We understand that the Solicitors Regulation Authority (“SRA”) undertook spot checks across 596 client money-holding firms and the data driven evidence showed that not all obligated client money-holding firms are complying with the requirement to obtain an accountant’s report and that some accountants reports were obtained late. Specifically, of the 596 client money-holding firms surveyed, 25 client money-holding firms that were not exempt had not obtained a report for their last accounting period, and 31 client money-holding firms obtained a report after the six-month deadline. This is a very concerning trend as lack of appropriate scrutiny poses a real risk to client money. ACCA welcome the proposals and commends the SRA for taking action to circumvent this behaviour. While previous relaxations in the regime were appropriate, we consider SRA actions proposed are reasonable and proportionate given the findings.

Having reviewed the proposals a summary of our comments and observations is set out below:

- Considering the non-compliance identified, ACCA support the re-introduction of the requirement for all accountant’s reports (qualified and unqualified) to be submitted to the SRA. Importantly, to be effective the resource implications for the SRA need to be considered. Additionally, standardising key reporting fields may ensure more effective analysis of reports received. The SRA should clarify the SRA’s future plans for unqualified reports. Any extension of scrutiny to unqualified reports, in the future, needs to be weighed up against the inevitable costs.
- We agree with the proposals to introduce mandatory annual declarations from client money-holding firms and as noted in our previous response, [Proportionate regulation: reporting accountant requirements](#), we believe this would focus the attention of the Compliance Officer for Finance and Administration (“COFA”) and client money-holding firm on their responsibilities for the protection of client monies.
- However, the proposed timing of the declarations proposed is unclear. Some suggestions, each timing dependant, include:
  - requiring inclusion of reporting accountant’s details, including auditor registration number; and
  - requiring declarations from the client money-holding firm, confirming all relevant information has been provided to the reporting accountant, acknowledging the

client money-holding firm's responsibility to ensure the Solicitor Accounts Rules have been complied with and confirming compliance.

The auditor registration number could be used by the SRA to conduct eligibility checks by cross checking the details with the [register of statutory auditors](#).

- We disagree with requiring the reporting accountant to submit the accountant's reports to the SRA. The requirement to submit must rest with the client money-holding firm. This however would not preclude the client money-holding firm from retaining an accountant to submit the report, on their behalf, on an agency basis. We therefore believe the current approach of submission by either the client money-holding firm or the accountant, on an agency basis, should be retained, ensuring the enforceability of the requirement remains robust i.e. the client money-holding firm required to submit the report is a client money-holding firm regulated by the SRA.
- However, we suggest, dual notification/dual reporting whereby reporting accountants are required to submit qualified reports the SRA upon reaching their opinion. This approach would be consistent with assurance-regime safeguards, where accountants/auditors may be expected to report directly to the regulator in higher-risk circumstances for example the regime applicable to UK charities whereby matters of [material significance reportable to the UK charity regulators](#). If the SRA proceeds with direct submission, we recommend safeguards (including a mechanism for client money-holding firms to evidence timely instruction/provision of records, and clarity over how penalties will be applied in edge cases).
- We agree with the proposal to impose fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations on client money-holding firms.
- We agree that, where practicable, reporting accountants should obtain bank confirmations as independent evidence supporting completeness of the client account listing and balances reported upon. However, given persistent practical difficulties in obtaining confirmations, the guidance should be explicitly caveated with "where possible".
- Our members continue to highlight that obtaining bank confirmations, particularly for these types of accounts, is increasingly difficult. Alternative approaches the reporting accountant may take should also be included in the guidance. The guidance should also clarify whether, and in what circumstances, failure to obtain a bank confirmation (despite reasonable attempts) or to conduct appropriate alternative procedures is expected to drive a qualification, to support consistency.

- Should the SRA wish to engage with banking regulators to highlight the importance of receipt of timely bank confirmations for these types of accounts, ACCA would be more than happy to assist.
- Further, ACCA would welcome discussion and engagement on any area in this consultation.

## Consultation Questions

### Strengthening the accountants' reports regime

**Q1: Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)? Please set out your reasons and any evidence relating to your answer, including of the impacts the proposal would have.**

#### Comment:

We agree, based on the statistical evidence, with reintroducing the requirement for all accountant's reports (qualified and unqualified) to be submitted to the Solicitors Regulation Authority ("SRA"). We agree this change to submission requirements will provide transparency on whether reports are obtained and why reports are qualified. It would also enable the SRA to identify recurring themes across client money-holding firms and reporting accountants, supporting a more targeted, risk-based supervisory response.

Due consideration needs to be given to the resource implications of implementing this proposal. To be effective the SRA will need to have capacity to both receive reports and conduct appropriate reviews.

We understand the SRA will routinely review accountants' reports qualified on the basis of having identified significant breaches of the Accounts Rules that may pose a risk to client money. Current guidance [Planning for and completing an accountant's report](#) helpfully includes examples of serious and moderate factors that are likely to and those that may give rise to the qualification of accountant's report however, expanded guidance would provide more clarity and encourage consistency when qualifying reports. Consideration should also be given to the quality of the information received. We encourage greater standardisation of reporting fields in the [Accountant's Report Form](#) (e.g., nature of issue, severity/duration, recurrence and remediation status) to improve consistency and enable meaningful trend analysis—similar in principle to structured breach schedules used in other client-asset assurance regimes.

We note that the SRA will consider if sampling of unqualified accountants' reports can provide an understanding of how the regime is operating in practice. We are unclear of the intention in this regard and would highlight that any measures representing further scrutiny by the SRA may have cost implications for client money-holding firms where input from the reporting accountant is required. To maximise value and minimise burden, we recommend the SRA clearly sets out how unqualified reports will be used (including sampling criteria and the likely nature of any follow-up requests). Any changes need to be transparent, proportionate and

minimise additional cost particularly for compliant client money-holding firms where the benefits are likely to be minimal. We would welcome further discussion on this area.

**Q2: Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms? Please set out your reasons and any evidence relating to your answer, including about the impact this proposal would have.**

**Comment:**

Yes, we agree with the proposals to introduce mandatory annual declarations from client money-holding firms confirming either they are exempt from requirements to obtain a report or they have fulfilled their obligation under the Accounts Rules to instruct an accountant. As we noted in our previous response, [Proportionate regulation: reporting accountant requirements](#), declarations would focus the attention of the Compliance Officer for Finance and Administration (“COFA”) and client money-holding firm on their responsibilities for the protection of client monies.

However, we would also like to understand the proposal in relation to timing of these declarations i.e. when would the client money-holding firm need to submit the declarations to the SRA. It is difficult to comment on the appropriateness of content of the declaration without this context. We recommend the SRA clarifies whether the declaration is intended to be (i) an early compliance prompt shortly after period end, or (ii) a confirmation alongside report submission, as the appropriate content and evidential expectations differ

If client money-holding firms are declaring they have fulfilled their obligation under the Accounts Rules to instruct an accountant, ahead of the reporting deadline, we strongly recommend that the SRA requires the inclusion of the details of the reporting accountant including the auditor registration number. In accordance with 12.5 of the [Accounts Rules](#) issued by the SRA reports must be 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”*.

The registered auditor number could be used to cross check with the public [register of statutory auditors](#). Spot checks could also be completed by the SRA whereby the accountant is contacted to verify they have been engaged by the client money-holding firm.

We are aware, that in some limited markets, requirements for accountants to register with regulators exist. For example, the requirement imposed by the Solicitors Account’s Regulations 2023 in Ireland where registration, with the law society of Ireland is a prerequisite for an accountant to become a reporting accountant. Registration requirements are also in place under the Air Travel Organiser’s Licence (“ATOL”) Reporting Accountants’ Scheme whereby the UK Civil Aviation Authority (“CAA”) requires accountants preparing or signing ATOL reports to apply to the relevant professional body to become a member of the ATOL

Reporting Accountants' Scheme. We are not convinced similar solutions would be appropriate in context of the accountants' reports being submitted to the SRA.

As noted in our previous response mentioned above, if this annual declaration was to be independent of the [Accountant's Report Form](#) itself, we would also recommend that there should be a further declaration on the Accountant's Report Form (perhaps in section three), which would be completed by the client money-holding firm, and would include:

- confirmation that all relevant documents concerning the client accounts, including relevant regulator correspondence, have been made available to the reporting accountant.
- confirmation that management accept responsibility for compliance with the SRA Accounts Rules and the SRA Accounts Rules have been complied with in all respects; and
- approval of the contents of sections one and three of the form.

This declaration should be signed by the COFA, on behalf of the client money-holding firm, before the reporting accountant signs the relevant section of the form. We suggest aligning this declaration to recognised assurance practice by explicitly confirming management responsibility for compliance and confirming that all relevant information (including relevant regulator correspondence) has been provided recognising that such representations support, but do not replace, other evidence. Obtaining the above declarations from the client-money holding firm will be important to support the declarations required of the reporting accountants.

**Q3: Do you agree with our proposal that reporting accountants should submit their reports directly to us? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

**Comment:**

The existing rules state the accountant's report may be submitted by the client money-holding firm or the reporting accountant. Under proposals reporting accountants should submit their report directly to the SRA as well as the Compliance Officer for Finance and Administration ("COFA") at the relevant client money-holding firm. Additionally, client money-holding firms will remain accountable for making sure a report is obtained and submitted on time, in line with the Accounts Rules.

While it is important that client money-holding firms remain accountable as described, requiring the reporting accountant to submit the accountants' report is incongruous with

applying the proposed fixed financial penalties, for failures to comply with procedural and administrative requirements relating to the submission of reports, to the client money-holding firm. This proposed change would seem out of step with other regulatory obligations. For example, companies are required to prepare and file financial statements under company law. While in many cases a third-party accountant may prepare the financial statements, on an agency basis, the legal responsibility to prepare, submit and pay late filing fees rests with the company and its directors.

In addition, as accountants are not regulated by the SRA we would question the enforceability of this approach. We also foresee that this separation has the potential to lead to disputes where a reporting accountant submits the accountant's report late and a fixed financial penalty is incurred by the client money-holding firm. A pragmatic approach might be to require the client money-holding firm to submit the accountant's report within the required timeline with a later deadline for the accountant to respond and agree or disagree with the submission or note they have not yet formed an opinion.

ACCA reiterate the critical importance of reinforcing the accountant's independence in assessing the client money-holding firm's compliance with the Accounts Rules. ACCA would remind the SRA of the regulatory regime applied to charities, and particularly the matters of material significance reportable to the UK charity regulators. The regime requires timely reporting of [matters of material significance to the charity's regulators](#). Those matters include reporting to the charity regulators "on signing or making a modified audit opinion, an audit opinion with an emphasis of matter or material uncertainty regarding going concern" and "on signing or making an independent examination report where the regulator's guidance identifies there is a duty to report". Importantly, such a process circumvents the non-submission of a report by a charity where the auditor has communicated an adverse finding. The SRA may wish to consider benefits from implementing a similar regime.

ACCA consider that a similar process would be beneficial in relation to accountants' reports to safeguard against a failure, by a client money-holding firm, to deliver a 'qualified' report to the SRA. ACCA proposes that the reporting accountant should also submit a copy of the report where it is 'qualified'. ACCA considers that dual reporting would neither be disproportionately burdensome for accountants nor for the SRA, while offering certainty that qualified accountants' reports are being submitted to the SRA. This approach is consistent with assurance-regime safeguards where accountants/auditors may be expected to report directly to the regulator in higher-risk circumstances, particularly where the client money-holding firm does not report promptly.

If the SRA proceeds with mandatory direct submission for all reports, we recommend safeguards to maintain clear accountability and fairness, including: (i) a mechanism for client money-holding firms to evidence timely instruction and timely provision of records; and (ii) clear guidance on how fixed penalties will be applied where late submission arises from factors outside the reporting accountant's control.

**Q4: Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

**Comment:**

Yes, we agree with this proposal which helpfully includes giving client money-holding firms a period in which to make representations and bring themselves into compliance by rectifying the breach before the monetary penalty is issued. However, we would highlight that we believe it is important for the client money-holding firm to retain the responsibility for submission of the accountant's report to the SRA – see response to question 3.

**Q5. What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

**Comment:**

ACCA agrees that ideally reporting accountants should obtain bank confirmations to support the completeness of the listing of client money accounts and the client money account balances reported upon. However, it is important to highlight the practical challenges with obtaining them, particularly for these types of accounts, as we continue to hear from our members that it is increasingly difficult.

Therefore, when setting this as an expectation in the guidance it will be important that it is appropriately caveated with "where possible". Guidance should also be included to note the alternative procedures that could be performed where bank confirmations are not received. Appropriate alternative procedures might include, obtaining bank statements directly, testing period-end reconciliations and reconciling items, verifying account designation, and obtaining evidence that relevant client bank acknowledgement arrangements are in place (similar to procedures performed in client-asset assurance engagements). By setting an expectation that alternative procedures may be performed this may also limit unnecessary qualification of

accountant's reports where the reporting accountant has been unable to obtain bank confirmations.

Additionally, clarity is needed as to whether, or in what circumstances, failure to obtain bank confirmations or conduct appropriate alternative procedures would give rise to a significant breach of the Accounts Rules i.e. require an accountant's report to be qualified. This will help to achieve consistency and ensure the impact of the update to the guidance operates as intended. Should the SRA wish to make representations to the banking regulator to highlight the importance of timely receipt of bank confirmations, for client money accounts held by solicitors, ACCA would be happy support any such efforts.



**BIRMINGHAM LAW SOCIETY**  
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**Response to SRA Further Consultation on Client Money  
in Legal Services: Protecting the Client Money that  
Solicitors Hold**

**20 February 2026**

## **Response of the Professional Regulation Committee of the Birmingham Law Society to SRA Further Consultation on Client Money in Legal Services: Protecting the Client Money that Solicitors Hold.**

This response has been prepared by the Professional Regulation Committee of the Birmingham Law Society. The Society is the largest local law society with some 9,000 members from all branches of the legal profession and practising in all aspects of law. The response represents the collective views of the Professional Regulation Committee whose members include specialists practising in all aspects of professional regulation and compliance for the legal profession.

### **Strengthening the accountants' report regime**

1. Do you agree with our proposal to better assure compliance with the accountants' report regime by requiring the submission of all accountants' reports (qualified and unqualified)?

#### **Answer**

We agree with this proposal. There is a responsibility on the SRA to use this information in these reports to protect client money. There must be an analysis of the data in these reports and reference to other data held by the regulator.

We consider that the current system of submitting accountants' reports is inefficient. We propose that the system is moved to an online system with data fields. This should enable the regulator to more easily analyse the data from these reports.

2. Do you agree with our proposal for introducing mandatory annual declarations from client money holding firms?

#### **Answer**

We do not agree with this proposal.

We think that a more proportionate approach is to seek a declaration from any firm that asserts that it is not required to provide an accountants' report. Such firms should be required to provide evidence to support such a declaration. We envisage that this will be a relatively small number of firms and that the SRA will have sufficient resource to analyse these declarations.

3. Do you agree with our proposal that reporting accountants should submit their reports directly to us?

**Answer**

We agree with this proposal subject to certain caveats.

We consider that the regulatory responsibility for ensuring that the accountants' report has been submitted to the SRA remains with the authorised body. Therefore, where an accountant submits a report on behalf of the authorised body then an acknowledgement (or receipt) must be sent to the authorised body confirming that their obligation has been satisfied.

We also think that reporting accountants must be required to present their findings to the authorised body prior to submission to the SRA. This will give the authorised body the opportunity to check the report and correct any errors or misunderstandings before submission.

4. Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

**Answer**

We do not agree with this proposal.

The appropriate course of action where a firm has failed to submit an accountants' report is to undertake an inspection of the books of account to ensure the proper protection of client money. The failure to submit an accountant's report should be regarded as a "red flag" by the SRA as it is often an indication of issues within the finance and accounting function of the firm.

The SRA already has the power to impose restrictions on the practising certificates of solicitors and this tool should be used where firms fail to meet their regulatory obligations.

5. What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?

**Answer**

We agree with this proposal.

We do not think it is possible for a reporting accountant to properly discharge their important role in protecting client money without obtaining this crucial documentary evidence setting out the details of accounts held by the authorised body with the bank.

**Strengthening checks and balances within law firms**

1. Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms and that operate above the annual turnover threshold and/or the maximum client money threshold, should be prevented from holding the firm's COLP and COFA roles?

**Answer**

We do not agree with this proposal.

We think that this proposal is heavy handed and disproportionate to the risks involved. We consider that a more proportionate response is for authorised bodies to be left to determine their own governance arrangements as they are required to do at present. Paragraph 2.1 of the Code of Conduct for Firms requires authorised bodies to have effective governance arrangements. Authorised bodies must be able to justify those arrangements to the regulator as part of their authorisation process and on an ongoing basis.

We support the aim of preventing excessive concentration of power within authorised bodies and accept that additional risk is presented when an

individual who truly exercises unilateral control also holds the COLP or COFA role.

We consider that the proposed draft rule amendments go further than the construct of 'unilateral control'. The proposed changes to the Authorisation of Firms Rules provide that an individual cannot be designated as the COLP or COFA if the individual has the authority to 'determine or direct significant management decisions' relating to the structure or operation of the authorised body.

We consider that this is materially broader than 'unilateral control' and risks capturing senior operational roles whose decision-making is properly subject to effective governance or board-level oversight, depending on the size and structure of the firm.

We think that the SRA should consider recognising alternative, effective safeguards that an authorised body could adopt such as:

- a deputy COLP/COFA with meaningful authority;
- a risk or compliance board with independent oversight of the actions of compliance officers and senior management;
- structured board-level governance that demonstrably prevents unilateral action.

These measures will be dependent on the size and structure of the authorised body. Recognising such mechanisms would allow the SRA to achieve its objective of preventing unchecked concentration of power, without unnecessarily excluding competent, senior professionals from holding these key compliance roles, or requiring avoidable restructuring in authorised bodies where strong governance already prevents unilateral action.

We note that the existing approval process for COLPs and COFAs already requires role-holders to demonstrate their suitability and provides the SRA with an opportunity to explore whether any factors may inhibit an individual from discharging the role. There is no evidence to show that this existing safeguard is not effective.

The issues in relation to those in compliance roles feeling undervalued can be addressed as part of the authorisation process. Authorised bodies must demonstrate to the regulator that the office holder has the backing of the owners of the business.

We agree that there is a strong case for undertaking a more fundamental review of the compliance regime for authorised bodies at a future point. However, we would caution the SRA against imposing these onerous requirements on the majority of the profession because of its failure to recognise the concentration of unilateral power in its oversight of one firm, namely Axiom Ince. A more nuanced approach is essential as shown in our comments above.

We have addressed the issue of financial thresholds in Q2 and Q3.

2. Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

**Answer**

We do not agree with this proposal.

The proposal is based on a notion that an authorised body with a greater level of turnover is more likely to present a heightened risk of harm. The SRA has not produced any evidence to support this notion. The Code of Conduct for Firms already provides that an authorised body must have in place effective governance structures, arrangements, systems and controls. It follows that these measures will vary depending on the size and structure of the authorised body.

We consider that the SRA should properly enforce the existing rules using the data available to the regulator. We do not think that an arbitrary turnover threshold is an appropriate method of determining the measures firms

should have in place. Any such threshold is likely to require amendment in response to economic conditions.

We consider that the SRA must provide justification for this turnover threshold.

We consider that for authorised bodies with more than one manager or owner, it is the responsibility of each firm to record its governance structures and to be able to justify these to the regulator. We consider that it is important that compliance roles are occupied by people with expertise and knowledge who are accountable to the owners of the business.

In respect of the proposals for sole owner-manager firms, we are concerned that these will have a significant impact on sole practitioners. Sole owner-manager firms that exceed the turnover threshold by a small margin are unlikely to be able to afford to employ someone to undertake the COLP and COFA roles. We consider that the proper application of the current rules is sufficient to manage the risks posed by authorised bodies of all shapes and sizes.

3. Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

**Answer**

We do not agree with this proposal.

We are concerned that this proposal may create a North/South divide for small firms that deal with conveyancing matters. Due to the disparity in property prices, almost all firms that provide conveyancing in the south of England will be captured by this arbitrary threshold whilst firms in the north may fall below it.

We are also concerned that the proposals will have a significant impact on sole owner-manager firms. Most authorised bodies of this type are small

firms and they are unlikely to be able to afford to employ someone to undertake the COFA role.

A sole-owner managed firm that undertakes conveyancing work (especially in the south of England) is likely to exceed the client money balance threshold irrespective of the turnover or profitability of the practice.

4. Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from the COFA role but could retain the position of COLP?

**Answer**

We do not agree with this proposal.

As mentioned in the response to question 3 above, we consider that the proposal unfairly applies to sole-owner manager businesses in the south of England that undertake conveyancing activities. Such practices may not be able to afford to employ a COFA to meet the requirements of this proposal.

5. We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

**Answer**

We consider that the SRA should draw primarily on evidence from its own data. In particular, the SRA should look at information obtained for the purposes of authorisation and compare this to investigation outcomes. The SRA should identify examples where the proposed separation of roles would have demonstrably altered the outcome.

It is important to note that whilst the consultation cites cases where concentration of roles contributed to detriment, it does not explain how role separation would have prevented the detriment.

In circumstances where an individual has ultimate control of a firm, and can unilaterally determine or direct significant management decisions, it is unclear whether the regulatory environment would enable any COLP or COFA (however independent) to challenge such decisions effectively. The appointment of a nominal COLP or COFA, without sufficient access to information or real influence, could expose that individual to regulatory personal risk without improving consumer protection. This outcome appears more likely in firms where leadership culture, rather than role structure, is the underlying driver of risk.

The proposed thresholds will capture a large and diverse population of firms, including those with limited senior leadership capacity. Sole-owner manager firms that exceed the thresholds will be forced to employ (whether directly or on a sub-contracting basis) individuals to carry out the roles that they are prevented from undertaking. No analysis has yet been provided on the cost implications of creating these additional senior roles, which are likely to attract substantial salary and recruitment costs.

The SRA's own thematic review shows that compliance roles are already held by long-serving senior individuals and that the pool of suitable candidates is inherently limited, particularly for the COFA role where financial expertise is essential.

Quantifying the impact of the proposals therefore requires both financial modelling and governance-based evidence drawn from a representative set of authorised bodies. This should include examining how separation would affect operational interdependence between COLPs/COFAs and the functions they oversee, as well as assessing the feasibility of finding individuals with appropriate seniority and influence. The review itself highlights that many compliance officers already lack sufficient time, support, and resources, and that additional fragmentation of responsibility may further impair effectiveness.

If the proposals are implemented, we recommend that the SRA should monitor how the changes are affecting firms to ensure that they are working as intended and not creating unintended outcomes. We anticipate that this would provide an evidence-based understanding of the ongoing impact on

costs, governance, recruitment, and the ability of firms to maintain effective compliance structures. We consider that the proposals may create a market for people to take on the COFA role who do not have the necessary independence (or expertise) and are amenable to the directions of a sole-owner manager whose commitment to the SRA Principles is less than that required.

We understand that the reason why these proposals have been made is as a consequence of large-scale frauds such as Axiom Ince. The Carson McDowell report was critical of the SRA's failings that enabled the events at Axiom Ince to take place. We think that the SRA must demonstrate to the profession that it has put its own house in order before imposing further regulatory burdens on the profession.

### **Equality Impact Assessment**

1. Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

#### **Answer**

We do not consider that the proposals in respect of the accountants' report regime will have a disproportionate impact on those with protected characteristics.

In respect of checks and balances, we agree with the assessment that the proposals will have a disproportionate impact on groups with certain protected characteristics if implemented. The proposals will have a significant impact on smaller firms and the Equality Impact Assessment acknowledges that solicitors with certain protected characteristics are over represented in small and sole practitioner firms.

2. Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

**Answer**

No comment.

3. Do you have any other comments on our draft equalities impact assessment?

**Answer**

No comment.

**Closes: 20<sup>th</sup> February 2026**

## **BlueSky Legal Finance & Management Solutions Ltd**

### **Part One**

Q1: Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)? Please set out your reasons and any evidence relating to your answer, including of the impacts the proposal would have.

**Yes, as this would be the most robust approach to a key part of the protection of client money. It may also increase your visibility of law firms that might have poor governance if the accountants reports are consistently filed late.**

Q2: Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms? Please set out your reasons and any evidence relating to your answer, including about the impact this proposal would have.

**The practising certificate (PC) renewal process already captures a question on client money; the highest, the average etc. If the proposed questions could be built into the PC process to avoid it being a standalone process, then we see the value of information being gained would outweigh the effort for the law firm in asking a few extra questions. We feel this would also prompt the law firm to take a moment to accurately consider their position.**

**We wondered if there would be further value to simply inputting the client bank reconciliation figure each month (so a firm doesn't have to calculate the highest/average etc)? The software could produce a result to say that you are in need of an accountants report (or you are exempt).**

**We often see new law firms falling foul of the rules because they haven't been monitoring their exemption well enough, or they simply didn't realise they needed an accountants report once they pass a certain threshold (for non-legal aid firms).**

Q3: Do you agree with our proposal that reporting accountants should submit their reports directly to us? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

**We are strongly opposed to this. Different opinions do arise between law firms and reporting accountants for a variety of reasons. The law firm being responsible for submitting the accountants report provides them with an opportunity to enclose a covering letter with a relevant explanation of any disagreement.**

**We are also concerned that this extra 'responsibility' would provide the reporting accountant with yet another opportunity to increase their charges.**

**We feel the implementation for all accountant's reports (qualified or not) to be submitted and/or a declaration would be proportionate for the problems you are trying to resolve.**

Q4: Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

**Yes, we think it could be a reasonable deterrent for law firms who are prolific offenders and don't take their responsibilities seriously enough.**

Q5. What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

**We don't see this being an effective tool to spot client money held outside of a client account or client money misappropriated.**

- **An accountant tends to rely on the information provided to them by the law firm.**
- **If you didn't realise a bank account was a client account then you simply would omit the bank account details from the list you gave to the reporting accountant.**
- **If you were looking to hid client money that you had misappropriated then you simply wouldn't give them the bank details of that account at all.**
- **Historically law firms and their partners often held all their money with one bank, this is often not the case anymore.**

**A three way bank reconciliation should have all client bank account statements attached to them so if the reporting accountant needed to check if the word 'client' was in the name and in full, for accounts disclosed, then this is where the check would take place. As indicated above, if the law firm doesn't realise they have a client account then this would not be included within the three-way reconciliation nor in any list given to the reporting accountant.**

**In order for this check to be of any value, there would need to be a central way of scanning all bank accounts across all financial institutions that may have been set up by the law firm or solicitors within the law firm. It should also be noted that the majority of financial institutions charge for this service and it is often per bank account, dormant or not.**

**Part Two**

Q1: Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

**No, we don't think it should be; firms should be accountable for their own risk and decisions. We feel there should be greater focus on the overall governance of the firm and not just separating the role holder's.**

**We have seen more firms combine the role successfully than we have law firms who have successfully separated them. The COFA role is all too often held by someone who lacks sufficient experience, autonomy, knowledge and seniority. In practice it is not easy to find someone proficient enough to fulfil the COFA role diligently. Making this mandatory is more likely to exacerbate this gap unless there is a stand alone qualification or assessment.**

**Instead, we would welcome law firms, perhaps over a certain size, to have Deputy role holders who could be used as a second check on the decision of the role holder.**

Q2: Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

**We feel this would be a difficult question to answer without knowing more detailed statistics behind the size of law firms who have posed the greatest risk to client money.**

**We feel there is likely to be more than one metric needed to evaluate such risk and turnover is perhaps not the strongest metric to use in our experience.**

Q3: Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

**Again, we feel this would be a difficult question to answer without knowing more detailed statistics. However, if we were to provide an initial view we would suggest that the figure ought to be aligned with the exemption maximum threshold of £250,000.**

Q4: Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

**We have no views on this at this stage**

Q5: We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this? Please set out your reasons and any evidence relating to your answer.

**We have no views on this at this stage**

**Further Consultation on Client Money in Legal Services: Protecting the Client Money that Solicitors Hold**

**A response by the City of London Law Society (CLLS)**

**Introduction**

The CLLS represents City lawyers through individual and corporate membership, including some of the largest international law firms in the world. The CLLS represents over 21,000 solicitors who are members of the profession in the City of London. They represent 12% of all practising solicitors. The CLLS responds to a variety of consultations on issues of importance to its members through its specialist committees. This response has been prepared by the CLLS Professional Rules and Regulation Committee.

**Strengthening the accountants' reporting regime**

1. Observations on your proposals

We are supportive of the proposals to strengthen the accountants' reporting regime. It is eminently sensible that the SRA should receive all accountants' reports, qualified and unqualified, and have certainty that all non-exempt firms are compliant with the requirements of SRA Accounts Rule 12. We do not believe this will impose any significant additional burden on previously compliant non-exempt firms.

We are in principle supportive of the proposal to introduce a mandatory annual declaration process but have reservations about some of the detail, and query how effective this will be in preventing non-compliance or identifying deliberate wrongdoing. Our comments in this regard are set out in response to your question 2.

2. Our responses to your questions:

**2.1. Q1: Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)? Please set out your reasons and any evidence relating to your answer, including of the impacts the proposal would have.**

We agree with your proposal. The historic decision not to receive all accountants report was an error and clearly left a lacuna allowing non-compliance to go undetected. Such as we understand it, the decision was in part a response to the SRA's inability to manage the volume of reports received, a problem which can potentially now be solved by the judicious use of technology.

**2.2. Q2: Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms? Please set out your reasons and any evidence relating to your answer, including about the impact this proposal would have.**

We agree with your proposal in principle but have reservations about its effectiveness in the form proposed in consultation.

For those who declare that "they have fulfilled their obligations under the accounts rules to instruct an accountant" the SRA will subsequently obtain a copy of that firm's accountants report which can be matched to and evidences the veracity of the declaration received.

For those firm's which declare that "they consider themselves exempt from the requirement to obtain an accountants report and the reason why", the SRA is entirely reliant on the declaration and will never receive any corroborating evidence. Whilst the vast majority of respondent firm's and will make this declaration conscientiously and honestly, those who are not compliant or for whatever reason are determined to evade regulatory scrutiny may have no qualms about making a false declaration.

We would strongly suggest that the proposal be supplemented with a requirement that firms who make the declaration of exemption must submit independent evidence to support this. Possibly this evidence could be in the form of bank statements or a letter from the firm's bank, although these can very easily be manipulated by determined wrongdoers as they were in the case of Axiom Ince. A letter of confirmation from the firm's external accountant would deliver better assurance. This would involve some additional cost for exempt firms but, given the very limited scope of the matters requiring confirmation, this should not be disproportionate to the very significant risk it will address.

**2.3. Q3: Do you agree with our proposal that reporting accountants should submit their reports directly to us? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

We agree with your proposal, which clearly depends on your obtaining the agreement of the accountant's professional bodies.

**2.4. Q4: Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

We agree with this in principle where the error or omission which resulted in the late submission of the accountants' report and/or declaration is clearly the fault of the firm involved.

This is where your proposal to separate responsibility and accountability for submission of the report, which remains with the firm, from the actual task of submitting it which you propose should pass to the reporting accountant, may produce an inequitable outcome. Action against firms for late submission and the application of fines must surely be mitigated where the firm can show it had reasonable grounds to believe that the report had been submitted by its accountant, and/or where it could show it exercised best endeavours to ensure it was submitted on time.

**2.5. Q5. What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

We agree with this proposal.

Whilst the UK ISA 330 and ISA 505 do not make obtaining bank confirmations mandatory, they do require auditors to consider them in connection with bank balances emphasising the fact that independent, third-party verification from the bank provides strong and reliable evidence to address the risk of misstatement. In our members' experience reporting accountants do routinely seek bank confirmation of client account balances, which is a proportionate response to the high risk they present. We see no issue in this being mandated in the rules.

## **Strengthening checks and balances within law firms**

### **3. Our responses to your questions:**

**3.1. Q1: Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

We do not agree with the proposal to prevent individuals who can unilaterally determine or direct significant management decisions in larger firms from holding the COLP and COFA roles. While the objective of strengthening checks and balances is important, a blanket exclusion risks undermining the effectiveness of compliance oversight by separating these roles from the authority, visibility, and seniority necessary to discharge them properly. Our strong view is that, without seniority and awareness of firm strategy at a board level, COLPs lack the authority to embed compliance and challenge governance effectively.

Evidence from the SRA's thematic review shows that firms typically appoint individuals of seniority as compliance officers. This seniority supports necessary influence, access to information, and the ability to challenge, all of which are essential to the roles. Removing senior decision-makers from compliance roles risks depriving the COLP/COFA of the level of strategic visibility needed to detect and manage risk early and to influence firm decisions. The result would be the opposite to that intended – compliance with regulatory requirements risks becoming a tick box exercise undervalued by those who set the direction of the business. Effective COLPs require board-level visibility and influence; removing those with authority and clout can eliminate the check and balance where it is most needed. Our concern is that this proposal is a one-size-fits-all response to isolated failures by bad actors (e.g. Axiom Ince) rather than a calibrated, risk-based measure that targets the underlying supervisory gaps.

The consultation has not defined what constitutes a “significant management decision” (proposed Rule 8.4(b)). This creates material uncertainty and the risk of inadvertent disqualification of suitably senior and effective role-holders. Clarity is essential to avoid arbitrary application and to preserve accountability in governance structures. If a COLP sits on the management board or equivalent, are they arguably determining management decisions albeit as part of a collective? In any event a COLP who is in charge of the risk function is likely to take significant management decisions such as setting policies for onboarding.

The thematic review identifies systemic issues that this exclusion does not actually address – such as over-reliance on single individuals, lack of deputies, time constraints, and uneven understanding of obligations. Strengthening systems, risk-based controls, training, and resourcing would more directly address these risks, including requiring deputy officers, mandating documented escalation pathways, enhancing training usage, and reinforcing record-keeping and reporting. These measures align with the SRA's own findings and would improve effectiveness without unnecessarily diluting the authority of the COLP/COFA. Where the thematic review shows a lack of understanding of the role, this would appear to highlight the inadequacies of guidance and resources provided rather than demonstrating that the wrong people are in the roles.

If the proposals go into effect, larger firms, which already have mature governance structures, will be forced to appoint compliance officers without sufficient seniority or board access, impairing their ability to identify emerging risks and influence outcomes. Compliance may become more administrative and less strategic. There will also be recruitment and cost pressures, as noted by respondents and by the SRA's review, with potential fragmentation of responsibility and a reduction in clear accountability.

Finally, it may be unintended, but the proposed Rule 13.7 would appear to have the effect of automatically ceasing a COLP or COFA's designation as such if they were to breach proposed Rule 8.4(b), even in a one-off situation. This would have the effect of putting the firm into breach of its authorisation status, potentially unknowingly.

**3.2. Q2: Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders?**

***If not, what alternative threshold would you suggest and what impact would the adjustment have?***

We do not agree that a single turnover threshold of above £600,000 is an adequate or proportionate measure for identifying firms that present a heightened risk of harm due to size. Turnover is not necessarily an indicator of risk – it varies by practice mix, business model, and the extent to which client money is held. A blunt threshold risks capturing firms whose inherent risk is low or well managed while missing others whose risk profile is high despite lower turnover.

The consultation's other proposals recognise the centrality of systems and controls, training, reporting discipline, and resourcing; thematic evidence points to weaknesses across a spectrum of firms and not exclusively at specific turnover levels. A blanket threshold may impose costs on firms whose risk profile does not justify the burden, for example by forcing smaller firms with limited suitable candidates for the COLP and COFA roles, to outsource those roles, increasing costs and moving risk management to individuals less familiar with the firm and its clients. A one size fits all approach may also divert resources from effective internal controls. On the other hand, some firms below £600,000 with complex or high-risk client-money profiles may evade needed scrutiny. A more nuanced, evidence-based assessment would be better.

**3.3. *Q3: Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?***

We broadly agree that client-money exposure is a material driver of risk, not least due to the increasing cyber security risks, and relates closely to the policy objective of protecting client funds. However, our belief is that CLLS firms have well developed checks and balances in place to manage traditional risks to client money risks as well as sophisticated measures to mitigate cyber security risks.

Setting a threshold for all firms held at “any point in time” risks capturing firms where usual exposure is low and risks are low, for example, where there has been a recent single large completion, and may impose disproportionate requirements and over-regulation on lower risk firms.

**3.4. *Q4: Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.***

We have concerns about the practicality of this proposal. Whilst we support the permitted COLP role holder element, and understand that it is intended to ensure that the highest risk to consumers (ie the treatment of client money) is addressed without eliminating the governance benefits of senior visibility and accountability for broader compliance, in our view it raises questions about the responsibility of, and liability on, third parties to whom the COFA role is outsourced. We have the same concerns around outsourcing the COFA role as set out at paragraph 3.2 above. Does this amount in practice to an additional external auditor, rather than a genuinely entrenched COFA? Firms who are caught by this should be provided with significant additional support on how to access, and best use, third party compliance services.

**3.5. *Q5: We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this? Please set out your reasons and any evidence relating to your answer.***

- Replicate the measurables from the thematic review for follow up – this will demonstrate whether separating the roles directly affects the concerns identified.
- Interview board members and COLPs to attempt to quantify impact of loss of top table oversight

**Further consultation on client money in legal services: Protecting the client money that solicitors hold. – Closing Date 20<sup>th</sup> February**

**1. ACCOUNTANT'S REPORT REGIME**

*Q1 Do you agree with our proposal to better assure compliance with the accountant's reports regime by requiring the submission of all accountant's reports (qualified and unqualified)?*

- In principle, the submission of all reports would not seem to be problematic and would enable monitoring of overall compliance with the requirement to obtain the necessary report.

Concerns would be how the data is used by the SRA; would minor breaches become major breaches, and how would the cost to the SRA of considering / reviewing unqualified reports be met?

*Q2 Do you agree with our proposal for introducing mandatory annual declarations from client money holding firms?*

- **Exemptions**

If retained, the provision of a declaration as to use of exemption would appear wholly appropriate.

- **Declarations from all firms** - why would this be necessary? A firm must either submit its accountant's report or a declaration confirming exemption.

A check against a firm would then show one or the other; why would a declaration be needed from a firm submitting its accountant's report? It adds a layer of further bureaucracy with associated cost for both firms and the SRA, as presumably if requiring such a declaration the SRA would wish to have a further system for checking their filling?

*Q3 Do you agree with our proposal that reporting accounts should submit their reports directly to us.*

- **Declarations by reporting accountants**

It is the firm's responsibility to comply with its regulatory obligations, and it would seem logical for the firm to submit its own report, particularly if it is the firm who is to be held accountable for this by the SRA (as stated within the consultation).

If the SRA seek to enforce filing by the accountants there needs to be a degree of accountability attached to this for the accountants e.g. by having a panel of accountants approved by the SRA for the preparation of solicitors' reports and a failure to comply and file a report for a firm being something that would lead to exclusion from the approved

panel. However, the imposition of such additional requirements on accountants would risk:

- o Further reducing the number of accountants willing to undertake this work / provide such reports
- o Increase the cost for firms in obtaining the report as extra work and responsibility for the accountants (and potentially price rises on a basic supply and demand basis if the number of available / willing / approved accountants were to fall).
- o Creating a whole further issue for firms should their accountants not comply, and they (the firm) then be held accountable by the SRA; in short a situation akin to asking a firm to give an undertaking in respect of a matter over which it has no control.

*Q4 Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations*

- No, in the absence of evidence to support the need for this e.g. evidence of non-compliance what is the justification for the introduction of fixed penalties?

If a review of compliance with new rules once introduced and embedded indicates non-compliance then the need for financial penalties could be reviewed.

In the interim it is respectfully submitted that energy and resources would be better directed to educating about the changes, supporting implementation and evaluating the usefulness of the information being received by the SRA ahead of seeking to implement fines for a regime that is new and untested, in terms of both actual benefit and practicality.

*Q5 What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmation to verify the list of client accounts*

- The expectation must be that accountants providing the relevant report do so in a professional and appropriate manner; so like when undertaking AML checks there are occasions where additional and much more intensive investigation is required to satisfy the process, and it would be anticipated that that accountants would undertake additional steps in verifying all client accounts where it was considered necessary to the provision of a full and complete report. Does the SRA have evidence to suggest a significant problem in this regard, and specifically in terms of failures to be familiar with or have knowledge of the accounts used by a firm? If the SRA is questioning the ability of some accountants to undertake the preparation of the required report in a safe and appropriate manner, then this is a different issue that needs to be considered. In the absence of this, adding arguably unnecessary steps to the process will only increase costs for firms.

## **2. STRENGTHENING THE CHECKS AND BALANCES PROVIDED BY COMPLIANCE OFFICERS.**

*Q1: Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner – manager firms, and that operate above the annual turnover threshold and /or the maximum client money balance threshold, should be prevented from holding the firms' COLP and COFA roles?*

In short no, the proposal appears to:

- Fail to consider that there are many firms operating above the annual turnover threshold and / or the maximum client money balance threshold that remain small organisations with a limited number of owner – managers.
- Fail to consider that many smaller firms do not have the resources to pay the salary that would be required for a sufficiently qualified and senior employee to a) take on the COLP and / or COFA role with the associated personal liabilities, and b) have the operational capacity to lose out on a significant element of that (costly) employee's fee earning capacity.
- Assume a degree of dishonesty in those the SRA has approved as owner-managers that must be concerning in terms of the SRA's own enquiries, and that also fails to consider that the vast majority of owner-managers are alive to their responsibilities in respect of client money, and indeed compliance issues generally; with full awareness that if things go wrong 'the buck stops with them', whether through ultimate sanction by the SRA or the reputational damage to their business of any hint of wrong doing.
- Fail to understand organisational relationships; where the level of 'power' the proposal seeks to manage is in play with ill intent, does the SRA believe that a 'subordinate' in the role of COFA will be in a position to effectively influence behaviour?
- Fail to acknowledge that solicitors (and indeed others working in regulated firms) can and should 'whistleblow' in respect of concerns relating to the management of client money and will do so.

*Q2: Do you agree with our proposed risk threshold of a firm having a turnover of about £600 000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders.*

While accepting the disproportionate impact on the smallest firms of inclusion (noting that harm to their clients and to the reputation of the profession by wrongdoing within this sector is still a real risk) as indicated in the response above, the proposal will also impact firms with a significantly larger turnover.

The more significant issue may be areas of work undertaken, the client account balance, and observations/evidence of the firm's management.

*Q3: Do you agree with our proposed risk threshold of a firm having held a client money balance of £500 000) or above in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?*

This is an arbitrary sum: Please see response at 1 above in terms of observations generally to the proposal.

Further, should any exemption below this sum not be based on a declaration to support it? As per our response to the consultation in respect of the Accountant's Report Regime.

*Q4: Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?*

With reference to the response above at Q1, is this practical?

*Q5: We are interested in your views on quantifying the impact of our proposals on the separation of roles, What evidence sources do you think would help with this?*

Respectfully we would refer you to the SRA report of 11 December 2025: **Compliance officers: A thematic review** .



# **ILFM Member Response to the SRA Further Consultation on client money in legal services: Protecting the client money that solicitors hold.**

**(Based on anonymised data, derived exclusively from the data collected from respondents)**

## **Introduction**

The **Institute of Legal Finance & Management (ILFM)** and **iCOFA – The COFA Institute** welcomes the opportunity to respond to the Solicitors Regulation Authority’s consultation on client money in legal services.

ILFM is the leading education and professional membership body for legal finance, compliance and practice management professionals across England, Wales and Northern Ireland. Our members include COFAs, COLPs, legal cashiers, accounts managers, practice managers, finance directors, partners and sole practitioners, many of whom hold direct responsibility for compliance with the Solicitors Accounts Rules and the day-to-day safeguarding of client money.

Through recognised professional qualifications, training, regulatory guidance and peer support, ILFM promotes high standards of competence, governance and ethical practice in the handling of client money. Protecting client funds and maintaining public confidence in legal services sit at the core of our public interest mission.

ILFM enjoys a constructive and long-standing working relationship with legal sector regulators, while remaining fully independent in our activities and advice. The views set out in this response reflect consolidated and anonymised feedback from ILFM members, drawing on practical experience across firms of varying size, structure and practice area.

Overall, members support the SRA’s objective of strengthening assurance, transparency and public confidence in the handling of client money. However, there is strong and consistent feedback that certain proposals—particularly those relating to risk thresholds

and role separation—risk disproportionate impact on smaller and sole owner manager firms unless refined.

*The views expressed in this document are those of individual respondents to the consultation and do not necessarily represent the views of the Institute of Legal Finance & Management (ILFM), iCOFA – The COFA Institute, or the ILFM’s management or Council, whether collectively or individually. This response is derived exclusively from the data collected from respondents.*

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## **Strengthening the accountants' reports regime**

### **Q1. Submission of All Accountants' Reports (Qualified and Unqualified)**

**ILFM member position: Broadly supportive**

A clear majority of ILFM members support the proposal to require submission of *all* accountants' reports, including those that are unqualified.

Members consider that:

- Mandatory submission would close a known regulatory gap whereby firms can assert that a report exists without providing it.
- This proposal would have minimal impact on compliant firms, as reports are already obtained.
- It would significantly enhance the SRA's ability to identify non-compliance and emerging risks.

Several members explicitly linked this proposal to preventing serious regulatory failures and enhancing early detection of issues.

**ILFM member recommendation:**

Proceed with this proposal. It is seen as proportionate, effective, and targeted at improving regulatory visibility rather than increasing unnecessary burden.

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### **Q2. Mandatory Annual Declarations from Client Money Holding Firms**

**ILFM member position: Supportive**

Members generally support the introduction of annual declarations for firms holding client money.

Key points raised include:

- Annual declarations would reinforce understanding of ongoing obligations.
- The administrative burden is considered low, particularly when compared to the regulatory benefit.
- Declarations would help distinguish exempt firms from those required to obtain accountants' reports.

**ILFM member recommendation:**

Proceed, but ensure declarations are clearly aligned with existing reporting cycles and avoid duplication with other regulatory submissions.

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## Q3. Direct Submission of Reports by Reporting Accountants

**ILFM member position: Support in principle, with safeguards**

There is general support for reporting accountants submitting reports directly to the SRA, particularly where this enhances independence and reduces the risk of selective submission.

However, members consistently highlighted the need for safeguards:

- Firms (and particularly COFAs) must retain the opportunity to review reports for factual accuracy before submission.
- Members raised concerns that firms may be penalised for delays or errors attributable to third-party accountants who are not regulated by the SRA.
- Members proposed a hybrid model in which all reports must be submitted, either by the firm or the accountant, with qualified reports required to be filed directly by the accountant to avoid any risk of non-submission.

**ILFM member recommendation:**

If adopted, the process should:

- Allow firms a defined review window prior to submission.
- Clearly allocate responsibility where delays or errors are attributable to the reporting accountant.

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## Q4. Fixed Financial Penalties for Procedural Non-Compliance.

### **ILFM member position: Conditional support**

Members recognise the role of enforcement in driving compliance and do not object to penalties in principle. However, there is strong concern about the use of rigid, fixed penalties without discretion.

Common concerns include:

- Firms being fined for circumstances outside their control (e.g. accountant delays).
- A “fine culture” undermining collaborative regulation.

### **ILFM member recommendation:**

Any fixed penalty regime should:

- Include discretion and allow applications for extensions.
- Distinguish between firm failure and third-party failure.
- Be applied proportionately and consistently.

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## **Q5. Bank Confirmations for Client Accounts**

### **ILFM member position: Strongly supportive**

This proposal attracted little opposition. Many members indicated that bank confirmations are already standard practice within accountants’ reports.

Members view this as:

- A sensible and established fraud prevention measure.
- Low impact provided banks can supply confirmations efficiently and cost effectively.

### **ILFM member recommendation:**

Proceed. This is widely regarded as a reasonable and effective safeguard.

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## **Strengthening checks and balances within law firms**

### **Q1. Separation of COLP and COFA Roles and Restrictions on Sole Owner Managers**

**ILFM member position: Supportive in principle, problematic in practice**

Members broadly agree with the governance principle that compliance roles should not be held by individuals with unfettered control over a firm. However, there is significant concern about practical implementation, particularly for:

- Sole owner manager firms
- Small practices with limited senior staff
- Conveyancing and private client firms with routinely high client balances

Members consistently reported that:

- Mandatory separation of roles may be unworkable in smaller firms.
- Outsourcing or hiring senior staff solely to meet role requirements would impose disproportionate costs.
- Temporary client balance spikes (e.g. in conveyancing) are not necessarily indicative of heightened risk.

**ILFM member recommendation:**

Adopt a more flexible, risk-based approach that recognises firm size, structure and practice area, rather than applying uniform structural requirements.

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## Q2 & Q3. Risk Thresholds (£600k Turnover / £500k Client Money Balance)

**ILFM member position: Strong concern**

These thresholds generated the strongest negative feedback across the dataset.

Key issues raised:

- Thresholds are perceived as too low and poorly correlated with actual risk.
- Many compliant firms would fall within scope solely due to practice type.
- Members suggested alternative thresholds (e.g. £1m–£2m) or different risk indicators such as firm structure or fee earner numbers.

**ILFM member recommendation:**

Reevaluate thresholds to ensure they genuinely identify higher risk firms and do not disproportionately impact low risk, compliant practices risk, compliant practices.

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## Equality Impact Assessment

## Q1-Q3. Equality, Diversity, and Inclusion Impact Assessment

### **ILFM member position: Limited perceived relevance**

Many members questioned the relevance of the equality and diversity impact assessment to proposals primarily concerned with client money protection.

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## Conclusion

ILFM members broadly support the SRA's move toward greater transparency, accountability, and assurance in the management of client money. There is strong support for proposals aimed at addressing identified areas for improvement and tackling non-compliance. However, there is significant concern where proposals rely on rigid thresholds or impose structural requirements without considering firm size or practical operational realities.

### **ILFM respondents encourage the SRA to:**

- Retain proposals that enhance visibility and independence
- Refine thresholds and role requirements using a genuinely risk-based approach
- Ensure fairness, proportionality and clarity in enforcement mechanisms

John Cooke responses are as follows:

Strengthening the accountants....

Q1 Yes I do agree with this because it is a unique opportunity to assess firms compliance. However the reporting accountant does need full independence from the firm to prevent collusion and acquiescence and bending of the rules which might occur in some circumstances.

There are a number of shortcomings with the existing system such that the accountants need only report what they describe as significant breaches. This is far too subjective and can lead to inconsistency with some more serious breaches going unreported which in turn can lead to a narrative of false compliance.

What you need here is purity in the data and if the SRA appoint the accountant from an approved panel created by the SRA then this will lead to much more consistency than we've seen before. Not all accountants are the same and some have more experience with solicitor's accounts than others. That is what the SRA need to focus on so that the scope and quality of the accountant can be more relied upon in order to enhance the data.

I have seen in the literature that there is no evidence of systematic problem with the underreporting of breaches. I don't think that's anything like the position at all. I think if the independence point taken up then you are going to see an awful lot more of non compliance revealed from the data. In that way you're going to make much better decisions than you can at the moment.

The other aspect of this is that the current AR1 is not fit for purpose .There the form needs to be redrafted so that specific instances of non compliance can be recorded against a list of potential breaches. I am going to list potential breaches but this list is not designed to be exhaustive. I mention the following: where the client account is overdrawn, not dealing with the five weekly reconciliations, where the client account doesn't balance, where there are residual balances with no movement on the client account after six months, where there are where there are unpresented cheques on the client account after three months. Lack of COFA review, inaccurate or delayed record keeping, not paying in monies when they are received, making office payments from client account and not promptly allocating mixed payments when received within the 14 day period, drawing on uncleared funds. Taking Costs without a Bill, where cheques are dishonoured, not keeping client account ledgers up to date or remedying errors, where the client account is used as a banking facility, where interest is not reasonably paid to the client from monies generated by their funds (or at all), where there is usage of suspense accounts on a persistent basis without them being cleared within five working days. Advanced billing, where there is little or no record kept of breaches and the self reporting of breaches to the SRA, where there is no immediate replacing any shortfalls with matters incorrectly detailed.

One point that I do wish to underline is the generation of monies from client account that are not repaid to the client as they should. This occurs where the whole of the client account is cleared overnight and put on deposit. The monies are held overnight on a pooled basis and generate far greater interest as a combined sum than they would on individual client matters. The accountant (on an independent basis )would be able to report this sort of behaviour because I do regard this as unethical behaviour. It is not what a client account is for. Solicitors are not there to generate income by way of interest from their client's money. It is one thing to pay a reasonable sum of interest on individual client accounts and that may or may not occur. However it is a completely different thing where pooled interest is generated and precisely where that sort of income goes is a matter that the SRA should investigate. Does it go to the client ?

These are some of the breaches but they do need to be included as a list in the accountants report so a much more comprehensive picture can be obtained from the firm.

Q2 Yes I do think that this is important for all firms that hold client monies for the reasons I've set out above. These declarations should also be extracted from every partner within the firm not just the compliance officers. This will focus minds so that partners cannot just simply sit back and let somebody else take these responsibilities. Such declarations whilst important are not going to be successful if the reporting and accounting mechanisms are inadequate. That is why the accountant needs to be completely independent so that the SRA can have much more deeper insight into an individual firm and can then reinforce these declarations if the need arises.

Q3. Again I do agree with this so that there is no delay or potential for interference. Time limits need to be clearly mandated with the firm's responsible nonetheless for the submission of the report. The independence point that I have stressed will also assist with timely submission of these reports or indications as to why these reports cannot be finalised if the solicitors do not provide the necessary data or are in any way obstructive in this respect.

Q4. This is an inevitable consequence of tightening up the compliance. There should be a variety of penalties for failing to file reports on time and of course any subsequent disciplinary measures that are necessary if these reports reveal significant non compliance. As I've mentioned above I believe that all partners should be signing declarations and should face a financial penalty if the accountants report is not filed on time and should also be liable if there are significant disciplinary proceedings necessary. I'm not really understanding why many of these disciplinary reports only seemed to discipline the firm and not individual solicitors. I think the SRA need to consider this because not only should the firm be fined but also individuals as well.

Q5. Yes I do agree with this in order to confirm and enhance the quality of the accountants report. By examining the bank statements, the accountant will have a much better incite as to whether there are any breaches that can be revealed from this data.

Strengthen checks...

Q1 Yes I do but there is still going to be a problem with these people having influence on whoever the other individuals are who take up these positions. At best this point is only partially addressed by declarations from the compliance officers but it may be necessary to seek further and additional declarations from those individuals who do have direct or significant control. I think there is also an argument to separate the two Compliance officer roles in any event. You have evidence that some of these individuals feel too stressed, that they do not fully understand their role and cannot devote enough time to it. That is a very difficult position for them to be in. Also I understand that something like 80% of all compliance officers have not made a self report to the SRA in the last three years. That seems to undermine the role.

On balance these are difficult issues and I do feel that an independent accountant's report will give further and better data so that quality decisions can be made in this respect.

Q2, Q3 and Q4. No I don't and I think all firms should now be subject to these revised accountant reports. We do not know the scope and level of compliance or non compliance so issues of underreporting in the past may have covered up plenty of wrongdoing. On balance then I'm not suggesting a threshold and that everybody should be included in this project.

Q5. As to separation, I have given my views as above In my response to Q1.

Equality Impact

Q1-3 Whilst I can see that there may be some difficulties, there is no reason why individual accountants should not go into firms and measure the scope and level of compliance or discover non compliance. What matters more than this is the outcome so that the SRA can know what's going on and do something about it if need be. Policies cannot be created without reliable data. it may be that some firms do need further time for the filing of these reports but that can be considered on an individual basis and should not be a reason to depart from the responsibility that firms have towards the client account.

It is my belief that many attitudes have developed over a long period of time from people in charge of client accounts. I'm particularly concerned about interest that does not go to clients

from pooled moneys. I have given the example above where the account is invested overnight as pooled moneys.

Some firms may tell you that the imposition of an independent accountant will add extra costs. That may be true I don't think that that an insurmountable problem. I do feel in some instances that this is purely self serving. At law school we were told that if you pay your accountant you will not receive a qualified report. Whilst that may be a throw away facetious remark, it may have some weight in some quarters.

If you do not look you will not see.

On Wed, 28 Jan 2026 at 13:52, Consumer Protection Review <[consumerprotectionreview@sra.org.uk](mailto:consumerprotectionreview@sra.org.uk)> wrote:

Sensitivity: General

Hi John,

Thank you for your email. No problem at all. I have pasted the list of questions below. I have also attached the PDF of the consultation paper which contains the questions and full text of the consultation. Feel free to send in responses to this email address either in the body of the email or a word document attachment.

### **Strengthening the accountants' reports regime**

Q1: Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)? Please set out your reasons and any evidence relating to your answer, including of the impacts the proposal would have.

Q2: Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms? Please set out your reasons and any evidence relating to your answer, including about the impact this proposal would have.

Q3: Do you agree with our proposal that reporting accountants should submit their reports directly to us? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

Q4: Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

Q5. What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

### **Strengthening checks and balances within law firms**

Q1: Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?

Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

Q2: Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders?

If not, what alternative threshold would you suggest and what impact would the adjustment have?

Q3: Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

Q4: Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?

Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

Q5: We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

Please set out your reasons and any evidence relating to your answer.

### **Equality Impact Assessment**

Q1: Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

Q2: Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

Q3: Do you have any other comments on our draft equalities impact assessment?



# Response to SRA consultation: Client money in legal services

## 1. Introduction

We thank the SRA for opening their latest instalment in the consultation on client money in legal services for response. Whilst we are not a firm of solicitors, Kreston Reeves is a top 40 accountancy firm in the UK, with offices across London, Kent and Sussex and global reach across more than 100 countries through its membership of Kreston Global. We pride ourselves on being in regular contact with our clients to discuss ongoing compliance and commercial matters, as well as proactively discussing with our clients potential upcoming changes and how they can mitigate the risks to client money, before the regulator makes any changes mandatory.

We are actively engaged with the consultation and the SRA on their proposals to improve consumer protection, and have been responding directly to the SRA at each stage of the consultation so far. We have set out below our comments on the key areas outlined in the latest instalment under individual headings, taking into consideration the impact on solicitor firms (using the benefit of our clients' input and our own anecdotal evidence), reporting accountants, and ultimately the scale of improvement in consumer protection that is likely to result.

## 2. Proposed improvements to the accountants' reports regime

### SRA summary:

The SRA proposes strengthening the accountants' report framework to improve the detection of risk, enhance the quality of financial assurance, and ensure quicker identification of client account irregularities.

### Our thoughts:

- *We agree that further scrutiny of accountants' reports by the SRA is necessary, as well as increased guidance in some areas.*
- *There is a need for further clarification surrounding cease to hold reports. Where firms are changing structure, and need to submit a cease to hold report, issues are unlikely to be identified in a timely manner. This should be addressed.*

- *We acknowledge that the regulator would have better oversight of firms under the proposal for all reports for non-exempted firms (regardless of whether they are qualified or unqualified) to be submitted to the SRA. The same is true of introducing an annual declaration for all firms regarding the requirements to obtain an AR1, or whether they are exempt. We believe this should not create a significant administrative burden for firms.*
- *However, concerns remain surrounding staff restrictions and the increased burden on the regulator in being able to appropriately sift through the increased number of submissions, identify matters requiring further attention and act swiftly. There may also be an increased burden on the Reporting Accountants, should they be required to submit directly to the SRA.*
- *There need to be suitable means for Reporting Accountants to be able to make submissions directly, for example through an agent portal on mySRA. There is no such system at present, meaning this can only be done via email or through the client's own mySRA account. Where Reporting Accountants are the ones submitting, there could also be an option for the COFA to agree (or otherwise) with the wording.*
- *If this is not the case, and firms continue to submit their own reports, then there should be a requirement for copy wording to be sent to the Reporting Accountant to confirm the appropriate wording has been used, as well as the Reporting Accountant's signature on the AR1.*
- *Increased guidance is required for accountants on increased checks, for instance, on more routine requirements for obtaining bank confirmations.*



### 3. Strengthening internal checks and compliance officer responsibilities

#### SRA summary:

The consultation seeks views on enhancing the internal oversight responsibilities of COLPs and COFAs, including strengthened checks, clearer accountability, and better reporting pathways. This includes increased requirements/ separation of roles where there are higher risks, e.g. for firms with turnover > £600k and client money > £500k, unilateral decision makers would not be able to be the COLP and the COFA. For sole owner managed firms with turnover < £600k and client money > £500k, it is proposed that unilateral decision makers could not hold the COFA role but would still be able to hold the COLP role.

#### Our thoughts:

- *We previously acknowledged, in response to the initial consultation, that it would be beneficial to build support packages for compliance officers, to aid them in their duties and to help improve their effectiveness and impact. We felt that there should be compulsory training courses, with ongoing CPD requirements being logged with the SRA. Many of our clients agreed, feeling that there should be training and certification requirements for ongoing professional development on those holding the COFA role. Training requirements are especially important where non-directors/ partners hold the COFA role.*
- *However, the proposals to impose restrictions on the compliance roles are likely to create significant cost burdens. This cost burden will be, naturally, skewed towards smaller firms, where it is more likely that the COFA and COLP role are held by the same person, who is also the unilateral decision maker, as the SRA feel this is where higher risk may lie. It may be, therefore, that firms would need to bring someone in, or contract roles out. The cost burden of additional compliance could cause financial difficulties for some firms. Further guidance is required by the SRA as to how this would be practically implemented, managed, and monitored.*

### 4. Oversight of firms with emerging or changing risk profiles

#### SRA summary:

The SRA intends to deepen its risk monitoring approach, particularly when firms undergo growth, restructuring, or events that may signal financial instability. The SRA are working on proposals for consultation on this next year, including the risk indicators that should be used and what information should be required, in order to improve oversight in this area.



## Our thoughts:

- *There is a general consensus that greater oversight of firms changing structure is required. This could mean increased requirements for notifications to be made to the SRA, as well as additional requirements regarding mergers and acquisitions. Given that mergers and acquisitions can sometimes involve failing firms, it would seem logical to us that greater risk could be involved, and therefore a more hands-on approach from the regulator may be appropriate.*
- *There have been generally positive responses to the suggestion of a more proactive oversight approach to acquisitions. However, there are concerns about the impact of information gathering, approval requirements, and how these matters could affect business activity. Many of our clients previously raised concerns about the administrative burden of additional oversight, and the privacy of information.*
- *Early intervention, and ultimately prevention, are what is ideally required here, in our opinion. This would create the greatest impact on consumer protection.*
- *We believe a traffic light system should be engaged to assess risk factors and would encourage such a process to be considered for the upcoming consultation. For example, assessing risk factors such as changes in control or structure and attaching a higher risk-level to these. In such higher-risk circumstances, firms could be required to provide more information.*



## 5. Updates on further areas

### SRA summary:

The SRA has now decided their position on three areas that were previously consulted on, with a fourth being consulted on by the Ministry of Justice separately.

- *Residual balances - There will be no prescribed timeframe for returning funds. However, greater clarity around the requirements to return 'promptly' will be provided, with supporting case studies. We would welcome a bank of case studies to provide COFAs with increased information regarding acceptable/ unacceptable circumstances and timeframes, as this is in line with our comments about providing COFAs with more resources.*
- *Advanced fees – The SRA will not be tightening rules around how much money firms can request in advance of work being undertaken. This approach appears to be in line with many of our clients' concerns about the risk exposure of legal firms if not properly able to request appropriate funds on account. We would highlight that firms should remain vigilant, ensuring that proper calculations are conducted, and documentation is held on file, in relation to monies requested in advance.*
- *Moving money between client and office account – A number of changes will be made to rules 2.1(d), 4.3, 4.3(a,c) and a new rule 4.4 will be brought in, to the effect that firms are not required to deliver a bill or written notification of costs before reimbursing the office account from the client account, for expenses incurred on behalf of clients. This should make guidance clearer for firms, and reduce some administrative burden.*
- *Interest – We note that the latest SRA consultation is silent on the treatment of interest, due to the Ministry of Justice proposals, which is being consulted on separately. Our latest thought piece on this can be found separately here: <https://www.krestonreeves.com/news/ministry-of-justice-consultation-interest-on-lawyers-client-accounts-scheme/>*




## 6. Overall reflections and conclusion

Several of the changes which were put forward by the SRA have not come into effect. This aligns with our clients viewpoints that many of the proposals initially consulted on were premature, reactionary, and in a number of cases did not appear to result in greater protection to the end consumer.

We welcome the changes to the requirements to submit all reports, but further clarification is needed on the responsibility and mechanism for submission, as well as for cease to hold reports.

We reaffirm our belief that there should be increased focus on firms' systems and procedures, in order to protect consumers at the earliest opportunity. The SRA's systems and procedures to monitor firms and to ensure intervention at the earliest possible point, where required, are also pivotal to consumer protection. Improvements here would afford a significant increase in better monitoring and therefore protection. We believe that increased training requirements for COFAs would be a useful starting point here. Furthermore, a risk-based, traffic light, approach could be implemented to steer the SRAs limited resources in the direction of higher risk areas.

This will help the SRA to focus on the minority of non-compliant firms which, given limited resources, seems to us to be the most efficient and practicable solution to improving consumer protection.



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# **SRA CONSUMER REVIEW**

## **Further consultation on client money in legal services: Protecting the client money that solicitors hold**

### **Introduction: Who we are**

My name is Kirsty Limacher and I'm a Legal Consultant at The Association of Lifetime Lawyers. I'm responding to this consultation on behalf of members of the organisation.

For context, the majority of our accredited members are solicitors or chartered legal executives / CILEX lawyers (with some barristers) and for those who are not solicitors themselves, many work for SRA regulated firms.

### **General observations on the consultation**

Our members welcome the SRA's continued focus on consumer protection, especially in relation to the safeguarding of client funds. However, reforms must be proportionate, risk-based, and practical, reflecting the diverse realities of practice across the sector, including small and specialist firms providing essential services to vulnerable communities.

The consultation seeks views on two key areas:

- Improvements to the accountants' reports regime
- Strengthening the checks and balances provided by compliance officers

Our members are concerned about the cumulative impact of regulatory change, including the proposed extension of FCA oversight to AML compliance, and the risk of duplicative or unnecessary administrative burdens.

Our members highlighted the broader context in which these reforms are landing:

- increased AML expectations
- rising PII premiums
- new compliance frameworks emerging across the sector
- proposals from the MOJ that client account interest benefits the Treasury which conflicts with SRA expectations that clients should receive it

Firms working with vulnerable clients already operate with heightened diligence, intensive safeguarding procedures, and detailed client care frameworks. This should be recognised and leveraged rather than overridden by broad, one size fits all rules.

The addition of multiple new administrative requirements risks reducing affordability and access to vital legal services. Smaller firms cannot absorb significant extra workload without passing costs to clients, many of whom are older or financially at risk.

The SRA must be alert to the unintended consequence of specialist later-life services becoming less viable, ultimately disadvantaging the very clients the reforms aim to protect.

Our members have emphasised that client accounts are not merely transactional mechanisms, they are critical safeguarding tools for older clients and those at risk of:

- undue influence
- financial abuse
- coercion
- exploitation during property or estate transactions

While the SRA is not currently proposing radical structural reform, previous suggestions in this direction caused significant concern. Members reiterated the essential nature of client accounts in this area of work, particularly for:

- administering estates
- managing funds for clients lacking capacity
- executing undertakings in property transactions

Our members operate in circumstances where the safe custody of funds is fundamental to the protection of vulnerable people.

### **Strengthening the accountants reports regime**

Our members support proportionate enhancement of reporting requirements where this can be demonstrated to improve the safeguarding of client money. Our members frequently work with clients who may lack capacity, be socially isolated, or depend heavily on their solicitor. For these individuals, even modest regulatory failures can have serious consequences.

Our members recognise that robust financial oversight is an essential safeguard, particularly where clients cannot effectively monitor their own financial arrangements due to age, illness, or vulnerability. More rigorous reporting can reduce the risk of mismanagement, particularly important given notable recent failures in firms mishandling client money.

However, member feedback on the consultation highlights several concerns:

- **Avoiding duplication and overreporting:** Our members cautioned that changes must not simply replicate existing compliance obligations or expand reporting in a way that increases costs without enhancing client safety.
- **Risk-based, not universal:** Our members support a risk-based approach rather than a uniform set of requirements.
- **Impact on smaller firms:** Reporting must not impose disproportionate burdens on small specialist firms, which provide vital services to vulnerable communities. Many practices already incur substantial costs for accountants' fees, PII premiums, and cashiering and bookkeeping support. Any requirements must be calibrated to avoid reducing the availability of specialist services in communities most reliant on them.
- **Submission of all accountants' reports (qualified and unqualified) and submission direct to the SRA:** Whilst our members have raised no objections to qualified and

unqualified reports being submitted directly by accountants to the SRA, the SRA should:

- ensure that the submission process is streamlined and does not duplicate information that firms already hold or report
- ensure that clear channels exist for both accountants and firms to confirm submission and resolve errors
- avoid imposing additional administrative steps for firms that already operate efficient reporting workflows
- publish clear guidance on the procedure and how the data is used
- **Fixed penalties for administrative failures:** Members have not raised objections to the use of proportionate and clearly defined fixed penalties, but they must not be used in circumstances where the failure arises from confusion about new rules or technical issues with SRA systems, and that it is not applied in a way that disproportionately impacts small firms. Serious breaches of the Accounts Rules, as opposed to administrative errors, should continue to be addressed through existing enforcement pathways.
- **Bank confirmations:** Our members recognise the value of external verification in enhancing client account safeguards. However, the proposal for reporting accountants to routinely seek bank confirmations could place a disproportionate burden on small firms. For many smaller firms, bank confirmations can be slow to obtain and may introduce delays and cost disproportionate to the risk involved. Any expectation in this regard must be clearly framed as risk-based and not mandatory in every case.

We recommend allowing simplified reporting pathways for low-risk firms. A risk-based approach should be retained, not a one size fits all (echoing sector feedback emphasising proportionality). The SRA should ensure that reporting focuses explicitly on client segments most at risk.

## **Strengthening checks and balances within law firms**

Our members welcome the SRA's continued focus on safeguarding client money and strengthening governance practices within legal practices.

Compliance officer oversight is a key mechanism for safeguarding client funds, and our members support measures that genuinely reduce risk, improve transparency, and strengthen oversight of those undertaking the roles of COLP and COFA.

It is vital that any regulatory changes enhance protection without unintentionally creating barriers to effective legal service delivery or introducing administrative burdens that do not translate into real safeguards.

In implementing any reform, the SRA needs to consider the following:

- **Additional checks do not simply duplicate existing requirements:** This includes those under the SRA Accounts Rules, AML Regulations, or existing internal audit processes.

- **Administrative burden is kept proportionate:** This is particularly important given that the legal sector is already navigating the transition of AML supervision to the FCA, a significant change that will itself demand time, training, and system updates.
- **Enhancements focus on quality rather than quantity of reporting:** This will ensure that firms invest in the right controls rather than more paperwork.
- **Avoiding a one size fits all approach:** Members stressed that expanding COFA responsibilities should be carefully designed to avoid unnecessary repetition of controls that small firms already manage effectively. Our members support strengthening COFA oversight where risks are high, particularly:
  - management of residual client balances
  - ensuring proper handling of interest
  - control of transfers between client and office accounts
- **Impact on supervision:** Our members' experience is that burdensome or repetitive reporting obligations can divert skilled senior staff away from frontline supervision of junior staff having the unintended effect of reducing the rigour of compliance rather than improving it.

Our members recognise that risks arise when one person has unilateral decision-making authority and holds multiple compliance roles; they do not object to the SRA addressing these risks. However, if compliance roles are to be separated, the new requirements must:

- **Reflect the diverse structures of firms:** This is of particular relevance to smaller specialist firms and sole practitioners working with vulnerable client groups.
- **Avoid undermining well-functioning, low-risk governance arrangements that already provide strong oversight.**
- **Be practical:** The SRA must ensure that any required role separation remains practical, affordable, and does not disrupt service continuity, particularly in niche practice areas where expertise is concentrated.
- **Impact on older and vulnerable clients:** This client group is often disproportionately affected when firms face operational disruption or increased costs that ultimately get passed on to consumers. Changes that require firms to recruit additional senior staff or external contractors may have unintended consequences, including reduced service availability in areas of high demand such as Court of Protection work and estate administration impacting clients.

## **Residual balances and dormant funds**

We note that you do not intend at this stage to move forward with any rule changes that would prescribe timeframes in which firms must return client money at the end of a case.

Our members welcome a cautious approach to this as:

- Strict timeframes may be impractical in cases involving complex estates, for example, or where capacity issues delay instructions

- Vulnerable clients may require additional safeguarding checks before funds can safely be released
- A mandatory approach to unclaimed balances must consider the complexities of probate administration and power of attorney and deputyship matters

If timeframes are implemented in the future, a flexible model is needed that allows firms to document reasonable justification for extended retention in appropriate circumstances, such as issues with capacity or where safeguarding concerns arise.

### **Longer-term reform: Model for holding client money**

The SRA has acknowledged that reform of the overall model of solicitors holding client firms is a long-term project, not part of immediate changes and our members welcome the decision not to rush radical reform.

For older clients and those in vulnerable circumstances, solicitor-managed client accounts are integral to operational efficiency in estate administration and preventing financial abuse.

Evidence from sector commentary shows serious concerns about removing or restricting client accounts without robust alternatives.

### **Conclusion**

The Association of Lifetime Lawyers supports the SRA's commitment to strengthening the protection of client money. However, our members urge the SRA to ensure that reforms are:

- proportionate
- risk-based
- practical for firms of all sizes
- sensitive to the safeguarding needs of older and vulnerable people
- designed with an understanding of existing best-practice frameworks

We welcome further dialogue with the SRA and would be pleased to contribute sector-specific insight as reforms are developed and implemented.

**Kirsty Limacher**

**Legal Consultant – The Association of Lifetime Lawyers**

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**20 February 2026**

Sent by email only to [consumerprotectionreview@sra.org.uk](mailto:consumerprotectionreview@sra.org.uk)



20 February 2026

## **Further consultation on client money in legal services: Protecting the client money that solicitors hold**

### **Executive Summary**

The Legal Services Consumer Panel (the Panel) welcomes the opportunity to respond to the Solicitors Regulation Authority's (SRA) further consultation on client money. Safeguarding client money remains one of the most critical responsibilities placed on legal services providers, and recent high-profile failures have demonstrated the urgent need for a more robust, transparent, and proactive regulatory framework.

While the Panel supports many of the proposals set out in this further consultation, we are concerned that its overall scope represents a narrowing of ambition compared to the direction signalled in the SRA's earlier work. The SRA had previously indicated that it was considering more fundamental reform of the client account model, including the potential for greater use of third-party managed accounts and a reassessment of whether firms should routinely hold client money at all. These issues are not addressed here, and the consultation provides no explanation for why they have been set aside. Given the scale of recent failures and the significant exposure of the Compensation Fund, the absence of transparency about the SRA's reasoning is concerning.

The Panel is also concerned by the complete omission of the issue of interest on client account, which was explicitly raised in the first consultation and is now an area of active interest for the Ministry of Justice. Understanding how interest is generated, retained, and passed on to consumers is central to understanding how the client account model operates in practice. The current regime is opaque: there is limited transparency about how firms calculate interest, how much is retained, or whether consumers receive what they are entitled to. The SRA does not routinely collect or publish data on interest practices, and there is no clear evidence base demonstrating whether the existing rules are effective or fair. This lack of visibility is itself a regulatory risk. It is also the essential first step before any consideration of potential government intervention. Against this backdrop, it is surprising that the further consultation does not mention interest at all, nor explain whether the SRA has reached a view or intends to revisit the issue.

Notwithstanding these concerns, the Panel supports the SRA's proposals to strengthen the accountants' reports regime, enhance governance within firms, and

improve oversight of firms holding significant client money. Mandatory submission of all accountants' reports, annual declarations, direct submission by reporting accountants, and the use of fixed financial penalties for administrative non-compliance are all necessary and proportionate reforms. The proposed restrictions on who may hold COLP and COFA roles in higher-risk firms are also welcome, though the thresholds underpinning these proposals would benefit from greater transparency and evidence.

The Panel encourages the SRA to implement the proposed reforms swiftly, while also providing clarity on the issues that have been omitted from this consultation. A credible and comprehensive regulatory response requires transparency about the SRA's assessment of the wider client account model, the evidence informing its choices, and its plans for addressing unresolved issues such as interest on client money. Consumers deserve a regulatory system that is proactive, transparent, and uncompromising in its commitment to safeguarding their funds.

The Panel's response draws on:

- the Panel's 2025 response to the SRA's consultation on client money
- the Panel's wider work on regulatory performance, governance, and consumer protection
- evidence from other regulated sectors

### **Overall Reflections on the Scope of this Consultation**

The SRA had previously indicated that it was considering more fundamental reform of the client account model, including the potential for greater use of third-party managed accounts and a reassessment of whether firms should routinely hold client money at all. These issues are not substantively addressed in this consultation, and the SRA does not explain why they have been set aside or deferred. Given the scale of recent failures and the significant exposure of the Compensation Fund, the absence of a clear rationale for this shift in scope is significant.

The consultation also leaves several important areas under-developed. Although the proposals strengthen the accountants' reports regime, they do not address longstanding concerns about the quality and consistency of reporting, nor do they set out how the SRA intends to use the additional data it will receive to drive proactive supervision. Similarly, while the proposed governance reforms are welcome, the consultation does not fully engage with the lessons from Axiom Ince and other collapses regarding the oversight of firms whose risk profile changes rapidly through mergers, acquisitions, or sudden growth. The SRA has acknowledged these issues publicly, yet they are not reflected in the proposals presented here.

The thresholds proposed for identifying "heightened risk" firms also lack transparency. The consultation provides limited explanation of how the turnover and client money balance thresholds were derived, what evidence underpins them, or what alternative thresholds were considered. Without this analysis, it is difficult to assess whether the proposed thresholds are proportionate, targeted, or effective.

Finally, the consultation's equality impact assessment is high-level and does not fully explore the potential impacts on small firms, minority-owned firms, or newer entrants to the market. Given the SRA's and LSB's stated commitments to equality, diversity and inclusion, a more granular assessment would have been appropriate.

Taken together, these omissions suggest that the proposals, while necessary, do not yet constitute the comprehensive or systemic response that recent events demand. The Panel encourages the SRA to provide greater transparency about the evidence and reasoning that informed the scope of this consultation, and to set out how and when it intends to address the wider structural issues that remain unresolved.

### **Interest on Client Account**

The Panel is concerned that this consultation makes no reference to the issue of interest on client account, despite this being a substantive element of the SRA's earlier consultation and an area of active interest for the Ministry of Justice. The omission is striking. The question of how interest is generated, retained, or passed on to consumers is not a peripheral matter; it goes to the heart of how the client account model functions in practice, how firms are incentivised, and where financial risks and benefits sit within the system.

The current regime is opaque. There is limited transparency about how firms calculate interest, what methodologies are used, how much interest is retained, or the extent to which consumers receive what they are entitled to. The SRA does not routinely collect or publish data on interest practices, and there is no clear evidence base demonstrating whether the existing rules are working as intended. This lack of visibility is itself a regulatory risk. Without a clear understanding of how interest flows through the system, neither the SRA nor the Ministry of Justice can properly assess whether the current arrangements are fair, proportionate, or aligned with consumer expectations.

It is therefore surprising that the SRA has not addressed this issue in this consultation, nor explained why it has been excluded. The Ministry of Justice has signalled its interest in the financial architecture of legal services, including the operation of client accounts and the treatment of interest. A credible regulatory response requires a clear articulation of how the current rules operate, what data exists, and where the gaps lie. Understanding the present regime is the essential first step before any consideration of potential government intervention or legislative reform.

Given this context, the absence of any discussion of interest on client account, following a consultation that explicitly raised the issue, creates an avoidable gap in the SRA's narrative. It leaves stakeholders unclear about whether the SRA has reached a view, intends to revisit the matter, or has deprioritised it. The Panel encourages the SRA to set out its position transparently, including any analysis undertaken since the first consultation and any planned next steps. Without this, the regulatory picture remains incomplete at a time when clarity is urgently needed.

## **Strengthening the accountants' reports regime**

**Q1: Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)? Please set out your reasons and any evidence relating to your answer, including of the impacts the proposal would have.**

The Panel strongly agrees with this proposal. In our 2025 response, we highlighted that the SRA currently lacks basic visibility of whether firms are obtaining accountants' reports at all, whether unqualified reports mask systemic weaknesses, and whether reporting accountants are applying consistent standards. The SRA's own spot-check data confirms that non-compliance is widespread and that the current regime is not functioning as intended.

Requiring submission of all reports is a proportionate and necessary reform that aligns the legal sector with other regulated sectors, including financial services and charity regulation, where full submission of assurance reports is standard. This change will:

- provide the SRA with a complete dataset for monitoring compliance
- enable earlier identification of emerging risks
- reduce opportunities for firms to conceal qualified reports
- support a more effective risk-based regulatory approach

The Panel notes that others may raise concerns about administrative burden. However, firms are already required to obtain reports, as such, submission is a minimal additional step. The consumer protection benefits far outweigh any marginal administrative impact.

**Q2: Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms? Please set out your reasons and any evidence relating to your answer, including about the impact this proposal would have.**

The Panel supports this proposal. Mandatory declarations are a well-established regulatory tool used across multiple sectors to reinforce accountability and deter non-compliance. The Panel's 2025 response noted that the SRA currently has no reliable mechanism to confirm which firms believe they are exempt, whether exemptions are correctly applied, or whether firms are meeting their obligations.

Annual declarations will:

- increase transparency
- reinforce the personal accountability of COFAs
- provide the SRA with essential data on exemption status
- support early identification of firms whose risk profile is changing

**Q3: Do you agree with our proposal that reporting accountants should submit their reports directly to us? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

The Panel strongly agrees. Direct submission by reporting accountants is a critical safeguard for independence and integrity. The Panel's 2025 response highlighted concerns that firms may delay or fail to submit qualified reports or exert pressure on accountants to soften findings.

Direct submission is standard in other sectors, including:

- FCA-regulated financial services
- charity regulation
- corporate audit

This reform will reduce opportunities for interference, ensure timely reporting, and reinforce the independence of the reporting accountant. The Panel considers this change essential to restoring confidence in the regime.

**Q4: Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

The Panel supports this proposal. Fixed financial penalties (FFPs) are widely used in other regulatory systems to drive compliance with administrative requirements. They provide clarity, predictability, and proportionality, and they reduce the need for resource-intensive investigations into procedural breaches.

**Q5: What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

The Panel supports this proposal. Bank confirmations are a basic and widely accepted audit tool. They provide independent verification of account balances and help detect undisclosed accounts, manipulated records, and reconciliation failures.

The Panel's 2025 response highlighted that many client money failures involve undisclosed or inaccurately reported accounts. Routine bank confirmations are therefore essential to safeguarding client money.

The Panel notes that this expectation aligns with audit standards in other sectors and should not impose significant additional burden on firms or accountants.

## **Strengthening checks and balances within law firms**

**Q1: Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

The Panel strongly agrees. Concentration of power within firms is a well-established risk factor for governance failures. The Panel's 2024 response emphasises this point.

Evidence from other sectors demonstrates that segregation of duties is a core principle of effective risk management. Preventing individuals with unilateral decision-making power from holding COLP or COFA roles is therefore a proportionate and necessary safeguard.

While others may raise concerns about flexibility for smaller firms. The Panel believes the SRA's threshold-based approach appropriately balances proportionality and consumer protection.

**Q2: Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

The Panel broadly agrees with the use of a turnover threshold as one indicator of organisational complexity and risk. However, turnover alone is not a perfect proxy for consumer risk. The Panel therefore supports the threshold only in combination with the client money threshold.

The Panel encourages the SRA to commit to reviewing the threshold after two years to ensure it remains evidence-based and proportionate.

**Q3: Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

The Panel agrees. The quantum of client money held is one of the strongest predictors of potential consumer harm. Firms with large client money balances require more robust governance and independent oversight.

The Panel supports the £500,000 threshold as proportionate but recommends periodic review and monitoring of firms just below the threshold.

**Q4: Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

The Panel agrees. In sole owner-manager firms, the risk of conflicts of interest is particularly acute. The COFA role requires independent financial oversight, and owner-managers may face inherent conflicts between commercial pressures and compliance obligations.

Allowing the owner-manager to remain COLP is reasonable, as the COLP role is more focused on systems and ethical compliance.

This proposal strikes an appropriate balance between governance safeguards and operational practicality.

**Q5: We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this? Please set out your reasons and any evidence relating to your answer.**

The Panel recommends the following evidence sources:

- SRA enforcement data on governance-related failures
- Compensation Fund claims linked to inadequate oversight
- Comparative evidence from FCA, ICAEW, and Charity Commission
- Thematic reviews of firms with different governance structures
- International comparisons

This evidence will help quantify the risk reduction achieved and the cost impact on firms.

## **Equality Impact Assessment**

**Q1: Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

The Panel agrees with the broad assumptions but considers the assessment incomplete. It does not sufficiently consider the disproportionate impact on small firms, many of which are minority-owned, or the potential for increased administrative burden to affect newer entrants.

**Q2: Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

The Panel recommends considering:

- digital exclusion among small firms
- intersectional impacts on sole practitioners, who are disproportionately women and ethnic minorities

**Q3: Do you have any other comments on our draft equalities impact assessment?**

The Panel encourages the SRA to conduct a more granular analysis of impacts on different firm types and to commit to post-implementation monitoring of equality impacts.

**Conclusion**

The Panel strongly supports the SRA's proposals to strengthen the client money regime. These reforms are necessary, proportionate, and aligned with best practice in other regulated sectors. The Panel urges the SRA to implement the proposals swiftly and to commit to ongoing evaluation and refinement.

Consumers deserve a regulatory system that is proactive, transparent, and uncompromising in its commitment to safeguarding client money. The Panel stands ready to support the SRA in delivering this objective

Should you have any questions about this response, please contact Lola Bello, Head, Consumer Panel ([lola.bello@legalservicesconsumerpanel.org.uk](mailto:lola.bello@legalservicesconsumerpanel.org.uk)).

Yours sincerely,

A handwritten signature in black ink that reads "Tom Hayhoe". The signature is written in a cursive style with a large initial 'T' and a small flourish at the end.

Tom Hayhoe  
Chair, Legal Services Consumer Panel.

## **Submission by the Solicitors Sole Practitioners Group (SPG) to the Solicitors Regulation Authority**

### **Further consultation on client money in legal services: Protecting the client money that solicitors hold**

**Closing date: 20 February 2026**

**Date of submission: 20 February 2026**

#### Introduction

The National Solicitors Sole Practitioners Group (SPG) represents thousands of sole practitioner solicitors across England and Wales, including sole director, sole shareholder limited companies. Our membership explicitly includes those operating through limited companies with a single director and shareholder (sole owner-manager firms), who face identical regulatory, operational, and financial pressures as traditional sole practices.

We fully support the SRA's objective of protecting client money and maintaining public confidence in the profession. However, we are deeply concerned that the proposals in this consultation, particularly the enhanced accountants' reporting regime, fixed financial penalties, and requirements for separation of COLP and COFA roles, will impose disproportionate additional costs and regulatory burdens on sole practitioners and small firms. Those who have no client money save costs on account are disproportionately affected with no obvious client benefit.

Further external officers will not necessarily have a day-to-day operational understanding.

Many of our members already operate on thin margins in less profitable areas of law (criminal defence, private client, family, immigration, debt and housing). These changes risk forcing a significant number of sole practitioners to leave the profession, merge, or cease holding client money altogether.

The SRA's own draft Initial Equality Impact Assessment (EIA) acknowledges that Black, Asian, and minority ethnic (BAME) solicitors, older solicitors (45+), those from lower or intermediate socio-economic backgrounds, and solicitors from certain religious groups (Hindu, Muslim, Sikh, Jewish) are over-represented in sole practices and 1–5 partner firms, particularly in less profitable practice areas.

Any exodus of sole practitioners will therefore have a direct and disproportionate negative impact on access to justice for the very minorities and disadvantaged groups these solicitors

disproportionately serve. Clients from BAME communities, lower-income households, non-English first-language speakers, and those in deprived areas rely heavily on local, affordable, culturally sensitive, and flexible services provided by sole practitioners.

Larger firms often cannot or will not replicate this model at comparable cost or with the same personal trust-based relationships.

We urge the SRA to reconsider the proposals through this access-to-justice and diversity lens and to adopt the alternative, proportionate measures set out below.

Responses to Specific Consultation Questions

### **Accountants' Reporting Regime (Questions 1–5)**

We broadly support greater transparency and compliance but oppose the blanket requirements in their current form.

#### **Q1 submission of all reports and Q3 accountants submit directly**

We agree these would improve oversight. However, for sole practitioners the additional administrative burden (chasing, reviewing, and submitting) falls entirely on one person. Many already struggle with late or non-compliant reporting due to resource constraints, not wilful non-compliance, as the SRA's spot-check data shows.

#### **Q2 mandatory annual declarations**

Acceptable in principle, but must be via a simple online portal with auto-population from existing PCRE data to minimise burden.

#### **Q4 fixed financial penalties for administrative failures**

Strongly oppose for sole practitioners and small firms. Fixed penalties, however modest, are existential threats to businesses operating on margins often below 20–30%. The EIA notes small firms are most likely to be caught by non-compliance.

Penalties should be replaced with a tiered warning system for first administrative breaches, with penalties reserved for substantive client-money risks or repeated failures.

A grace period or waiver scheme for firms with turnover below £300,000 or average client balances below £50,000 would be proportionate.

### **Q5 bank confirmations guidance**

We consider this to be reasonable, but the SRA should provide a standard template letter and cover the cost for low-balance firms to avoid disproportionate expense.

Overall, the regime should retain and widen existing exemptions (average balances of less than 10,000 and maximum £250,000) and introduce a low-risk self-certification route for sole practitioners below the £500,000 client-money threshold.

### **Questions 1–5) Separation of COLP and COFA Roles**

We strongly disagree with the proposals as drafted, even with the partial exemption for sole owner-manager firms.

### **Q1 and Q4 Separation and sole owner-manager exemption**

Requiring a sole owner-manager who holds less than £500,000 client money, but turnover <of up to £600,000, to relinquish the COFA role while retaining COLP is unworkable and discriminatory.

The 480 sole owner-manager firms identified in the 2024/25 PCRE data will face unavoidable costs of £5,000–£12,000+ per annum to engage an external COFA (or recruit part-time).

Many conveyancing, probate, or litigation sole practices routinely hold transient high balances during completions or estate administration; this does not indicate elevated risk when the owner is personally liable and personally manages the accounts.

For incorporated sole-director companies which are included in our membership, the position is identical: there is still only one decision-maker. The proposal fails to recognise this reality.

### **Q2 and Q3 -Thresholds of £600,000 turnover and £500,000 client money**

Both thresholds are set too low and will capture hundreds of sole and small firms that present no systemic risk. Larger firms hold 93% of client money; the SRA should focus resources there.

We recommend raising the client-money threshold to at least £1 million (or £2 million for sole owner-managers) and turnover to £1 million.

### **Q5 Quantifying impact**

The SRA should model the number of sole practitioners likely to exit, merge, or stop holding client money. Historical data from previous regulatory cost increases (e.g., post-2019 Accounts Rules changes) shows small-firm attrition rates of 8–12% in the following two years. We predict similar or higher here, with disproportionate loss among BAME and older practitioners.

The EIA correctly identifies the over-representation of protected groups in sole practice. Additional compliance costs will accelerate the decline of high-street and community-based practices, reducing choice for disadvantaged clients who value personal service, fixed fees, home visits, and language/cultural alignment.

### **Overarching Impact on Access to Justice and Protected Groups**

Sole practitioners are not a regulatory inconvenience; they are a cornerstone of access to justice. They serve:

1. BAME communities (particularly in urban centres) where trust in larger institutions may be lower;
2. Clients on low incomes or benefits who cannot afford city-centre or ABS fees;
3. Vulnerable clients (elderly, disabled, victims of domestic abuse) who need flexible, relationship-based representation.

If even 20–30% of the 480+ affected sole owner-manager firms exit or cease holding client money, thousands of clients annually will lose their preferred, and often only affordable, provider.

Larger firms frequently decline low-value or complex private client work, refer it out, or charge significantly more. The result will be delayed justice, increased litigants in person, and greater pressure on legal aid (where still available) and pro bono services.

This outcome directly contradicts the SRA's and LSB's statutory duties to promote access to justice and diversity in the profession.

## **Alternative Proposals for Consideration**

We urge the SRA to consider adopting the following proportionate, risk-based alternatives that achieve client protection without driving sole practitioners from the market:

1. Full exemption for all sole owner-manager firms (including limited companies) from mandatory COFA separation, replaced by enhanced mandatory guidance, annual self-certification of systems/controls, and targeted thematic reviews/spot checks. Sole practitioners are best placed to ensure compliance because they bear personal risk.
2. For sole practitioners with significantly higher thresholds: we propose a Client-money maximum balance of £1 million and turnover of £1 million before any separation or enhanced reporting applies. This would still capture the vast majority of client money held by the profession while protecting small firms.
3. We also propose a SRA-supported compliance package for sole practitioners:
  - a) Free or heavily subsidised external COFA/ accountant panel (SRA-approved providers at capped rates);
  - b) Centralised online portal for declarations, bank confirmations, and report submission;
  - c) Templates, checklists, and free training webinars focused on sole-practice realities.
4. We ask the SRA to consider tiered and supportive enforcement consisting of warnings and improvement plans (with SRA mentoring) for first administrative breaches by firms with turnover less than £500,000. Fixed penalties only for substantive breaches or repeated failures after support has been offered.
5. We also consider that there should be a phased implementation. We suggest a 24–36 month transition period for affected sole firms, with a voluntary “early adopter” support scheme.
6. We think there should be an ongoing monitoring and review. The SRA should publish annual data on sole-practitioner numbers, diversity profile, and client-money related interventions, with a formal review after 18 months to assess actual impact on access to justice and protected groups. If attrition exceeds 5%, the SRA should reverse or amend the measures.
7. There should be a better focus on Focus on education and culture: Greater emphasis on proactive guidance, peer networks for sole practitioners, and recognition of good compliance, e.g., reduced monitoring for firms with clean reports over three years.

These alternatives would strengthen safeguards for client money while preserving the diversity and accessibility of the profession

### **Conclusion**

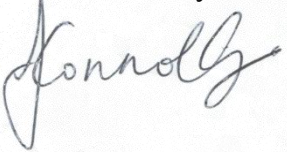
The SPG is not opposed to modernisation or stronger protections. We are opposed to measures that will unintentionally reduce the number and diversity of providers available to the public.

Sole practitioners are not the problem — they are part of the solution to access-to-justice challenges.

We stand ready to work with the SRA on piloting the alternative proposals above and to provide case studies or member data to inform a more nuanced, evidence-based approach.

Thank you for considering this response. We would welcome the opportunity to discuss it further at any engagement event or in a dedicated meeting with SRA policy teams.

Yours faithfully



**Joanna Connolly**  
Chair of the SPG

# Solicitors Regulation Authority further consultation on client money in legal services: protecting the client money that solicitors hold – Law Society response

February 2026

# 1. Introduction

- 1) The Law Society is responding to this consultation in its representative capacity as the independent professional body for solicitors in England and Wales. Our role is to be the voice of solicitors, to drive excellence in the profession and to safeguard the rule of law.
- 2) We welcome the opportunity to respond to the Solicitors Regulation Authority's (SRA) '*Further consultation on client money in legal services: Protecting the client money that solicitors hold*' consultation, published on 11 December 2025<sup>1</sup>.
- 3) This follows on from the SRA's November 2024 consultation entitled '*Client money in legal services – safeguarding consumers and providing redress*'.
- 4) We are pleased with the SRA's update on its position regarding advanced fees, moving money from client account to office account and on residual balances. The SRA is looking to issue further guidance in these areas to assist members of the profession.
- 5) The consultation paper seeks views on the following areas:
  - a) Strengthening the accountants' reports regime.
  - b) Strengthening the checks and balances within law firms
  - c) Equality Impact Assessment.
- 6) Our responses to the consultation questions are set out below using the above headings.

## 2. Strengthening the accountants' reports regime

### AQ1: Submission of all accountants' reports (qualified and unqualified)

**AQ1: Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)? Please set out your reasons and any evidence relating to your answer, including of the impacts the proposal would have.**

- 7) Yes, we agree with this proposal. This is not a new concept and historically it was standard practice that all firms were required to submit reports. The requirement was relaxed in 2014, since then firms have only been required to submit qualified accountants' reports to the regulator. We have always advocated against departing from this fundamental protection. Submitting annual accounts will better assure compliance with the accountants' report regime and is a key indicator of issues which could impact the security of client money.
- 8) In our response to the SRA Consumer protection review discussion paper in July 2024<sup>2</sup> ('July 2024 response'), we raised concerns that the SRA had not viewed the accounts of some firms for several years because, in certain circumstances, these

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<sup>1</sup> SRA [Further consultation on client money in legal services: Protecting the client money that solicitors hold](#)

<sup>2</sup> [Law Society response to response to SRA consumer protection review discussion paper July 2024](#)

firms are exempt from submitting accounts. This potentially allows bad practice to develop unchecked, increasing the risk to consumers.

- 9) As we said previously:  
*"The SRA should consider seeking all accountants' reports to be lodged, rather than only those that are qualified."*
- 10) Accordingly, we support the reintroduction of the requirement for all firms holding client money to submit their annual accountants' reports electronically to the SRA. It should be easy for the SRA to quickly identify which firms have not complied with the requirement to obtain an accountant's report.
- 11) As we noted in our July 2024 response:  
*"Electronic communications permit accountants' reports to be submitted more quickly and easily than in the past, and initial analysis could be facilitated by the use of AI."*
- 12) In our response to the SRA Client money in legal services consultation in February 2025<sup>3</sup> ('February 2025 response'), we reiterated:  
*"Filing an accountant's report may be onerous for smaller firms, but it is a key indicator of issues which could impact client money. The AR1 form is short and can be submitted electronically via the mySRA platform."*
- 13) We recommend the SRA explore technology-assisted triage to manage this volume effectively.
- 14) Unqualified reports are unlikely to give rise to action on the part of the SRA, however gathering this data will ensure that all firms are satisfying the requirement to obtain an accountants' report or make a declaration, which is not being monitored under the present system.
- 15) To bolster confidence in the accountants' reporting regime the SRA could consider reviewing its own guidance for accountants and working with the accountancy bodies to offer training and accreditations to accountants who want to report on law firms, as part of acknowledging that this is a distinct and specialist skillset, and therefore ensuring that reporting accountants are actually able to report appropriately.
- 16) Regarding qualified accountants' reports, we are concerned about the criteria the SRA will apply in deciding which of these will be looked at further, and how long that will take after submission. More information on this from the SRA would be helpful.
- 17) If the proposals are put in place, the SRA will receive and will need to consider thousands of accountants' reports. We question whether the SRA has sufficient staff resources in terms of numbers, IT /AI infrastructure, expertise and knowledge to deal with the extra work involved or to investigate the firms whose reports are qualified or more significantly who have not submitted a report and the steps which will need to follow. If the SRA has considered these issues, it would be

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<sup>3</sup> [Law Society response to SRA Client money in legal services consultation February 2025](#)

helpful to know the likely cost and the impact of that cost on practising certificate fees.

## AQ2: Mandatory annual declarations

**AQ2: Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms? Please set out your reasons and any evidence relating to your answer, including about the impact this proposal would have.**

- 18) Yes, we agree with the general proposal to introduce mandatory annual declarations from firms holding client money. It is essential that all firms that are exempt from filing accountants' reports should file an annual declaration identifying their grounds of exemption. The use of AI could easily identify the firms who do not file an accountants' report or a declaration.
- 19) This aligns with our previous position, set out in July 2024, on:  
*"...changing SRA procedures to improve monitoring of firms [and] introducing better verification processes within firms..."*
- 20) Annual declarations are a proportionate way to strengthen monitoring without imposing an undue burden on either the profession or the SRA.

## AQ3: Reporting accountants submit reports directly to the SRA

**AQ3: Do you agree with our proposal that reporting accountants should submit their reports directly to us? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

- 21) We agree in principle, that it would be preferable for the reporting accountant to submit the form, as it is the accountant who assesses whether the report should be qualified. However, the reporting accountant cannot act unilaterally, as the ultimate responsibility for submission of the report remains with the firm/principals of the firm who authorise the report.
- 22) Our July 2024 response supported this approach:  
*"...any accountant's report should be sent directly by the accountant to the SRA and contemporaneously a copy sent to the firm concerned and there should be a mechanism whereby the SRA is aware of the timeframes in which accounts are due to be filed and the details of any accountant."*
- 23) We recommend implementation of such a mechanism by the SRA to flag overdue reports and identify potential risks early.
- 24) Whilst we support the proposal in general, there are potential practical risks, including those outlined below:
- the accountant fails to submit the report on time
  - there is conflict between the law firm and the accountant concerning the content of the report
  - there is conflict between the law firm and the accountant concerning payment for the report

d) difficulties could arise if the person responsible for filing the report is different from the person who is liable if the report is not submitted or is submitted late.

25) Furthermore, if the SRA introduces fixed financial penalties (FFPs) as proposed, for failures to meet the procedural and administrative requirements for submitting reports, firms may be penalised for the mistakes of their reporting accountants. For example, if an accountant does not submit the report or there is a delay (not the law firm's fault) the consequences for the law firm is a FFP under the current proposal. This is somewhat akin to a solicitor giving an undertaking for a third party to do something. If the third party does not perform the action under the terms of the undertaking, then the solicitor is responsible for the breach of the undertaking, albeit indirectly. This would be unfair.

26) In some cases, an accountant could use the reporting process to exert unfair pressure on a firm, for example, by refusing to submit the accounts where the firm is legitimately disputing their fees. There may also be situations where an accountant is unavailable, perhaps through illness, resulting in a late submission. In such circumstances, imposing a FFP on the firm would be unfair. While firms have a right to appeal an FFP to the Solicitors Disciplinary Tribunal this can be time consuming and subject to delay (and see further our response below).

#### AQ4: Fixed financial penalties for failures to comply

AQ4: Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.

27) We do not agree with this proposal, partly for the practical risks identified in our response to the above question. We also observe that the SRA's own draft initial impact assessment states that "... we have identified that potentially groups with protected characteristics may be disproportionately impacted".<sup>4</sup> The enforcement process would also result in delay, in turn leading to greater risks to consumers and client money. A fine may not be a sufficient deterrent, and we suggest a possible alternative enforcement method below, which might be more effective.

28) The SRA's FFP process involves the SRA assessing evidence and identifying the conduct that fits within the scope of its fixed penalty schedule. Once identified, the SRA sets out the allegation and supporting evidence to the firm concerned. It then requires the firm to remedy the specific breach and provide evidence of the action taken within a specified timeframe, which must be no less than seven days from the date of the notification. If the breach is not remedied, the SRA issues an initial fixed penalty of £750. If a firm persists in its failure to comply, an additional £1,500 fixed penalty may be issued. Firms have a right to appeal the FFP, as stated in our response above. If there is continued non-compliance, the matter may be escalated to a full investigation.

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<sup>4</sup> [SRA draft initial EIA to consultation](#)

- 29) Under the FFP procedure, an individual in a firm intent on stealing client money, would have a wide window of opportunity to do so before a full investigation is instigated.
- 30) As the SRA said in February 2024<sup>5</sup>:  
*“Reforms will need to be proportionate, targeted at identified risks, and consider the overall effect on consumers...”*
- 31) From an equality impact point of view that SRA’s draft initial EIA recognises an adverse impact and states that *“...As noted above, we have identified that in line with the position in our wider enforcement process it is possible that smaller firms, and solicitors from particular groups (male, minority ethnic and older solicitors) may be over-represented in any accountant’s report fixed financial penalty regime. It is also possible that smaller firms, particularly those working in less profitable areas, will feel the impact of a penalty more keenly and these firms have a higher proportion of Black, Asian and minority ethnic solicitors compared to firms operating in other areas”*.
- 32) FFPs would apply at firm level, not to individuals. Instead of imposing FFPs, a better and more proportionate approach would be to firstly issue targeted guidance to the profession on how the SRA’s Accounts Rules deal with the submission of accounts, and on how firms can improve their administrative processes to ensure that accounts are submitted on time.
- 33) Instead of imposing of FFPs, a more effective way to ensure that firms comply with the requirement to submit an accountant’s report would be to emphasise the likelihood of the SRA issuing a written rebuke against a firm which fails to comply. The issuing and publication of such a serious sanction is likely to act as a deterrent.

## AQ5: Bank confirmations

**AQ5: What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

- 34) In our July 2024 response, we supported the recommendation in the LSB’s report<sup>6</sup> that the SRA should review guidance to reporting accountants.
- 35) We therefore support the proposal to amend the SRA’s guidance so that reporting accountants are expected to routinely obtain bank confirmations to verify the list of client accounts.
- 36) As we said previously:  
*“The SRA may like to consider enhancing its capabilities by introducing protocols or memoranda of understanding with financial institutions where client money may be held.”*

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<sup>5</sup> <https://www.sra.org.uk/sra/consultations/discussion-papers/consumer-protection-review/>

<sup>6</sup> [LSB’s Independent review of the regulatory events leading to the SRA’s Intervention into Axiom Ince \(para 362\)](#)

37) And in February 2025 we said:

*"The SRA should review guidance to reporting accountants to ensure that the investigations they carry out are sufficiently rigorous and that they understand what is expected from them by the SRA."*

38) We recommend that the SRA explore MOUs with banks to ensure timely provision of information and clarify what accountants should do if confirmations cannot be obtained.

39) We consider that universal submission of AR1 reports and the routine use of bank confirmations would strengthen individual compliance requirements and reduce risks to consumers.

### 3. Strengthening checks and balances within law firms

#### BQ1: Prevent individuals with unilateral control from holding COLP/COFA roles

**BQ1: Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

**Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

40) Whilst we appreciate that the SRA is, via these proposals, attempting to address the type of scenario in the Axiom Ince case, where an individual with control of the firm held a number of key compliance roles, we are uncertain whether the problem could have been prevented even if the roles were separate. This is because the additional compliance role holders would have been employees of the firm in question. There is a clear risk that malefactors in a firm would appoint individuals they could control to compliance roles.

41) Changes such as those suggested would place a heavy burden on smaller law firms. In February 2025, we cautioned:  
*"We do not support this proposal as the vast majority of law firms are small and would not be able to comply with this requirement."*

42) Whilst we understand that the SRA needs to identify ways in which to reduce risk to clients, there are several concerns that the proposals go to the governance arrangements of firms and are beyond the regulator's remit. For example, how would these proposals work in practice with connected parties, e.g. two spouses? Could or should they be considered as unilateral given their connection?

43) Law firms are diverse in size and governance structures. They may legitimately operate in a variety of ways. The SRA would need to define 'unilateral decision maker'. Whilst there are certain exemptions for sole owner manager firms, this proposal raises serious concerns about what might happen in a firm where there is a majority owner

manager or in smaller firms with only two partners and no other senior staff. Individuals in such firms with unilateral or dominant control are often the most experienced, risk-aware, and best placed to discharge COLP and COFA responsibilities effectively. Preventing such individuals from holding these roles would not eliminate risk; rather, it would risk displacing responsibility from authority and create notional or ineffective compliance arrangements. Knowing the culture, processes and ethos of the firm is an important asset which would be unavailable to e.g. external COLPs and COFAs.

44) For instance, if there were two directors or partners, one acting as COLP and the other as COFA, both would be decision makers. Imposing COLP and COFA roles on support staff would be neither practical nor economical as, without comprehensive knowledge about the firm, they would not be able to perform the roles as well or effectively as the directors.

45) Even in larger firms, e.g. those consisting of four to five partners, the partnership may consist of both full equity partners (decision makers) and salaried partners (those with limited authority). In firms with two full equity partners and two salaried partners, only two individuals could realistically make unilateral decisions. It is unlikely that salaried partners would want to assume the roles of COFA /COLP where they lack authority or their decisions could be overridden by those with greater authority. The same applies to more junior solicitors taking on COFA/COLP roles. COFA /COLP roles are time consuming when carried out properly. The cost of that time adds significantly to the firm's overheads, and this would be exacerbated if the roles required separate individuals, whether those were internal or external appointments. For these reasons, the proposals appear to the Law Society to be complex, impractical and unlikely to address or prevent the perceived risk.

46) A hard line on thresholds might produce unintended and disproportionate consequences for consumers and the majority of small to medium firms. If the SRA imposed such a regime, firms would have little option but to contract out these roles to others or pay existing staff more to take on the extra responsibility of such roles. Accordingly, there would be additional regulatory expenses for firms which are likely to be passed onto clients. More clients unable to afford the costs of legal services would have an impact on access to justice.

47) In practice, this proposal is likely to result in:

- The appointment of COLP/COFA role holders lacking the authority to influence firm culture, resourcing, or decision-making, making it likely that their decisions will be overridden by those in control. Finding suitable individuals to undertake such roles may be problematic, given the balance of risk, responsibility and reward. A further risk would be junior members without the necessary regulatory experience being asked to perform the roles;
- The separation of accountability from control will likely weaken the effectiveness of compliance rather than strengthening it;
- Increased reliance on tick-box structures that appear to deliver independence but do not deliver meaningful oversight;
- A risk that such a restriction would conflict with the SRA's own proportionality principle. Most small and medium sized firms cannot realistically achieve structural separation without artificial governance arrangements or external appointments that may add cost without improving outcomes.

- There may be insufficient numbers of prospective COLPs and COFAs to meet the new demand who have both the necessary experience and the willingness to take on the responsibility.

48) The SRA already has effective ways to manage the risks associated with unilateral control, including:

- The use of compensating controls such as deputy roles, external reviews, and independent audits;
- Targeted supervision and enforcement where dominance, poor culture, or financial pressure present elevated risk.

49) We would urge the SRA to retain its current proportionate approach, focusing on substance over form and on outcomes rather than rigid structural requirements, unless it produces separate specific guidance or rules applying to small firms to help them overcome the challenges highlighted above.

50) Consideration should be given to restricting the role of COLP and /or COFA to a member of a firm with more than 3 years PQE. Similarly, at least one solicitor acting as director of an ABS should have at least 3 years PQE. This will enable persons holding that responsibility to have gained some practical experience of working in the profession. There are examples of young solicitors being appointed purely to comply with the letter of the regulations but without having any real understanding of the role and their responsibilities. The consultation refers to a lack of applications for the roles but in general they are undesirable, onerous and carry potential liability which can be career ending.

51) The role holder needs the ability to control events and in most firms only a principal can guarantee having that authority. The COLP and COFA roles overlap and it is logical that the same person assumes both roles. In private practice firms the finances are often not shared with staff or subcontractors.

52) The consultation document refers to the requirement that the office holders should have responsibility to be effective. This misses the fundamental point. Responsibility arises from the title and the appointment. What is necessary for the system to be effective is that the office holder should have authority to be able to perform the role effectively. They need the ability to access financial information, case details on demand, and be able to decide and control whether action is needed and taken.

53) We support proposal for the enhanced support package for compliance officers.

## BQ2 and Q3: Turnover and client money thresholds

**BQ2:** Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders?

If not, what alternative threshold would you suggest and what impact would the adjustment have?

**BQ3:** Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

- 54) The consultation paper indicates that the SRA determined the £600,000 figure based on a threshold figure in its existing authorisation process as opposed any specific evidence-based or risk-based analysis or modelling. It is imperative that any risk thresholds are evidence-based and proportionate. We, therefore, strongly urge the SRA to conduct a proper exercise by engaging with a representative sample of firms to consider the impact of different levels of potential thresholds on firms and their services before any decision is finalised to proceed based on fixed thresholds. Should the SRA still decide to proceed on the basis of setting a threshold it must also be mindful that any threshold applied would need to be future-proofed and need indexing over time.
- 55) The consultation paper indicates that if the £600,000 turnover threshold were applied, almost 40% of firms would be impacted. If the £500,000 threshold for holding client money is applied, then the percentage of firms impacted would be much greater.
- 56) Anecdotal feedback from members indicates that both the currently proposed thresholds are too low, capturing the majority of smaller firms and increasing costs for them. This will in turn have an adverse effect on consumer interests as costs are likely to be passed on or firms will cease to trade which may restrict access to justice for already disadvantaged communities.
- 57) The consultation paper itself acknowledges that the threshold *"would capture almost all firms working in some areas of law, such as conveyancing"*. The threshold figures will also capture and impact many small to medium sized firms. Black, Asian and minority ethnic lawyers predominately work, or are based, in the small firm sector. This group will be disproportionately affected. This in turn would have a knock-on effect on communities where access to legal services is already challenging. This will not only impact this particular segment of the profession adversely but will also impact the communities they serve.
- 58) We suggest that a proportionate response would be to put in measures where the risk is highest and where the stakes are highest. We consider the holding of client balances above £500,000 in a reporting period is too low. The average price of

property in England & Wales is £293,000. If a firm deals with just two such conveyancing matters in a reporting period, such as a related sale and purchase and the ancillary registration and legal fees and stamp duty in a reporting period, would place them well over the proposed threshold of £500,000.

59) House prices in certain parts of the country, such as in the south of England, are well over the proposed threshold. HM Land Registry data for UK House Price Index for November 2025<sup>7</sup> states that average price for property in London was £553,000. However, the table below demonstrates that different types of property have much higher prices.

#### London

London shows an annual price decrease of 1.2% which takes the average property value to £553,000. Monthly house prices rose by 1.3% since October 2025.

#### Average price by property type for London

Property type	November 2025	November 2024	Difference %
Detached	£1,158,000	£1,145,000	1.1
Semi-detached	£717,000	£702,000	2.2
Terraced	£636,000	£629,000	1.1
Flat/maisonette	£433,000	£449,000	-3.7
All	£553,000	£560,000	-1.2

60) HM Land Registry's data also shows that the average detached property in England is slightly below the threshold at £474,000. The average cost of a new build is £391,000 (Sept 2025), whereas in London this figure is £514,000.

61) According to Rightmove's website<sup>8</sup>

*"House prices in South East have an overall average of £465,022 over the last year. The majority of properties sold in South East during the last year were terraced properties, selling for an average price of £405,335. Semi-detached properties sold for an average of £469,167, with detached properties fetching £703,163."*

62) The above demonstrates that even if turnover and client money balance were used to formulate the threshold limits, those set by the SRA are far too low.

63) If such artificial thresholds were imposed, the SRA would be implying that firms below the limit pose a negligible risk, while those above the limit are inherently a cause for concern. Different sectors of the legal market pose different risks. Probate practices hold more money whilst criminal and family practices may have a greater turnover. Therefore, neither turnover nor the amount of client money held are the optimum determinants of risk. We believe that the SRA needs to use the whole range of data available to it to assess risks posed by different firms.

64) In our July 2024 response we stated:

*"The SRA relies on firms' own compliance officers to make reports to the regulator whilst all the while regulation becomes ever more complex and burdensome. Visits to firms by the Forensic Investigations team are perceived as adversarial. Whilst a "light*

<sup>7</sup> HM Land Registry UK House Price Index for November 2025

<sup>8</sup> Rightmove website

*touch” can reflect modern regulatory principles, there is an argument to increase the level of oversight where a higher level of risk has been identified. For example, the SRA might consider re-creating a team, like its previous Practice Standards Unit, to visit firms and offer compliance advice in a supportive way”.*

65) We therefore believe that reintroducing a service like the PSU may provide a better outcome.

66) We consider the proposal to be a further layer of unnecessary regulation which is unlikely to improve the situation. Again, we consider that the proposals appear to be complex, impractical and unlikely to prevent the perceived risk.

67) The “Direction of Travel” section in the consultation may be more effective as a way of identifying and targeting risks. In circumstances where firms will be changing their profile, merging or acquiring other firms, the consideration, close monitoring and authorisation by the SRA of such changes and risks needs to improve.

#### **BQ4: Sole owner-manager firms excluded from COFA role**

**BQ4: Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

**Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

68) We do not agree with this proposal. For similar reasons to those described above, it seems unlikely to prevent the perceived risk as owner-managers will still have effective control even if the COFA is a third party or employee.

69) A sole practitioner (SP) may not be able to afford to employ someone in the role of COFA. This means that any SP who undertakes transactional work (for example residential conveyancing) must either cease practising, or the SP would have to insist that no monies beyond a deposit comes through their client account. The recipients of those funds, for instance, a seller’s solicitor and the SP who is acting for the buyer are likely to be extremely unhappy to receive monies directly from a buyer who is not their client and about whom they know nothing. This may lead to firms refusing to deal with SPs. Alternatively, SPs might turn down work to stay within the artificial imposed thresholds and again this could impact consumers being able to access justice or necessary legal services.

70) Should this proposal be implemented, it could lead to a significant reduction in numbers of SPs. SPs should not face adverse consequences because of the vastly different problems identified by Axiom Ince. Again, we request that the SRA undertake a proper modelling exercise before proceeding further.

#### **BQ5: Evidence sources to quantify impact**

**BQ5: We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

**Please set out your reasons and any evidence relating to your answer.**

71) In order to quantify the impact of its proposals on the separation of roles, the SRA needs to properly engage with a representative sample of those firms that will be impacted by the proposals. This would likely be a sizeable proportion of all SRA firms. This needs to be undertaken as a priority before any steps to implement any of the proposals, as the consequences of doing so before such an impact assessment would be serious.

72) Instead of requiring separation of roles, the SRA could achieve more efficient supervision by better utilising the data it currently gathers. For example, it receives a substantial volume of relevant regulatory data through mySRA submissions, AR1 reports, annual declarations, bank confirmations, and routine firm level information on ownership, staffing, practice profile, and regulatory history. Taken together, these datasets provide a strong foundation for a genuinely risk based supervisory matrix, enabling the regulator to form a more accurate picture of emerging risk within firms and across the market.

73) Despite repeatedly expressing an ambition to become more data driven, the SRA has made little visible progress in establishing a coherent approach to using the information already available to it. A more systematic approach based on an analytical framework would help address several issues raised in the consultation, including concerns about the SRA's continued reliance on blunt indicators such as turnover thresholds or fixed client money limits. Firm size or headline monetary values rarely provide a meaningful proxy for actual risk. Many high volume or high turnover firms present limited risk, while some smaller firms experience governance, solvency or systems control issues that would not be captured by simple thresholds.

74) A richer analysis of existing data would enable the SRA to consider more relevant factors within a risk matrix - such as patterns of late filings, sudden fluctuations in client account balances, staffing ratios, ownership changes, the experience of the reporting accountant, or repeated exceptions on bank confirmations - which together offer a far more nuanced picture of risk.

75) If the SRA is already making good use of these data, that is to be welcomed, and we would be interested to hear how the process works. If not, we strongly encourage the adoption of a more proportionate and intelligence led supervisory model, under which the SRA would bring together the information it already collects into a unified risk assessment framework. Without being prescriptive, we suggest this could involve identifying consistent indicators to develop a risk matrix to include for example:

- Regulatory filings (timeliness, completeness, AR1 outcomes, accountant identity)
- Client money-money and reconciliation data (average and peak balances, reconciliation gaps, unexplained variances)
- Firm level characteristics (ownership and control, staffing patterns, practice mix, debt-level characteristics (ownership and control, staffing patterns, practice mix, debt or funding pressures where declared)

- Change events (mergers and acquisitions, rapid growth, changes in management or business model)
- Regulatory history (conditions, interventions, past breaches, completion of remedial actions).

76) Combining these inputs at a high level would allow the SRA to identify unusual patterns, significant shifts, or clusters of concern that merit closer supervisory attention. It would also help reduce the burden on low-risk firms, provide earlier warnings where firms are beginning to struggle, and support a more transparent and defensible approach to prioritisation.

77) We believe this direction of travel is essential if the SRA is to meet its own stated aim of implementing more effective, data-informed monitoring and enforcement, and we encourage the SRA to set out a clearer plan for how it intends to make practical and meaningful use of the information it already holds. We would be happy to co-operate in the development of any such measures.

## 4. Equality impact assessment

### CQ1–Q3: Assumptions, other factors, and comments

**CQ1: Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

**CQ2: Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

**CQ3: Do you have any other comments on our draft equalities impact assessment?**

78) We agree with the need to assess equality, diversity, and inclusion (EDI) impacts and recommend further analysis of effects on small firms, sole practitioners, legal aid providers and BAME groups.

79) The SRA's own data shows that 36% of partners in the smallest firms with one partner, and 23% of partners in firms with two-to-five partners, are from a BAME background - significantly higher numbers when compared to partner-ethnicity in larger firms. The over-representation of minority ethnic solicitors in small firms is based on structural inequalities. Approval of the proposals would compound these inequalities creating a potential risk of inadvertent barriers to market entry for solicitors to begin operating new law firms as well as negatively impacting those communities that they serve.

80) We suggested in July 2024 that this principle should guide the SRA's equality impact assessment and quoted the SRA's assertion that:  
*"...any reforms will need to be proportionate, targeted at identified risks, and consider the overall effect on consumers. This includes any impact on the supply and accessibility of legal services that might be caused by increased burdens and costs..."*

81) In our February 2025 consultation response, we issued a caution, which is also relevant here:

*“The proposals would have tremendous ramifications on the profession, especially on smaller firms. Black and minority ethnic lawyers predominately work in the small firm sector. This group will be disproportionately and unfairly affected. This in turn would have a knock-on effect on communities where access to legal services is already challenging.”*

82) Likewise, we recalled that:

*“Such large changes also require a proper equality impact assessment on consumers of legal services, who would be likely to face additional challenges in accessing certain practice areas. They would likely face higher costs as well, which could have especially damaging implications for the vulnerable and those who most need help. The consequences for access to justice could be huge.”*

83) The SRA appears to have considered the impact of this change in isolation and recognises the adverse impacts as we have highlighted in our responses to the questions above. However, it might be helpful for it to consider the cumulative impact of these changes alongside other compliance actions needed to address the challenges faced by small firms and therefore Black, Asian and minority ethnic solicitors. The SRA’s 2024 research<sup>9</sup> on the overrepresentation of Black, Asian and minority ethnic solicitors in the first stages of its enforcement processes found that ‘working in a one partner or small firm, and the overrepresentation of Black, Asian and minority ethnic solicitors in such firms, is the key organisational factor relevant when considering the overrepresentation of Black, Asian and minority ethnic solicitors in reports received by the SRA. Our interviews revealed a range of challenges and ‘strains’ that solicitors working in smaller firms might experience. Our findings suggest that Black, Asian and minority ethnic solicitors are disproportionately exposed to these challenges and ‘strains’.

## 5. Conclusion

84) While we support the SRA’s ambition to strengthen consumer protection and enhance the robustness of the client money framework, we remain concerned that several proposals risk introducing administrative complexity and cost without clearly demonstrable improvements in outcomes.

85) We agree with measures that restore longstanding safeguards – such as universal submission of accountants’ reports, annual declarations, direct filing by reporting accountants, and routine bank confirmations – as these are proportionate steps that meaningfully enhance monitoring. However, their success will depend on the SRA having adequate resourcing, technical capacity, and a clear plan for triage and follow-up.

86) We caution against enforcement models, (particularly fixed financial penalties), which may create unintended risk or delay, and which could unfairly penalise firms for failures outside their control.

87) A more proportionate approach would emphasise targeted guidance, supportive supervision, use of intelligence and, where appropriate, investigation and the use of rebukes in cases of noncompliance. These methods are better aligned with the SRA’s

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<sup>9</sup> [Overrepresentation of Black, Asian and minority ethnic solicitors in reports to the Solicitors Regulation Authority: final research report](#)

own principles of risk-based regulation and would avoid creating new procedural bottlenecks.

- 88) The proposals relating to governance, unilateral control and restrictions on COLP/COFA appointments raise significant practical concerns, especially for small firms, sole practitioners and firms with modest turnover or client account balances.
- 89) As drafted, these measures risk separating responsibility from authority, weakening rather than strengthening compliance, and imposing structural requirements that many firms simply cannot meet without artificial arrangements or prohibitive cost and without clear knowledge that sufficient numbers of potential replacement office holders are available. The proposed thresholds to determine separation of roles based on turnover and client money held in a reporting period are set too low and will negatively impact a significant number of firms. The SRA appear not to have based the proposal on any evidence-based or risk-based analysis or modelling. A proper exercise needs to be undertaken with a representative sample of firms and the impact on any proposed thresholds.
- 90) We therefore encourage the SRA to remain focused on outcomes, retain flexibility, and avoid threshold-based regimes that are not supported by transparent data or modelling. More broadly, we urge the SRA to make fuller use of the rich datasets it already collects. A coherent, intelligence led supervisory model – drawing on AR1 submissions, reconciliation data, bank confirmations, ownership and staffing information, regulatory history and change event monitoring – would provide a far more accurate and proportionate picture of risk than rigid criteria such as turnover or peak client money levels. This is consistent with the SRA's expressed intention to become a more data-driven regulator and would enable earlier identification of emerging issues while reducing unnecessary burdens on low-risk firms.
- 91) Any reforms must therefore be proportionate, evidence based and sensitive to the broader consequences for market participation, consumer access, and the sustainability of diverse legal service providers.
- 92) Lastly, we emphasise the need for a comprehensive and cumulative equality impact assessment. Many of the proposals, though well intentioned, risk disproportionately affecting Black, Asian and minority ethnic solicitors, who are overrepresented in the small firm sector, as well as practitioners in legal aid, community-based work and sole practice environments.
- 93) We would welcome continued engagement with the SRA to ensure that the final approach achieves meaningful protection for clients without undermining the diversity and accessibility of the profession.



**Informing Progress - Shaping the Future**

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19 February 2026

Dear Sir or Madam

**SRA consultation on client money in legal services: Protecting the client money that solicitors hold**

This letter is written on behalf of the Forum of Insurance Lawyers (FOIL) in response to the above consultation. FOIL represents lawyers across the United Kingdom and the Republic of Ireland. It exists to provide a forum for communication and the exchange of information between lawyers acting predominantly or exclusively for insurance clients.

FOIL offers a selective response to the consultation paper:

**Section 1 - Strengthening the accountants' reports regime**

**Question 3: Do you agree with our proposal that reporting accountants should submit their reports directly to us? Please set out your reasons and any evidence relating to your answer, including about the impact the proposal would have.**

We have no direct objection to this proposal. FOIL's primary observation is that the consultation is silent about the timing of the submission of any accountant's report. Firms should have an opportunity to comment upon the accuracy of any factual matters in the report before it is submitted to the regulator. The introduction of a time limit – say 14 to 28 days from receipt of the accountant's report by the firm/COFA to submission by the accountant to the SRA – is likely to be helpful for stakeholders. It should reduce unnecessary post submission communications to the SRA where factual inaccuracies are identified in a report.

This proposal may increase the fees that accountants charge law firms. It is unclear whether the SRA has undertaken an appropriate cost related impact assessment.

**Section 2 - Strengthening checks and balances within law firms**

**Question 5: We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this? Please set out your reasons and any evidence relating to your answer.**

Our larger members are unlikely to be impacted by the proposals, but FOIL recognises that there may be an adverse impact on smaller law firms if there is a lack of competition/suitable candidates for taking on these roles. We cannot assist further with the evidence request.

The following responses were from respondents who asked us to publish their responses anonymously.

# PROTECTING THE CLIENT MONEY THAT SOLICITORS HOLD CONSULTATION

Response ID:18 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

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11.

### 1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

Yes, I agree with the proposal to require the submission of all accountants' reports, whether qualified or unqualified. Reasons set out below:

1. This change would have no impact on our firm. We already complete accountants' reports as part of our standard processes, so submitting them would not create any additional burden or cost.
2. Requiring submission of all reports ensures greater consistency and transparency across the profession. It removes ambiguity about which reports need to be provided and helps maintain high compliance standards.
3. Collecting all reports will enable the SRA to monitor compliance more effectively, identify trends, and take proactive steps where necessary. This strengthens regulatory oversight and supports the integrity of the regime.
4. Since the reports are prepared in any event, submitting them is a straightforward step that does not require changes to our internal processes.

There would be no negative impact on our firm. The proposal simply formalises a process that aligns with what we already do, while delivering clear benefits for regulatory assurance.

12.

### 2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

Yes, I agree with the proposal to introduce mandatory annual declarations from client money-holding firms. It is appropriate that this data should be collected to ensure transparency and strengthen regulatory oversight. We have no comments or objections to this proposal. It aligns with good governance and compliance practices. There would be no adverse impact on our firm. The requirement is reasonable and supports the SRA's objectives for monitoring and assurance.

13.

### 3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes, we agree with the proposal that reporting accountants should submit their reports directly to you. The additional burden on firms should be minimal, as the responsibility for submission would rest with the reporting accountants rather than the firm. Direct submission improves efficiency and ensures the SRA receives reports promptly, supporting better regulatory oversight.

There would be no significant impact on our firm. This approach is practical and straightforward.

14.

### 4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

Yes, we agree with the proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations. We have no issue in complying with these changes. Our processes already ensure timely and accurate submissions. If compliance is not met, a fixed penalty is a reasonable and transparent mechanism to enforce standards.

There would be no impact on our firm. Since we comply with these requirements, any penalty for non-compliance would not affect us.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

We have no concerns regarding the proposal to amend the guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts.

This is a sensible measure that supports accuracy and transparency in verifying client accounts. It aligns with good practice and does not present any operational challenges for us.

**4. Consultation questions relating to strengthening checks and balances within law firms**

**16. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

No, we do not agree with this proposal. Our firm consists of approximately 30 staff members and 4 directors/managers. Currently, the Managing Director holds the COLP role and the Operations Director holds the COFA role. These individuals are involved in the compliance oversight of the firm and we feel these roles are performed to high standard while maintaining the managerial roles within the firm.

We dedicate significant time and resources to ensuring these roles are carried out accurately and effectively. This approach guarantees a high standard of compliance across the firm.

Removing these roles from individuals who have the authority and knowledge to implement compliance measures would dramatically reduce efficiency and effectiveness. Passing these responsibilities to another team member without similar authority would compromise compliance standards. A firm of our size means that there just is not the required amount of people which the time, resources and knowledge to carry out these roles.

The suggestion on the recent webinar was for these roles to be outsourced, which would result in considerable expense and disruption. This would negatively impact the firm's operations and could lower the overall standard of compliance.

The current arrangement ensures that compliance decisions are made by those with the necessary authority and understanding of the firm's processes. Removing this link would create unnecessary complexity and risk.

The proposal would have a huge detrimental effect on compliance within our firm. It would introduce inefficiencies, increase costs, and potentially reduce the quality of compliance oversight.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

No, we do not agree with the original proposal, which therefore negates the need for the suggested threshold.

We agree that firms with higher turnover may present heightened risk. However, the approach needs more nuance and consideration for firms of our size and nature. Applying a blanket threshold of £600,000 without factoring in operational structure, governance, and compliance culture could lead to disproportionate requirements for firms like ours, which already maintain strong compliance standards.

A more tailored risk assessment model would be preferable, considering factors beyond turnover alone—such as complexity of operations, client money handling, and internal controls. Introducing this threshold as proposed could impose unnecessary burdens on firms that are already compliant and well-managed, without delivering proportional benefits to regulatory outcomes.

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

No, we do not agree with the original proposal, which therefore negates the need for the suggested threshold. We echo our previous response (Q2). While we recognise that firms holding higher client money balances may present heightened risk, the approach needs more careful consideration.

A blanket threshold of £500,000 does not account for other critical factors such as governance, internal controls, and compliance culture. These elements are equally important in assessing risk.

A more nuanced model that considers multiple risk indicators would be preferable to ensure proportionality and fairness. Applying this threshold as proposed could impose unnecessary burdens on firms like ours that already maintain robust compliance processes, without delivering meaningful improvements to regulatory outcomes.

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

In our view, this principle should be extended beyond sole owner-manager firms. The end goal is effective compliance with standards, regulations, and laws, and this can be achieved without restricting these roles solely based on ownership structure.

Compliance effectiveness should be the priority, rather than rigid structural requirements. Firms should have flexibility to allocate roles to individuals best placed to ensure compliance.

Imposing unnecessary restrictions could lead to inefficiencies without improving compliance outcomes. A more nuanced approach would better serve the regulatory objectives.

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

The consequence of these proposals for our firm would be significant, and it is essential that the SRA fully understands the practical impact before implementing changes.

**Cost Analysis from Affected Firms:**

Data on the additional expense incurred by firms required to outsource COLP/COFA roles or hire new compliance staff. For firms like ours, this would represent a considerable financial burden given the importance of these roles.

**Operational Efficiency Metrics:**

Evidence showing how separating roles affects compliance processes, decision-making speed, and overall governance. For our firm, removing these roles from senior management would dramatically reduce compliance efficiency.

**Compliance Performance Data:**

Comparative data on breaches, reporting delays, and regulatory interventions before and after role separation. This would help determine whether the proposals genuinely improve compliance outcomes.

**Staffing Availability Surveys:**

Information on the availability of suitably qualified individuals within firms of different sizes. Smaller and mid-sized firms may struggle to find internal candidates, leading to outsourcing and higher costs.

**Case Studies from Mid-Sized Firms:**

Real-world examples from firms similar to ours (circa 30 staff, multiple directors) to illustrate the operational and financial impact of these changes.

The end goal should be effective compliance, not structural changes that create inefficiencies. For our firm, removing these roles from the Managing Director and Operations Director would dramatically decrease compliance effectiveness and introduce considerable expense, which could negatively impact standards rather than improve them.

## 5. Equality Impact Assessment

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### 21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

Based on the information provided, I believe the assessment is balanced and takes into account the key EDI considerations relevant to the sector. The commitment to ongoing monitoring and adjustment is particularly important to ensure that any unintended consequences are identified and addressed.

### 22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

Factors/Impacts:

Mental Health and Wellbeing:

Increased administrative or compliance burdens may affect the mental health and wellbeing of individuals in smaller firms, particularly where resources are stretched.

Career Progression and Opportunities:

Changes to compliance roles may inadvertently affect career development for individuals from underrepresented groups, especially if opportunities to hold COLP/COFA roles are restricted.

Evidence Sources:

Qualitative Feedback:

Direct feedback from affected individuals and groups (e.g., focus groups, interviews) can provide insights beyond quantitative data.

Regional and Practice Area Data:

Analysing impacts by region and area of law (e.g., criminal, private client) may uncover specific challenges or disparities.

### 23. 3) Do you have any other comments on our draft equalities impact assessment?

Not at this time.

# Protecting the client money that solicitors hold in consultation

Response ID:22 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

There are already a lot of regulatory requirements on law firms - this needs to be proportionate. We are professionals and should act with honesty and integrity

If this means solicitors can retain their client account which I personally feel is better for the profession and ultimately clients - yes

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

It depends what you are going to do with the information. It seems again disproportionate in addition to the auditing

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

This seems sensible but perhaps only like a driving test if there are more than a certain amount of minors or any major breaches

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

A penalty will not fix this issue - it may act as a deterrent

Instead of a penalty it should bring the law firm for your attention and depending on whether a major or minor breach - provide for a visit and training or mini audit again in 6 months to ensure improvement of no reoccurring pattern

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

No as ultimately this is their firm and you are suggesting they may be dishonest but perhaps an extra audit from an external source

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

I don't think you can assess risk completely on turnover it depends on the firm and how it is run supervised and managed

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

I don't think you can assess risk completely on turnover it depends on the firm and how it is run supervised and managed

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

No as ultimately this is their firm and you are suggesting they may be dishonest but perhaps an extra audit from an external source

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

## 5. Equality Impact Assessment

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**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

**23. 3) Do you have any other comments on our draft equalities impact assessment?**

No

# Protecting the client money that solicitors hold in consultation

Response ID:23 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

yes

12.

2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

I am not sure this achieves anything if the accounts are submitted

13.

3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes

14.

4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

Yes

15.

5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?

My accountants do this anyway

## 4. Consultation questions relating to strengthening checks and balances within law firms

16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?

Yes

17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

Yes

18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

No this is too low and would be unfair on sole practitioners who do conveyancing or probate work

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

You should have to satisfy both requirements not one or the other

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Affordable small practices run by sole practitioners in the community who know their clients and look after vulnerable clients are disappearing rapidly leaving vulnerable clients without help or having to deal with faceless company law firms i.e. coop or large expensive practices who treat them as a file number rather than as a person. If a sole practitioner cannot be a COFA and a COLP they will be subject to large consultancy fees which are unaffordable and will result in practices closing and less access to legal services and less choice

## **5. Equality Impact Assessment**

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**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

**23. 3) Do you have any other comments on our draft equalities impact assessment?**

# Protecting the client money that solicitors hold in consultation

Response ID:29 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

This sounds sensible, I never really understood why there was no requirement to submit an unqualified report.

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

I'm okay with this providing that the declaration can be made efficiently.

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

This is fine with me.

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes, but only after a certain amount of time eg penalties applying from say 10 days after the filing deadline. ie to allow time for reporting accountants when dealing with high volumes.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

They should certainly do this.

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Yes. Although how this works in practice needs to be understood.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

£600k seems okay.

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

Yes.

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**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

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**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Yes. Although how this works in practice needs to be understood.

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## **5. Equality Impact Assessment**

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**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

I'm indifferent.

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**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

No.

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**23. 3) Do you have any other comments on our draft equalities impact assessment?**

No.

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# PROTECTING THE CLIENT MONEY THAT SOLICITORS HOLD CONSULTATION

Response ID:33 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

10.

1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

I like the Qatar Airlines As their service is very good always on time no fault and also they serve the food is very good

11.

2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

Yes

12.

3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes I do agree

13.

4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

Yes I do agree

14.

5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?

Yes

## 4. Consultation questions relating to strengthening checks and balances within law firms

15. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?

Yes

16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

Yes

17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

Yes

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

Yes

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Yes

## 5. Equality Impact Assessment

---

**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

Yes

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

Yes

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

Yes

# PROTECTING THE CLIENT MONEY THAT SOLICITORS HOLD CONSULTATION

Response ID:49 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

9.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

Ja. Ich bin von der Raiffeisenbank Meckenhausen, in 91161 Hilpoltstein, in Mfr-Germany um 25 Prozent Zins zusätzlich betrogen worden, und habe damit mein Anwesen verloren, trotz ihres Betruges. Ebenso habe ich mit Kryptobetrüggern zu tun, mehr als 210 Anrufer in drei Jahren und 3 Ordner voll mit eigenen Ermittlungen. Eure Finanzaufsicht ist vollkommen chaotisch, unübersichtlich, untätig und unfähig, das ist zumindest mein Eindruck.

10.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

Ja, überprüfen Sie DCMarket.io, Global-Solution.pro, 24 X Central und ABSsystem, alle vier sind geschlossen worden und haben mir mehr als 36000.- Euro geklaut. Überprüfen 'Sie Amelia Kowalsky und Martina Deich , Westerstraat 134 in Amsterdam, die Firma Cyberfraud-Assistance in Hamburg einen Lukas, die Firma cryptoassetrecover.org, die Firma Eurla, eine Frau Clark, die Mitarbeiterinnen der FCA die ich namentlich angezeigt habe, und alle Tonaufnahmen, die ich euch zukommen habe lasse, heute. Jede angebliche Rückerstattungsfirma, die mich bisher telefonisch angerufen hatten, waren nur Betrüger. Die wirkliche Finanzaufsicht tut nichts oder schiebt nur ihre Zuständigkeiten vor sich hin und her.

11.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

Ja, besser wenn Sie es unserem übergeordneten Zivilschutz nach den Genfer Verträgen zukommen lassen, Adresse: Bielfeldweg 26 in 21682 Stade. Wir ermitteln unabhängig in Eigenregie und sind für 47 Länder die Gerichtsbarkeit und für 197 Länder zuständig.

12.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Ja, die Gelder sollen aber die Opfer erhalten nicht die Täter !!! Wenden Sie sich an den Zivilschutz und an [www.chb-gdm.net](http://www.chb-gdm.net) und [zentralmelderegister-genesis.org](http://zentralmelderegister-genesis.org).

13.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

Ja, holen Sie sich Peter of England , aus Manchester, von der werebank.co.uk mit ins Boot, er würde euren Laden einmal gründlich aufmischen.

## 4. Consultation questions relating to strengthening checks and balances within law firms

**14. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Dazu keine Meinung.

15. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

ja.

16. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

Ja.

17. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?

Dazu keine Meinung

18. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

Hier liegt ein Ausfall aller staatlichen Stellen und ein Stillstand der Rechtspflege eindeutig vor. Der Zivilschutz übernimmt deshalb nach den Genfer Verträgen, die staatlichen Aufgaben, die nicht mehr stattfinden, da alle in das private Recht gezogen worden sind. Das was ihr hier macht, ist kein öffentliches Recht sondern ausländisches Privatrecht, also Handelsrecht. Forget it.

## 5. Equality Impact Assessment

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19. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

20. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

21. 3) Do you have any other comments on our draft equalities impact assessment?

# PROTECTING THE CLIENT MONEY THAT SOLICITORS HOLD CONSULTATION

Response ID:69 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

10.

### 1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

Yes I do but I do not think it goes far enough. There should not be any exemptions and that all firms should be obliged to file these reports. You need as much data as possible from all quarters in the profession. Any assumptions that you make are purely provisional because you do need more data.

The second point is that you need to appoint accountants yourself from a panel appointed by yourselves. You should not rely on the solicitors firms to do this in order to prevent collusion and acquiescence and the bending of rules to suit firms. You need extremely accurate data and the only sure way of doing this is to have a complete independence injected into the system.

The third point is that the accountants report needs to be completely overhauled. It needs to list the potential breaches in a ticks tick box form with further space available for explanations There are a whole host of breaches most of which are significant. I'm going to list a few for examples but there are a lot off them:

Residual balances when it's a failure to return money promptly ( by that I mean 4/6 weeks from when the funds are no longer required ) making office payments from client account. Not properly allocating mixed payments when received. Not making reconciliations every five weeks. Not dealing with discrepancies when they are found. Drawing on uncleared funds. Taking costs without a bill .Not keeping client account ledgers up to date or remedying errors. Not dealing with dishonoured cheques promptly. Operating a banking facility. Not paying out client account interest. Using suspense accounts on a persistent basis and not clearing within a reasonable time. Where legacies have been paid out twice to create an overdrawn amount on Client Account. Where mistakes are made in mortgage redemptions because up to date figures have not been used. Not paying in monies as and when received into the client account. Advanced billing. Whether it's no record of breaches kept all that record is inadequate. No published interest policy.

And so the list goes on.

With such detail listed in the Accountants report you're going to then have a much better idea of where the faults and inadequacies lie.

what did strike me in my research is the proposition that no evidence of a systematic problem is being revealed Well the answer to that is that if the accountants are not reporting these issues then they're going to go unnoticed. I do reiterate the point I'm making about independence to better the data.

11.

### 2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

Yes I do but again I do not feel that it goes far enough. You should extract these declarations from all partners within the firm as well as the firm itself. In that way you will focus the partners attention because if there are any issues that arise it will be down to them. There should be enforcement with financial penalties and in serious cases stronger disciplinary action. I think there is a case to be made to induce all partners becoming more focused on these issues so that compliance is made front and centre. Clearly, some partners simply sit back and let others do the work without necessarily taking on some responsibility.

12.

### 3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes I do to ensure that there is compliance here. The time limits should be strictly enforced because if a bad report is coming down the line it needs to be dealt with by yourselves. if as I hope you employ employ an independent panel and they themselves should be subject to a fine if they do not file the report within the prescribed time limits. You need safe pairs of

hands on board here. not all accountants are the same and are not sufficiently proficient in dealing with solicitors accounts so that you can rely on their input through the accountants report.

We were told at law school that's so long as you paid your accountant you were unlikely to receive a qualified report. Whilst that may well have been a facetious remark in some instances there may be something to it.

13.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes I do for the reasons given above these penalties should apply to all partners as well as the firm and the reporting accountant

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

Yes I do as they need as much data as possible to make their observations.

#### 4. Consultation questions relating to strengthening checks and balances within law firms

**15. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Yes I do because it would be an attempt to prevent cover up. It would concern me though that such individuals may be able to influence those that take up the COLP and COFA roles. the appointment of these individuals is likely to be in the hands of those with the capability to determine and manage decisions. inevitably during the disciplinary procedures that will follow you will find suggestions of undue influence.

Again once you've got a significant amount of data you're going to be able to make better decisions because you'll have a much better insight into what exactly the scope and depth of this these problems are.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

You need to be aware of the issues and situations in all firms at all levels to get a complete picture or at least as big a picture as you can. I therefore suggest that there is no a lower limit and all firms should be involved within the scope of this current exercise.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

No for the reasons I've stated above you need everybody within the scope of this enquiry

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

As above

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

You've already presented some rather concerning data as it is it ranges from a lack of understanding of the roles to not having enough time, feeling stressed and undervalued . Clearly in some cases there are significant failures. It is therefore with some degree of certainty that I can recommend that these roles be separately conducted by individual people . In bigger firms it may be necessary to have more than one person employed in each of these roles.

## 5. Equality Impact Assessment

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**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

Yes I think it will have a greater impact on some of the smaller firms. But that it's something that needs to be confirmed and identified before it can be addressed.

Help support and guidance is necessary but it can only come when the problems and issues are clearly identified. If you do not look you cannot see.

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

This is why you're having a consultation procedure at this stage. You can then address any concerns that evolve from this.

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

No because I have raised and dealt with various issues within the answers I have given to the questions outlined above.

# Protecting the client money that solicitors hold in consultation

Response ID:82 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.

### 1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

Yes this would create a unique opportunity to assess compliance data but there needs to be complete independence to prevent collusion and acquiescence, underreporting, bias, subjective assessment and the bending of rules. In order to do this you need a completely independent accountant appointed by the SRA and not rely on the solicitor's firm appointing their own accountant. I do dismiss any suggestions that this would cause undue hardship or excessive cost on behalf of the firms involved. The purity of the data far outweighs this sort of argument.

I think there is a significant problem here with the under reporting of what is termed significant breaches as it's far too subjective and many such breaches may go unreported which feed into the narrative of noncompliance.

There is also a need to revise the current AR1 form so that it is able to identify the types of breaches that the accountant has discovered. There should be a comprehensive list and I'm going to outline a few here but there are going to be a lot of them. Only in this way can you even begin to ascertain the scope and level of breaches. It would also appear from your own research that a significant number of firms, probably the majority, are in breach to a greater or lesser extent and also the compliance officers are not reporting breaches to you as they should. So I identify some of the breaches as follows:

Where there are residual balances and the firm fails to return these monies promptly. Where these monies are systematically invested and then returned to the client account after a short period of time (perhaps overnight) in order to generate and accumulate interest. Where interest is not returned or paid to the client on a systematic basis. Making office payments from client account and not promptly allocating mixed payments when received within the 14 daytime time. Not making reconciliations every five weeks and dealing with any discrepancies that arise. Drawing on uncleared funds and taking costs without a bill and not keeping client account ledgers up to date or remedying errors such as transposing figures, paying legacies twice or not relying on up to date mortgage redemption statements. Using the client account as a banking facility or using suspense accounts and not clearing them within 5 working days.

The whole purpose of this then is to give the form more structure in its completion so that a much better picture can be presented by the independent accountant. In that way you'll be able to assess the scope and level of this problem as well as its solution.

11.

### 2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

Yes I do but I feel that it needs to go much further than this. You should extract declarations and undertakings from all partners not just the compliance officers. In that way you will focus minds because partners will be more rigidly involved in this procedure. It might induce some additional oversight if the partners themselves are going to find themselves in a disciplinary situation for non compliance.

12.

### 3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes I think that this is a very sensible measure to avoid any interference, delay and disruption in the process. It is though underpinned and subject to what I have said above that the accountant should be entirely independent of the solicitors firm.

13.

### 4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and

#### **administrative requirements relating to the submission of reports and/or declarations?**

Yes there should be a variety of fixed penalties for not just the compliance officers and the firm but also for the other partners that make up the practise.

14.

#### **5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

Again, I think that this is a good idea because the accountant does need to verify figures and otherwise they are unable to make an accurate assessment of compliance issues

### **4. Consultation questions relating to strengthening checks and balances within law firms**

#### **15. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Yes I do. But there further considerations here as to the influence such people will have on individuals who are appointed in COLP and CORA roles. I also feel that there is a need to appoint different people in these two different roles. This is so the individual concerned can devote their sole attention to one specific aspect of compliance without having to overstretch themselves. Many of these people will also be fee earners within the firm and have additional responsibilities.

#### **16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

I do think that all firms should have these in place and there shouldn't be a particularly high threshold at all. You will be able to make a better assessment of this once you've got more data at your disposal

#### **17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

No not at this stage for the reasons that I have stated above. I am concerned at much smaller firms and entities that do not comply and need to be investigated thoroughly. They may be involved in illicit practises on a smaller scale.

#### **18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

I think that this is a difficult issue and further declarations may be needed to underpin this and perhaps an accountant's report every 6 months instead of 12.

#### **19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Well I think you need to interview these individuals more fully because the evidence so far suggests a separation would greatly assist them. Logic would suggest this as well

### **5. Equality Impact Assessment**

#### **20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion**

**considerations in our initial impact assessment?**

I am in broad agreement with this but overall there is a need to sub all reports whether qualified or not by all firms to gain the data that you need. Once the data has been assessed there may be scope and possibility for adjustment.

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**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

I think you should ask reporting accountants what they have to say.

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**22. 3) Do you have any other comments on our draft equalities impact assessment?**

Not at this stage. Let's see what the data tells us

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# Protecting the client money that solicitors hold in consultation

Response ID:84 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

10.

1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

Yes. It gives direct confirmation that all entities have complied

11.

2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

Yes. Similar to what is required by the iCAEW

12.

3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes. Streamlines the process

13.

4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

Yes

14.

5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?

Yes. Using online platforms such as confirmation.com

## 4. Consultation questions relating to strengthening checks and balances within law firms

15. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?

NA

16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

NA

17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

NA

18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?

NA

19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

NA

## 5. Equality Impact Assessment

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20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

NA

21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

NA

22. 3) Do you have any other comments on our draft equalities impact assessment?

NA

# Protecting the client money that solicitors hold in consultation

Response ID:87 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

10.

### 1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

Yes indeed you're going to need all of this data before you can make any reasoned and balanced decisions going forward. It's a unique opportunity to assess compliance but it's going to need complete independence from the firm on the part of the accountant. The SRA will need to appoint an accountant from a panel of accountants that the SRA have compiled. This will stop collusion, acquiescence and the bending of rules which might occur if the accountant is appointed by the firm. I do remember being told at law school that so long as you pay your accountant you will not receive a qualified report. Whilst I accept that that may have been a facetious remark there may be instances where it's nearer the truth.

The other problem I've got with this is that at the moment the reporting is only for significant breaches. This is far too subjective and can lead to under reporting which feeds into undermining the scope and level of the data that you are trying to obtain. In order to address this point you're going to need to reform AR1 to specify the breaches which the reporting accountant may come across during the course of their investigations. I'm going to set out just a few of the potential breaches as examples. My list therefore is not full and comprehensive:

accumulation of residual balances with six months no movement and failing to return monies promptly  
making office payments from client account and not promptly allocating mixed payments when received within the 14 day time period

not making reconciliations every five weeks or dealing with discrepancies

drawing on uncleared funds and taking costs without a bill or other written document

not keeping client account ledges up to date or remedying errors such as transposing figures, paying legacies twice, not relying on up-to-date mortgage redemption statements

using the client account as a banking facility and not paying out a fair sum of interest to clients from monies held in the client account

the use of suspense accounts on a persistent basis without clearing them within five working days

advanced billing and failure to keep an inventory of breaches or self reporting and lack of compliance officer review

11.

### 2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

Yes I'm also in agreement with this but I do feel it should go further. I think that such declarations should also be made by each and every partner. This would certainly focus minds if they can be penalised as well for non compliance. Such a move makes the partners directly liable and heads up the issue of compliance to a much greater extent than perhaps it is at the moment.

12.

### 3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Again I do agree with this because it will prevent any stalling or delay if the firm is to review the report before it is submitted. I do of course agree that the firm should remain liable for the timely submission of the report by the accountant. However the point I have made about independence is crucial to this. The data that you need in relation to solicitors compliance must be as

accurate and pure as it can be. The accountants need to form an approved panel and their qualifications must ensure that they are specialists in solicitors accounts. Not all accountants are the same and some are not as experienced in this field as others are.

13.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes I do and I do feel that this needs to extend to all partners for the reasons I've given above. Compliance needs to be a collective effort on the part of all those concerned.

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

Yes I do agree with this because the quality of the data matters. The information gathered by the accountant can be cross checked against these bank confirmations. Clearly if this does not happen then the report can be rejected and sent back for further consideration. The same can happen if the SRA feels on balance that the report in itself is not sufficient analysis of the firm's compliance

#### 4. Consultation questions relating to strengthening checks and balances within law firms

**15. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Yes I do agree with this as well. The obvious concern though is that the person who has significant control can also have significant influence over those other individuals who take up these COLP and COFA. Your own data shows that the current level of self reporting to yourselves is insufficient when something like 80% of those individuals responsible are not reporting anything to you within the last three years. It will be interesting to see whether the scope of reporting does increase if you change the rules.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

At this point in time I think there should be a very low threshold so that you can amass as much data as you possibly can and then make the decisions necessary. I'm worried also about albeit low level criminality over a long and persistent basis that might not be caught if the threshold is too high.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

For the same reasons as above I think the threshold should be low and provisionally I would suggest £250,000.

**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

The question of sole practitioners is extremely difficult. It's probably better answered by more intense supervision with the provision of accountants reports at more frequent intervals. I would suggest an experiment of every six months for the next two

years and see what happens. See what the data provides and see what the level of compliance is. If it proves too burdensome then further consideration can be given.

**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

I do think the separation of roles is essential for different reasons. You already have data that some individuals feel stressed, without sufficient support and without knowing the full extent of their roles and how to participate in them. I think if you separate the roles you'll increase the quality of compliance supervision. These people may also be by their very nature senior solicitors or senior persons in perhaps a fee earning and training capacity alongside their compliance role.

## 5. Equality Impact Assessment

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**20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

Yes I do but inevitably there is going to be some impact if my suggestions are adopted because of their very scope and nature. This is to be balanced by the fact that data on solicitors compliance must be obtained so you can make informed decisions further down the line. the sooner this is done the better And I stress again that this is underpinned by having an independent accountant produce the accountant's report.

If you do not look you will not see.

**21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

I think the argument for a specialist panel of accountants appointed solely by the SRA is essential to this data gathering exercise. I understand there are arguments regarding cost and delay etc. I'm not persuaded by this at all. overall what matters is quality, accuracy and purity of the data.

**22. 3) Do you have any other comments on our draft equalities impact assessment?**

Nothing more at this stage

# PROTECTING THE CLIENT MONEY THAT SOLICITORS HOLD CONSULTATION

Response ID:101 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.

### 1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

There should be clarity on how the SRA will use unqualified reports e.g, only for trend analysis rather than triggering investigations where no risk is evident.

11.

### 2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

While I support the principle of increased accountability, I have some reservations about the implementation of an additional mandatory annual declaration.

It may duplicate existing controls if the firm is already obtaining and submitting accountant's reports.

There is a risk that this becomes a tick-box exercise, rather than driving meaningful improvements in compliance.

More clarity is needed on what form the declaration would take and whether it could expose firms or COFAs to increased regulatory risk based on self-certification.

Possible ways forward:

Limiting it to firms above a certain client money threshold.

Providing de minimis exemptions for firms with simple or low-volume client accounts.

Combining the declaration with the practising certificate renewal cycle.

12.

### 3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

I agree with the proposal for reporting accountants to submit their reports directly to the SRA. This will enhance transparency, reduce the risk of non-submission by firms and support more effective regulatory oversight of client money. To ensure smooth implementation the SRA could provide a secure and streamlined submission portal for accountants, issue clear guidance on the format and timing of submissions and introduce a system of confirmation so that both the accountant and the firm receive acknowledgment of receipt. It would also be helpful to clarify that while submission rests with the accountant, the firm remains responsible for addressing any issues identified in the report.

13.

### 4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

I agree in principle with the use of fixed financial penalties to address failures to comply with procedural and administrative requirements, as they can provide a proportionate and consistent mechanism to reinforce compliance where there is no client harm. However, I would encourage a degree of initial leniency during the early stages of implementation, particularly while firms adjust to any new submission or declaration procedures. A phased approach with warnings or reminders issued before penalties are applied would help support firms in meeting their obligations without creating an unduly punitive environment. This would be especially important for smaller practices where administrative capacity may be limited.

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

I support the proposal to amend the guidance to set an expectation that reporting accountants routinely seek bank confirmations to verify the list of client accounts. This would enhance the reliability and completeness of the reports, strengthen safeguards around client money and help ensure that all relevant accounts are subject to review. Routine bank confirmation is a well-established audit practice and adds an important layer of independent verification. However, I would suggest that the guidance remains risk-based and proportionate, allowing for professional judgment in cases where the firm's controls and documentation clearly demonstrate completeness, or where bank confirmation may not be necessary or proportionate.

**4. Consultation questions relating to strengthening checks and balances within law firms**

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**15. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

I agree with the intention behind the proposal to prevent individuals who can unilaterally determine or direct significant management decisions in larger or higher-risk firms from holding the COLP or COFA roles, as this seeks to ensure proper separation between strategic control and compliance oversight. However, it is essential that the rules do not inadvertently exclude experienced and independent compliance professionals who are neither owners nor managers, but who play a critical role in upholding regulatory standards. As a COFA who is not part of the firm's ownership or executive management, I believe that independence from strategic decision-making can actually strengthen the objectivity of the role. I would therefore suggest that the SRA's final position includes clear definitions and guidance on what constitutes "unilateral control" and ensures that non-owner compliance professionals are not unnecessarily excluded from these roles where they are otherwise qualified and effectively independent.

**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

I am not fully convinced that a fixed turnover threshold of £600,000 is the most appropriate or effective way to identify firms that present a heightened risk of harm. Turnover alone does not necessarily correlate with the complexity of a firm's operations, its client money exposure, or the adequacy of its compliance framework. For example, some niche or low-volume firms may exceed that threshold but operate with very limited risk profiles, while others with lower turnover may hold significant client balances or engage in higher-risk work.

An alternative could be to apply a combined risk-based threshold that considers both turnover and the level of client money held, as well as the nature of the services provided. This would better align regulatory focus with actual risk and ensure proportionality. If a turnover threshold is retained, I would suggest that it be reviewed periodically and applied flexibly, with the option for firms to provide evidence that they operate in a low-risk environment despite exceeding the threshold. This would help prevent unnecessary regulatory burden for firms where the compliance risk does not justify it.

**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

I understand the rationale for using a £500,000 client money threshold as an indicator of increased regulatory risk and agree that the volume of client money held can be a relevant factor in assessing the need for enhanced compliance oversight. However, I am not entirely sure that this threshold alone is the most appropriate measure. Client money balances can fluctuate significantly throughout a reporting period depending on the nature of the firm's work and a temporary spike above the threshold may not

reflect the firm's usual risk profile or operational scale.

I would suggest that, if such a threshold is adopted, the SRA considers applying it based on average or sustained balances, rather than a single peak value, to ensure proportionality. It may also be helpful to combine this with additional risk indicators such as the number of client account transactions or the type of work carried out, to provide a more accurate picture of risk exposure. This would help to ensure that firms are not brought within the scope of heightened regulatory requirements solely due to short-term fluctuations or exceptional cases.

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**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

I understand the SRA's intention to enhance the independence and effectiveness of the COFA role in higher-risk environments, including sole owner-manager firms that hold significant client money. However, I have reservations about excluding the owner-manager from holding the COFA role solely on the basis of exceeding the client money balance threshold, particularly where the firm does not exceed the turnover threshold. In smaller firms, especially sole practices, the owner-manager may be the most knowledgeable and directly involved person in managing client money and maintaining compliance and imposing a mandatory separation of roles could create practical challenges or disproportionate burdens without necessarily improving outcomes.

If the concern is about independence and effective challenge, a more proportionate approach might be to allow owner-managers to continue as COFA where they can demonstrate strong internal controls or independent oversight, for example, through regular reporting, external review, or engagement with compliance consultants. Alternatively, the SRA could provide flexibility through a waiver process or transitional support for sole practitioners who may find it difficult to appoint a separate COFA without compromising the firm's operations.

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**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

To meaningfully quantify the impact of the proposed separation of roles, particularly in smaller or sole owner-managed firms, it is important to draw on both quantitative and qualitative data from a range of sources. I would suggest the following evidence sources be considered:

**SRA Authorisation and Compliance Data:** The SRA already holds data on firm structures, turnover, client account balances, and who holds COLP/COFA roles. Analysing this data would help quantify how many existing firms (especially sole practitioners and small partnerships) would be affected by the proposed changes and whether those firms would be able to identify suitably independent individuals to take on these roles.

**Past Enforcement and Supervision Outcomes:** It would be useful to examine any patterns in compliance failings linked to a lack of separation in compliance roles, particularly whether COFA or COLP failings are more likely in firms where the same individual exercises significant management control.

**Cost Impact Surveys:** A short industry-wide survey could be used to gather estimates of the cost and administrative burden of appointing and training separate individuals for the roles or engaging external consultants where internal separation isn't feasible.

**Comparison with Other Regulators:** It may be informative to compare how similar roles are separated (or not) in comparable legal services regulators, both in the UK (e.g. CLC, Bar Standards Board). This could help determine whether separation leads to improved compliance outcomes and whether thresholds based on turnover or client money are used elsewhere.

Using these sources together would enable a more evidence-based understanding of not just the theoretical benefits of separation, but also its operational impact, especially on smaller firms. Careful modelling of costs versus anticipated risk reduction would help ensure that any final policy is proportionate and appropriately targeted.

## 5. Equality Impact Assessment

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### 20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

I agree that it is important to consider the equality, diversity and inclusion implications of these proposals, but I believe the initial impact assessment may not fully capture the potential effects on underrepresented groups in the legal profession, particularly in relation to smaller firms, sole practitioners and compliance professionals from diverse backgrounds.

The proposed restrictions on who may hold COLP or COFA roles and the thresholds that trigger enhanced compliance requirements, could disproportionately affect individuals in smaller or ethnically diverse firms, where owner-managers often fulfil multiple roles out of necessity rather than preference. In particular, BAME solicitors are statistically more likely to work in or lead smaller high street practices or sole practices, many of which may fall within the risk thresholds proposed. Restricting their ability to continue in compliance roles, or requiring them to restructure, could have unintended exclusionary consequences.

Similarly, non-owner professionals (including women and younger solicitors) who hold compliance roles may be indirectly affected if firms reduce flexibility in appointments or outsource these roles to meet regulatory expectations.

I would encourage the SRA to undertake further analysis using available diversity data linked to firm profiles and role holders and to engage directly with representative groups such as the Sole Practitioners Group, the Black Solicitors Network, and diversity-focused legal associations. Doing so would help ensure that any new rules promote compliance without unintentionally limiting access to progression or roles for those from underrepresented backgrounds.

### 21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

To ensure proportionality and inclusivity, further analysis should explore how the proposals may unintentionally create regulatory or economic barriers for smaller, more diverse, or geographically remote firms. Incorporating a broader evidence base and engaging directly with those most likely to be affected will support a more balanced and equitable implementation.

### 22. 3) Do you have any other comments on our draft equalities impact assessment?

While the draft assessment rightly acknowledges potential impacts on smaller firms and those led by individuals from underrepresented backgrounds, it may underestimate the cumulative effect that multiple changes such as new role eligibility restrictions, submission requirements, and fixed penalty regimes, could have when viewed together. For many sole practitioners and small, often ethnically diverse firms, these proposals could significantly alter the regulatory burden and affect operational viability.

The assessment would benefit from a more detailed exploration of intersectionality, for example, how race, gender and socioeconomic status may interact in the context of compliance roles and firm structures. In particular, female and ethnic minority solicitors are statistically more likely to work in or lead smaller firms. As such, policies that impose fixed thresholds or reduce flexibility in internal appointments may disproportionately limit their participation in compliance and leadership roles.

Furthermore, there is scope to assess the impact of the proposals on disabled individuals or those with long-term health conditions who may work in more flexible or less hierarchical practices. Any narrowing of opportunities to hold regulatory roles should be carefully considered through an inclusive lens.

To improve the robustness of the impact assessment, I would suggest ongoing monitoring of diversity data among COLPs and COFAs, a formal review of the proposals' impact 12–24 months post-implementation, and direct engagement with relevant professional networks and representative bodies during this consultation phase.

# Protecting the client money that solicitors hold in consultation

Response ID:112 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

8.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

yes

9.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

no. The accounting reports and existing safeguard's are sufficient. there is no public interest in tightening existing controls which work well

10.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

Yes, that is not an issue

11.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes- will provide clarity provided there are exceptions for extenuating circumstances eg cyber attack/IT breakdown

12.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

not needed.

## 4. Consultation questions relating to strengthening checks and balances within law firms

**13. 1) Do you agree with our proposal to prevent individuals who who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

NO- this will make it impossible for smaller firms

**14. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

the proposal will push firms to artificially stay below the threshold and unfairly penalize those just over

**15. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

it is too low. This is the cost of one house in London.

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**16. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

too restrictive no

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**17. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

data on breaches and the firms they occur in broken down as to partners etc

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## 5. Equality Impact Assessment

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**18. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

no views

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**19. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

no

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**20. 3) Do you have any other comments on our draft equalities impact assessment?**

no

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# Protecting the client money that solicitors hold in consultation

Response ID:118 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

Absolutely. There is an implied trust in our profession which has plummeted completely in the eyes of the public. There is a gaping hole whereby the SRA don't know whether there are firms that just haven't done an accountants report. How can the public trust us now?

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

Absolutely. An undertaking (or similar) which will be actionable if breached.

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

Yes. There is no reason for the firm to be the one submitting it. The accountant will naturally discuss any concerns with the firm but for the sake of integrity it should come from them with an addendum of comments from the firm if required.

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes albeit these should be reasonable and subject to appeal if required.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

Surely they should be doing that anyway as part of checking the client account reconciliations? However I am aware that some accountants will rely on simple confirmations from firms as to how many client accounts etc. Best practice dictates seeking independent third party confirmation

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Not necessarily. I am both COLP, COFA and UBO. However I have controls in my place to assist in protecting integrity of client account (for example - external cashiers who use two person authorisation etc). The proposal are intended the right way but unilaterally won't work and should, theoretically be done on a case by case basis. If you can't demonstrate adequate controls and support - you shouldn't be allowed to.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

As before - I think it is more complicated than just a black and white threshold. It should be reflective of a more holistic approach.

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

It is a case by case basis. Does that £500,000 belong to one client or a thousand? What is the risk profile? It needs to be holistic.

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

No. See previous.

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

## 5. Equality Impact Assessment

---

**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

No

**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

**23. 3) Do you have any other comments on our draft equalities impact assessment?**

# Protecting the client money that solicitors hold in consultation

Response ID:120 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

No

12.

2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

No

13.

3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

No

14.

4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

No

15.

5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?

Your intervention is not required

## 4. Consultation questions relating to strengthening checks and balances within law firms

16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?

No

17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

No

18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

No

19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?

No

20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

## 5. Equality Impact Assessment

---

21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

No

22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

No

23. 3) Do you have any other comments on our draft equalities impact assessment?

# Protecting the client money that solicitors hold in consultation

Response ID:133 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

I am a COFA of an SRA Regulated Firm, and we work hard to ensure compliance with all regulatory aspects. As we undertake the annual audit in any event, I do not consider that it would create any additional work to require unqualified reports to be submitted to the SRA.

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

I would have no objection to providing an annual declaration to confirm the completion of the relevant compliance requirements. My only observation in this regard is how it is phrased if there is also to be a change in the Compliance Officer role who would have responsibility for signing it.

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

I would suggest that the firm have to approve the submission to the SRA, to ensure that it is aware of anything that is being reported, but once it has been approved the reporting accountant could submit the report directly. As COFA I value the discussions with the auditors and it would be of detriment to the firm if those discussions were not included as part of the reporting.

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

I appreciate that there should be an outcome should a firm not comply with reporting requirements. Whether those should be fixed or not I am unsure - there may well be cases where there is a valid reason for a report being made late (such as unexpected absences or IT failures) or for a firm seeking to circumvent reporting then would a fixed penalty provide sufficient deterrent? On balance, I would consider the SRA should have some flexibility in determining an appropriate consequence of non-compliance. I would also suggest there should be some flexibility during the first reporting period.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

I have no objection to the direct bank verification in principle. I have previously worked within the accountancy profession on audits, and my only point on this is that it would not be within our control whether a bank responded within the relevant time period. As we would already have our bank statements and records, we would be complying with the regulatory framework but could breach this requirement as it is not within our control (if a bank did not respond to the audit request). I therefore would raise the point that it may result in qualified reports where firms are operating within the SRA framework, and does this make it more difficult to identify which reports to follow up.

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover**

**threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

No. I appreciate the reason given for this, but the COLP and COFA roles are of primary importance within the firm and this proposal is effectively to delegate those roles. This presents a practical obstacle - who would take on this role where they are responsible for the actions of the firm but are not a senior person? It also seems to be directed at the possibility of abuse by a market owner. I would hope that this is a minority, but the widescale changes would have considerable impact. I am unclear who would be expected to be appointed to the role, if not a person who is senior enough to have sight of the relevant information. I would suggest that if there is a desire to have a second check upon this, it could better be introduced by having a separation of roles, such as the Bank Rec has to be counter signed or approved at Partner/ Board Meetings.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

I do not believe that the turnover is directly linked to risk. It is more likely to present where there is no dual authority on banking, or appropriate compliance processes in place.

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

Again, I do not believe that the balance in itself presents the heightened risk.

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

As noted above, I do not agree with the proposal that these vital compliance roles should be delegated.

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

I would suggest it may be helpful to consider what impact this would have on small firms, many only have a few employees and I am unclear how it is proposed they would be impacted.

## 5. Equality Impact Assessment

**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

Yes

**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

No

**23. 3) Do you have any other comments on our draft equalities impact assessment?**

No

# Protecting the client money that solicitors hold in consultation

Response ID:134 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

Only Qualified ARs

12.

2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

No

13.

3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes

14.

4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

No

15.

5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?

No

## 4. Consultation questions relating to strengthening checks and balances within law firms

16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?

No

17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

No

18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

No

19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?

No

20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

No

## 5. Equality Impact Assessment

---

21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

No

22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

No

23. 3) Do you have any other comments on our draft equalities impact assessment?

No

# Protecting the client money that solicitors hold in consultation

Response ID:140 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

Does the SRA have the resource to review all submissions? Is there evidence that controls were better under the previous regime, where all reports (qualified and unqualified) were submitted? It seems to us that the submission of the reports is not the issue. The quality of the audit is the issue; too many auditors do not understand the accounts rules and do not undertake stringent enough audits

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

We find it hard to believe that introducing a mandatory declaration would make any impact on those who flout the rules anyway

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

Yes, this seems sensible to avoid firms not submitting qualified reports and hoping to 'get away with it'

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

The thresholds introduced are too low and do not take into account different work types. For example, a firm working mainly in Probate is likely to have significant client balances, but probate is not a high risk area like, say, conveyancing. In our firm we have a non fee-earning partner who covers the role of COLP and COFA. This frees up the fee earning partners to concentrate on clients, whilst allowing a senior member of staff to focus almost entirely on compliance. Splitting those roles would mean pushing the responsibilities into another partner's role where they might not be able to commit the same amount of time and resource due to client commitments. It would be sensible to split the COLP and COFA roles in very large firms (say over £5m turnover, or over 5 partners), but the proposed turnover threshold is far too low at present. The client money threshold should be removed, as this will disproportionately affect small firms operating in areas such as probate

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

The thresholds need to be much higher. The consultation states "Larger firms also accounted for the highest value claims to the

SRA compensation fund", but provides no further analysis of "larger firms". How many of the firms making claims under the compensation fund had turnover of over £10m / £5m / £1m? It is far too narrow to classify any firm with turnover over £600k as "large". The SRA needs to use the data it has already captured to look at this in a more granular fashion.

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**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

No. There needs to be some consideration of the type of work. Again, our comments above re: Probate matters apply. Further, if the SRA is concerned about client funds being misappropriated then using a limit of a single balance over 12 months is non-sensical. Is there any evidence that a firm holding £490k of client money is less risky than a firm holding £550k? It is too simplistic to just choose a figure for client account balances without taking into account any other metrics

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**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

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**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

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## 5. Equality Impact Assessment

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**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

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**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

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**23. 3) Do you have any other comments on our draft equalities impact assessment?**

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# Protecting the client money that solicitors hold in consultation

Response ID:151 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

9.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

Yes. Doing this will hopefully identify the firms who are not complying with the requirement to obtain a report. This will help to protect clients and their funds.

10.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

Yes. SRA regulated firms need to be open, honest and transparent with you as the regulator. If this means via a declaration then so be it.

11.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

Yes, this will ensure better honesty and transparency.

12.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

Yes.

13.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

Anything that protects the client must be beneficial.

## 4. Consultation questions relating to strengthening checks and balances within law firms

**14. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Yes.

**15. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

If it is to strengthen client money safeguarding then this is a positive.

**16. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

17. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?

18. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?

## 5. Equality Impact Assessment

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19. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

20. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

21. 3) Do you have any other comments on our draft equalities impact assessment?

# Protecting the client money that solicitors hold in consultation

Response ID:155 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

Yes

12.

2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

Yes

13.

3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

Yes

14.

4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

Yes

15.

5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?

I agree

## 4. Consultation questions relating to strengthening checks and balances within law firms

16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?

Yes, so long as sole owner-manager firms (including sole practitioners with no staff)

17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?

Yes

18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?

Not if this applies to sole practitioners with no staff. A single transaction might include holding £1m for a day and this does not justify having to employ an additional person.

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

No, not if this applies to sole practitioners with no staff. A single transaction might include holding £1m for a day and this does not justify having to employ an additional person.

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Even investigating this is unjustified cost.

## **5. Equality Impact Assessment**

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**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

No, sole-practitioners having to employ an additional person just to be able to deal with a single corporate M&A transaction would be disproportionate and significant.

**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

No

**23. 3) Do you have any other comments on our draft equalities impact assessment?**

It is far too long and complicated

# Protecting the client money that solicitors hold in consultation

Response ID:170 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

As a general comment, we believe it is important the SRA ensures that proposed changes to Accountants' Reports are proportionate. The cost we incur for this exercise is already significant and our concern is that this will substantially increase. We suggest the SRA undertakes an exercise to assess the cost implications for different types of firms prior to finalising any proposed changes to ensure these are reasonable and proportionate.

Specifically on this question, we agree with this proposal. In our view accountants should be filing their report directly with SRA, even if the report is unqualified. We do not see the logic behind the current convoluted filing process.

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

We agree with this proposal in principle but feel that at present there are insufficient details around the requirements of the annual declaration, its nature, and who is required to make the declaration. As the COFA is accountable for compliance with the Accounts Rules, should the annual declaration come specifically from the COFA or is it envisaged that the responsibility will lie elsewhere?

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

We agree with this proposal. See our response to question 1.

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

We agree with the proposal and that reasonable fixed fine penalties are the most efficient and effective way of dealing with minor failures such as these.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

It is not clear to us what the intention is with this proposal, and what it is intended to achieve. This would generally be done as part of the annual audit we believe, though this is a point rather for auditors than law firms. Of more immediate concern to us is the scope of accountant/auditor work. For example, testing of Rule 7 Payment of Interest is not currently within the scope of what the SRA requires accountants to test; is this an intentional omission? We note that this may become a moot point, depending on the outcome of the current Ministry of Justice consultation.

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

General comment – we are fully in support of the response from the City of London Law Society. The statements we make

below are specific to our firm.

Specifically on this question, we do not support this proposal. Seniority, authority and board level visibility are essential for effective compliance oversight and removing decision makers from these roles would weaken, not strengthen, checks and balances. Evidence from your own thematic review shows that firms typically appoint senior people because this enables influence, access to information and meaningful challenge. A blanket exclusion risks minimising the importance of compliance in firm culture and appears to be a disproportionate response to isolated failures relating to firms structured quite differently to ours.

The systemic issues identified by the SRA (over reliance on individuals, lack of deputies, time pressure and inconsistent understanding) are not solved by excluding senior managers; we feel these issues would be exacerbated. The proposals would force firms to appoint less senior COLPs/COFAs, reducing strategic insight and influence, increasing recruitment and cost pressures, and fragmenting accountability.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

A fixed £600,000 turnover threshold is not a reliable or proportionate indicator of heightened risk. Risk varies widely by practice mix, business model, and how much client money a firm holds. A blunt threshold could wrongly capture low risk firms while overlooking higher risk ones with lower turnover.

The consultation itself acknowledges that systems and controls, training, reporting discipline, and resourcing are central to managing risk, and thematic evidence shows weaknesses across firms of all sizes. A more nuanced, evidence based approach focused on systems and controls appropriate for the size, practice, client demographic, business model and governance arrangements would be more effective.

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

We agree that client money exposure is a significant source of risk, including cyber related risk, but NRF has strong controls and sophisticated cyber security measures to manage it effectively. Additionally, our concern is that setting a threshold based on the amount held "at any point in time" could unfairly capture low risk firms experiencing only temporary spikes, such as a single large completion, resulting in disproportionate regulation.

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

We are concerned that, although the proposal preserves senior accountability via a permitted COLP, outsourcing the COFA role raises practical questions about third party responsibility and liability and risks turning the role into an external audit function. Firms affected will need substantial support to understand and use such third party services effectively.

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

To assess the real impact of separating the roles, the SRA should replicate the measures used in its thematic review as part of a structured follow-up, enabling a direct comparison that shows whether the proposed changes meaningfully address the concerns originally identified. In addition, conducting interviews with both board members and COLPs would help quantify the effect of losing senior-level oversight and strategic involvement, providing qualitative insight into how diminished "top-table" visibility may influence compliance culture, risk management, and the ability of COLPs to exert effective challenge within firms.

**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

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**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

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**23. 3) Do you have any other comments on our draft equalities impact assessment?**

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# Protecting the client money that solicitors hold in consultation

Response ID:178 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

We can understand this could be beneficial to the SRA. However, this may lead to unqualified accountants' reports being more likely to be qualified and/or more focused on SRA oversight even if they are unqualified. If they were to be submitted irrespective of qualified or unqualified status it should be very clear what purpose this serves and what the SRA will do with all submitted reports.

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

We do not object to the proposal for annual declarations if that assists the SRA in understanding how reports are being prepared and which firms are not preparing them.

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

There is no issue with requiring reporting accountants to submit their reports directly to the SRA. This requirement, however, will add a further layer of responsibility for the accountant and will mean that firms will need to ensure their accountant submits the report on time but will not have direct control over compliance with this requirement. If the accountant does not submit the report on time, there is a question over who would face the penalty.

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

There would need to be clear guidance on the steps firms ought to take in order to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations in the first instance. Fixed financial penalties could sensibly be applied following a period of grace to cure any deficiencies. The SRA needs to provide non-compliant firms with an opportunity to understand the deficiencies and rectify their errors.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

We believe our accountants already complete this exercise. Further guidance is required on what "routinely" means by reference to a period of time. Does this mean quarterly or on an annual basis?

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

The SRA's proposals are unclear in how it is to be determined whether someone can 'unilaterally determine or direct significant management decisions' within a firm. Typically in not sole owner-manager firms there will be a hierarchy of management with someone senior being able to make decisions about the operations of the firm. It is not clear whether the SRA are seeking to

prevent such individuals from also holding the COLP and/or COFA roles. It is also unclear how this would be consistent with the SRA's requirement that the COLP and/or COFA roles are held by individuals with sufficient seniority to make decisions. It is also unclear how the current authorisation process for a COLP/COFA to be appointed does not already provide a check and balance on ensuring that the independence of the role is not subverted.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

We do not consider that a turnover threshold allows for such identification; or at least not alone. We propose the number of personnel should also be considered for purposes of setting the threshold.

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

As a risk threshold, £500,000 seems to be on the high side and realistically will only capture larger law firms. We would expect mid-sized firms not to be caught unless for transactional work. This might not be an appropriate way to approach risk, as one would expect larger law firms would have a more robust compliance function which would counterbalance the heightened risk of harm. Although it is not clear what the harm would be, we have responded to this question on the basis that the harm is the misuse of client monies.

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

This proposal does not affect our firm. However, our view is that this approach of splitting the function should only apply when both tests are met (client money balance threshold and annual turnover). Whilst it is appreciated that the proposal is intended to act as a counterbalance – where the COFA function is held by a senior individual in the firm, it is unlikely that all small sole owner-manager firms will have the resources to meet the requirement.

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

In order to quantify the impact of the SRA's proposals it is necessary to understand how many current COLP / COFA role holders (at firms of a certain size of partnership / employee size) would consider themselves able to continue in their role or who would be unsure if they could continue in their role. If there were a significant number that were affected this may suggest that the SRA's proposals are having unintended consequences.

## 5. Equality Impact Assessment

**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

The assumptions do not reflect statistics from larger law firms.

**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

Perhaps it would be prudent to consider the results from larger law firms and how these align or differ from law firms with 1 partner or 2-5 partners, as otherwise, the evidence is skewed.

**23. 3) Do you have any other comments on our draft equalities impact assessment?**

No

# Protecting the client money that solicitors hold in consultation

Response ID:180 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

11.

**1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)**

We have no objections to your proposal. However, mandating the submission of all accountants' reports will substantially increase the volume of data the SRA receives. It is therefore essential that the SRA has a corresponding increase in regulatory oversight to avoid a very real risk that the increased volume of reports could obscure genuinely serious issues rather than assist in identifying them, by diverting regulatory attention away from higher risk firms and qualified reports.

Additionally, the SRA may wish to consider setting appropriate requirements/standards for firms to consider when instructing an accountants firm to carry out the SAR audit.

12.

**2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?**

In principle, we have no objections to this proposal. An annual declaration could reinforce firm accountability. However, we would suggest that any added value of requiring this additional step is properly quantified. If it does not add value and reduce risk, this proposal should not be implemented.

13.

**3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?**

We have no objections to this proposal. Our accountants already submit their report directly to the SRA.

14.

**4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?**

We do not object to this proposal. It is standard practice across other reporting requirements such as tax. We agree that the SRA should take regulatory action against firms if they have not submitted their accountants report within the required timeframe and a fixed penalty framework would be appropriate for failure to comply with this requirement. However, any such change will need to be clearly communicated and be totally transparent to assist compliance.

15.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

During the auditing process, our reporting accountants do seek bank confirmations to verify the list of client accounts. This aligns with good audit practice.

## 4. Consultation questions relating to strengthening checks and balances within law firms

**16. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

Compliance effectiveness depends on competence, experience, and oversight, not simply organisational separation. Preventing individuals with significant management responsibility from holding COLP or COFA roles may, in some cases, exclude the very individuals best placed to identify and address risk.

A case-by-case, risk-based and merit assessment by the SRA would be more appropriate than automatic exclusion.

**17. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

The consultation states that 39% of firms operate with an annual turnover of more than £600k. What is the rationale for determining this as an appropriate figure?

The figure of 39% suggests that it is not meaningfully targeted at higher risk firms. Turnover does not necessarily correlate with:

- the volume of client money held,
- the duration funds are held,
- or the complexity of transactions.

A turnover-based threshold risks being arbitrary rather than risk-driven.

**18. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

While client money balance is more relevant than turnover, we remain concerned about the use of a single threshold.

Firms may temporarily exceed this figure due to transaction timing without presenting increased risk. A rigid threshold risks creating regulatory consequences disconnected from actual risk exposure.

Any assessment should consider context, duration, and frequency, rather than a single balance point. Thought could be given to an aggregated client money balance over a defined period of time to allow for peaks and troughs.

**19. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

Excluding sole owner-managers from the COFA role where no suitable alternative exists risks weakening compliance oversight rather than strengthening it.

Again, a risk-based, firm specific assessment would be preferable.

**20. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Robust evidence would need to include:

- relevant data linking role separation to reduced misconduct,
- comparative analysis of firms with and without separation requirements,
- cost-benefit analysis, particularly for smaller firms.

Without such evidence, the justification for mandatory separation remains unproven. It is unclear what objective evidence the SRA are relying on in identifying this potential risk.

## 5. Equality Impact Assessment

**21. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?**

We are concerned that the assessment underestimates indirect and cumulative impacts. It also has a greater adverse impact on consumer law firms.

Increased compliance costs and structural requirements are more likely to affect:

- smaller firms,
- sole practitioners,
- and firms serving regional or lower income communities.

These impacts may indirectly correlate with protected characteristics even if not directly targeted, and potentially impact access

to justice.

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**22. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?**

We have no additional comments at this stage.

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**23. 3) Do you have any other comments on our draft equalities impact assessment?**

We recommend revisiting the EIA once the full regulatory landscape is clearer, particularly in light of overlapping proposals on client money and interest. Assessing these measures in isolation risks underestimating their combined effect on access to legal services.

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# PROTECTING THE CLIENT MONEY THAT SOLICITORS HOLD CONSULTATION

Response ID:182 Data

## 3. Consultation questions relating to strengthening the accountants' reports regime

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10.

### 1) Do you agree with our proposal to better assure compliance with the accountants' reports regime by requiring the submission of all accountants' reports (qualified and unqualified)

I agree in principle, subject to proportional implementation.

Requiring submission of all reports will improve regulatory visibility of compliance, enable earlier identification of systemic risk, and strengthen accountability in the regime.

However, unqualified reports do not contain substantive findings and increased data collection should not automatically lead to increased supervisory intervention in low-risk firms. I therefore support the proposal provided that routine review continues to focus on qualified reports and the submission process is streamlined and digital.

11.

### 2) Do you agree with our proposal for introducing mandatory annual declarations from client money-holding firms?

I agree. A mandatory annual declaration will reinforce COFA accountability, improve clarity around exemption status and support regulatory data quality. To avoid disproportionate burden, the declaration should align with existing reporting cycles and require confirmation of status rather than detailed narrative.

12.

### 3) Do you agree with our proposal that reporting accountants should submit their reports directly to us?

I agree in principle that reporting accountants should submit their reports directly to the regulator, as this reinforces the independence of the reporting function and reduces any perception that firms may influence the timing or content of submission.

Direct submission strengthens the integrity of the accountants' reports regime by ensuring that the regulator receives the report exactly as completed by the reporting accountant, without risk of delay, alteration or selective disclosure. It also aligns with the policy intention that the accountant's role is an independent assurance mechanism rather than an internal compliance exercise.

However, practical safeguards are required. The regulated firm remains legally responsible for ensuring that a report is obtained and submitted within the required timeframe. Firms cannot compel an independent accountant beyond contractual terms, and delays may occasionally arise from factors outside the firm's control, including banking confirmation delays or capacity constraints within accountancy practices.

I recommend that:

- A clear electronic confirmation mechanism is implemented so firms receive immediate confirmation when submission has occurred.
- Fixed financial penalties should not apply where a firm can demonstrate that it took all reasonable steps to procure submission and the delay was outside its control.
- A transition period is provided to allow firms to amend engagement letters and service level agreements to reflect the new submission obligation.

With these safeguards in place, I consider the proposal proportionate and supportive of stronger regulatory assurance.

13.

### 4) Do you agree with our proposal to use fixed financial penalties for failures to comply with the procedural and administrative requirements relating to the submission of reports and/or declarations?

I agree the regulator should have access to fixed financial penalties for clearly defined procedural and administrative breaches, provided that the approach remains proportionate and fair.

Timely submission of reports and declarations is essential to effective regulatory oversight. As COFA I recognise the importance of the ensuring that compliance systems are robust, and deadlines are met. However, it is important to recognise as mentioned in my reply to Q2 that firms do not have absolute control over every stage of the reporting process.

While I remain ultimately responsible for compliance with the firm, certain delays may arise from factors genuinely outside of the firm's control. They may include

- Delays by banks issuing confirmations or responding to accountant enquiries
- Capacity constraints and staff availability within reporting accountant's practice
- Technical failures within submission portals and digital platforms
- Late identification of information during the accountant's review requiring clarification

In such circumstances it would be disproportionate to impose an automatic fixed penalty where I can demonstrate that I took reasonable steps to provide timely submission

I believe the regime should

- Incorporate a clear 'reasonable steps' defence
- Allow firms a defined opportunity to evidence proactive engagement with their reporting accountant
- Distinguish between negligent inaction and unavoidable external delay
- Apply escalating sanctions only in cases of repeated or systemic administrative failure

The objective should be to incentivise robust compliance systems, not penalise firms for events outside their control. A balanced enforcement approach can only strengthen confidence in the fairness and credibility of the framework

14.

**5) What are your views on our proposal to amend our guidance to set an expectation for reporting accountants to routinely seek bank confirmations to verify the list of client accounts?**

I seriously urge caution in this regard. While bank confirmations may strengthen assurance, they

- Will increase accountant costs
- May lead to delays in reporting deadlines
- Will disproportionately impact firms with multiple client accounts

I suggest

- Limiting expectation to higher risk firms
- Allowing professional judgment rather than imposing a blanket requirement
- Consulting accountancy bodies before finalising guidance

A universal expectation may not be proportionate to the risk being addressed.

#### 4. Consultation questions relating to strengthening checks and balances within law firms

**15. 1) Do you agree with our proposal to prevent individuals who can unilaterally determine or direct significant management decisions in firms that are not sole owner-manager firms, and that operate above the annual turnover threshold and/or the maximum client money balance threshold, should be prevented from holding the firm's COLP and COFA roles?**

I support the principle of strengthening internal checks and balances.

Defined ownership, management and compliance roles can undermine effective oversight and reduce the likelihood that serious breaches are escalated appropriately.

Practical implementation requires clarity around:

- The definition of "unilaterally determine or direct significant management decisions"
- Evidence firms must retain to demonstrate compliance
- Interaction with existing seniority and suitability requirements

The proposal should not risk preventing experienced senior managers from holding compliance roles where genuine governance safeguarding exists. Detailed guidance and examples will be essential.

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**16. 2) Do you agree with our proposed risk threshold of a firm having a turnover of above £600,000 to identify firms that present heightened risk of harm because of their size and would therefore be within the scope of new requirements for their compliance role holders? If not, what alternative threshold would you suggest and what impact would the adjustment have?**

I consider this threshold relatively low for identifying heightened risk. Many modestly sized firms exceed this turnover without presenting systemic governance risk.

- I believe this limit should be above £1m or
- Applying turnover cumulatively with client money threshold
- Seeking confirmation from firms what % of profit is client interest

Turnover alone does not correlate with client money risk or governance weakness. Looking at loss making firms and those relying on client interest would both be better measures of risk.

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**17. 3) Do you agree with our proposed risk threshold of a firm having held a client money balance of £500,000 or above at any point in the previous reporting period to identify firms that present heightened risk of harm because of the amount of client money that they held and would therefore be within the scope of new requirements for their compliance role holders?**

I understand and recognise the rationale for including client money as a risk indicator. However, peak balance may not reflect sustained exposure. In conveyancing and probate practices, short term transaction flows frequently exceed £500,000 without indicating elevated governance risk.

I suggest

- Setting a higher threshold for sustained exposure
- Considering a higher average balance rather than a peak balance

The proposal drafted will disproportionately impact conveyancing practices and lead to increased admin costs being passed onto clients.

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**18. 4) Do you agree with our proposal that in sole owner-manager firms that operate above the client money balance threshold, but not above the annual turnover threshold, the owner-manager should be excluded from holding the COFA role but could retain the position of COLP?**

I support the proportional exemption allowing separation of the COFA role only where a sole owner-manager firms exceed the client money threshold but not the turnover threshold.

Requiring separation of both roles in small sole practices would:

- Impose significant costs
- Require external appointments in many firms
- Risk formal rather than substantive compliance

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**19. 5) We are interested in your views on quantifying the impact of our proposals on the separation of roles. What evidence sources do you think would help with this?**

Relevant sources may include

- Turnover and client money datasets
- Compensation Fund claim patterns by firm size
- Professional indemnity insurer risk assessments
- Cost modelling for external compliance appointments

Publication of impact modelling prior to final rule adoption would improve transparency and evidence-based regulation

## 5. Equality Impact Assessment

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### 20. 1) Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

I agree that impacts are more likely to fall on:

- Smaller firms
- Sole practitioners
- Firms operating in conveyancing and probate

### 21. 2) Are there any other factors or impacts on particular groups that we should consider? Are there any other evidence sources that we should be considering?

Further consideration should be given to:

- Regional firms in low-income areas
- Minority owned sole practices
- Firms' operation in rural markets where alternative compliance officers may be unavailable

### 22. 3) Do you have any other comments on our draft equalities impact assessment?

I support the SRA's objective of strengthening protection of client money and improving internal governance.

Final arrangements must ensure

- Proportionality
- Clear and workable definitions
- Avoidance of unintended structural burdens
- Clear distinction between procedural oversight and substantive misconduct

A calibrated risk-based approach seems sensible and will best achieve the regulatory objectives while preserving a healthy, competitive and complaint legal market

The following respondents asked to be named but for their responses not to be published:

PKF Francis Clark - Chartered Accountants  
Richard Nelson LLP

There were also respondents who asked not to be named and for their responses not to be published.