



Solicitors
Regulation
Authority

Practical compliance for small firms and sole practitioners

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Client money: essential checklist

01 Money in

- ☐ Confirm whose money it is
- ☐ Confirm which matter it belongs to
- ☐ Record why it is held

03 Money out

- ☐ Confirm the purpose is permitted
- ☐ Confirm the client's authority
- ☐ Confirm sufficient client funds are held

02 Safekeeping

- ☐ Keep client money separate
- ☐ Record the position
- ☐ Review the accounts

04 Money back

- ☐ Return promptly when the proper reason ends

05 Costs

- ☐ Issue the bill or written notification before transfer

Case 1 | Sole practice

- Issue
 - The unchecked assurance problem
- Explanation given
 - ‘He said he had done them because I kept asking him...’
- What they hadn’t done
 - The solicitor did not review the reconciliations
 - Reported problems remained unresolved
- Solution
 - Think about what you would look at before accepting that assurance

Case 1 | The practical check – reconciliation and oversight

- Bank statement – what the bank records
- Cash book – what the firm records
- Client ledger total – what the firm owes
- At least every five weeks:
 - COFA or manager signs off reconciliation
 - Differences need investigation and follow-up

A review needs to show what happened to outstanding items

- Old client balances identified
- Bills raised for the exact amounts remaining
- Supporting evidence did not justify the charges
- The Tribunal found that the bills had not been sent

What evidence supported the firm's entitlement to this money?

Case 2: The practical check – the decision before a costs transfer

In this instance the solicitor was found to have been dishonest and was struck-off the roll.

- Entitlement: What work and agreement was there to support the charge?
- Notification: What was given to the client and when?
- Funds: Does this client's money cover the specific sum?
- Authority: Who checked and approved this transaction?

A bill matching the balance still needs a proper basis

Case 3 | Small firm – The case of an archived file ... and an unpaid charity

- Issue
 - Property sold
 - Estate unfinished
 - File archived
 - Estate accounts still had blank entries for sale proceeds, fees and totals
 - Charity remained unpaid

What would bring this file back to someone's attention?

Case 3 | The practical check – file closure and outstanding money

- The work – what remains to be completed?
- The money – who is entitled to payment?
- Any retention – what proper reason remains?
- The next action – Who will follow up and check completion?
- The follow-up must remain visible after the file leaves active use.

A routine for a small practice

- Each payment
 - Purpose, authority and the right client's funds
- Regular review
 - Reconciliation and evidence of resolved expectations
- File closure
 - The ledger, unfinished work and final payments
- Absence cover
 - Access to records and competent help
- A problem found
 - Protects clients, correct promptly and assess reporting

Who will check that the agreed actions actually happened?

Takeaways and questions

Your next review

- What check will you take back?
 - The latest reconciliation and unresolved items
 - The evidence behind a costs transfer
 - The money remaining on a closed file

Useful resources

SRA Standards and Regulations: sra.org.uk/standards

Accounts Rules: sra.org.uk/accounts-rules

Guidance: sra.org.uk/guidance