

News

Changing how you handle client money?

28 February 2019

More and more law firms are thinking about using a third-party-managed account (TPMA) as an alternative to holding client money, rather than operating their own client account.

So what is a TPMA, and why do some law firms see it as an attractive option? We define a TPMA as an account where a third party (a payment service provider) holds money on behalf of two or more transacting parties. For law firms that means a third party would hold funds for you and your client. There is nothing in our current rules that stops you from using a TPMA.

Anyone that wants to find out more about TPMAs can watch a video streaming session we are running this Wednesday 6 March at 12.30, on both Periscope [https://www.pscp.tv/sra_solicitors/1gqxnzZepjxB] and YouTube [<https://www.youtube.com/watch?v=ThRTRn14O4g>]

Are TPMAs for you?

TPMAs will be right for some firms, and not others. It will very much depend on your individual business, and how you think you can best manage the risks related to holding client money. Although using a TPMA comes with some costs, they might reduce your overall firm overheads, especially if you only occasionally hold client money.

For example, outsourcing the way you manage client money could reduce your professional indemnity insurance premium, or your firm's contribution to the Compensation Fund. You would no longer need to have an accountant's report prepared.

There are potential benefits beyond cost-savings. It would be impossible to eliminate all risk related to cybercrime, but TPMAs could be a more secure way of handling client money. Using a TMPA may also help address your firm's money-laundering risk.

Greater flexibility

It is not for us to endorse TPMAs or to say whether they are the right option for your business. However, our programme of reforms aims to give you more flexibility, so you can choose the right approach for your business and your clients

Lenders for example, might be more willing to engage with some firms knowing that you will not be holding or receiving mortgage monies.

Regulating TPMAs and our Accounts Rules

As part of our major programme of reform, we revised our Accounts Rules to make them easier to follow and place more trust in your professional judgement. Our new Accounts Rules also provide certainty about the steps we expect you to take when considering the use of a TPMA. We do not impose any restrictions on the types of monies firms can hold in a TPMA - this will be for you to determine what is appropriate in discussions with your client.

It is important to note that the money held in a TPMA will not fall into the definition of client money. Therefore a substantive part of the Accounts Rules will not apply. However, as we outlined in our December 2017 guidance on approaching a provider, one of the key things to remember is that using a TPMA doesn't absolve your obligation to act in the client's best interests or take steps to safeguard a client's money or assets. You will need to carry out an assessment of the suitability of the TPMA in the particular circumstances for a particular client.

We would also expect you to make sure that clients understand the basis on which the money is held and that it is different to a regular client account.

Our guidance can be found here:

Go to the TPMA guidance [\[solicitors/guidance/third-party-managed-accounts/\]](#)