

News release

More case studies added on banking facilities rule

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We have added further case studies to those published online to help firms remain compliant with the rule prohibiting use of the client account as a banking facility.

The SRA Accounts Rules include Rule 3.3, which states solicitors 'must not use a client account to provide banking facilities to clients or third parties. Payments into, and transfers or withdrawals...must be in respect of the delivery of regulated services'. This rule was introduced initially in 2004 to specifically address the problem that some law firms were providing clients with banking facilities when they did not have access to one.

We published case studies to help law firms understand the types of instances when paying money into the client account is not acceptable. These have now been updated with additional scenarios to give firms more guidance.

These case studies give firms an idea of the type of issues they might be confronted with. However, we have cautioned firms that any case will turn on its own individual facts.

There are a range of risks of using a client account as a banking facility – it could facilitate money laundering, help someone avoid their obligations in an insolvency situation, or improperly hide assets in a commercial or matrimonial dispute. The SRA has also warned firms about the risks of allowing firms' client accounts to be used to add credibility to questionable investment schemes.

Paul Philip, SRA Chief Executive, said: 'It is really important that firms don't use the client account as a banking facility - it can open the door to money laundering or help people inappropriately hide away assets.

'This rule generates a lot of queries and I've been asked about it a number of times when meeting with local law societies in the last year. We want to support firms to help them remain compliant. We hope these case studies prove useful.

'The most important aspect for all firms is the rule itself, read that first, and then have a look at the case studies for further help. Solicitors naturally will want to help their clients, but they of course must also do the right thing. If a client wants you to act in this way, you should seek to understand why they

are asking you to do this and reassure yourself that you take an approach that is compliant.'

Firms cannot justify processing money through the client account due to having a retainer with a client. Nor should they hold funds to enable them to pay a client's routine outgoings, for instance when based abroad. Online banking developments mean this is no longer justifiable.

Go to the case studies [<https://www.sra.org.uk/solicitors/guidance/improper-use-client-account-banking-facility/>] .