

The prescribed organisations and terms under which Solicitors, RELs and RFLs are allowed to hold client money in their own name



Guidance, changes, terms, notes and tags

Status

This mandatory statement prescribes the types of organisations where solicitors, RELs and RFLs who work in them can hold client money in their own name, pursuant to paragraph 4.3 of the [SRA Code of Conduct for Solicitors, RELs and RFLs](#).

It also prescribes the terms that the SRA has determined should apply to the holding of client money in their own name by any such solicitors, RELs and RFLs.

Introduction

Paragraph 4.3 of the SRA Code for Solicitors, RELs and RFLs permits solicitors, RELs and RFLs to hold client money in their own name in certain limited circumstances, including if they work in an organisation of the kind prescribed by the SRA under the rule.

This statement sets out:

- the type of organisations prescribed by the SRA;
- and the relevant terms.

This statement may be revised or updated from time to time.

Prescribed organisations

For the purposes of paragraph 4.3 of the SRA Code for Solicitors, RELs and RFLs, you are permitted to hold client money in your own name if you are a solicitor, REL or RFL working in a non-commercial body. A non-commercial body is defined in the SRA Glossary as body that falls within [section 23\(2\) of the Legal Services act 2007](#) (a "Prescribed Organisation").

Prescribed terms that apply

If you work in a Prescribed Organisation and you wish to be able to hold client money, you must comply, and make sure that the Prescribed Organisation complies with, the following terms. Please note that all defined terms referred to below are set out in the [SRA Glossary](#).

Prescribed terms

1: Client money □

1.1 "Client money" is money held or received by you:

- (a)** relating to regulated services delivered by you to a client
- (b)** on behalf of a third party in relation to regulated services delivered by you (such as money held as agent, stakeholder or held to the sender's order);
- (c)** as a trustee or as the holder of a specified office or appointment, such as donee of a power of attorney, Court of Protection deputy or trustee of an occupational pension scheme;
- (d)** in respect of your fees and any unpaid disbursements if held or received prior to delivery of a bill for the same.

1.2 You ensure that client money is paid promptly into a client account unless:

- (a)** in relation to money falling within 1(c), to do so would conflict with your obligations under rules or regulations relating to your specified office or appointment;
- (b)** the client money represents payments received from the Legal Aid Agency for your costs; or
- (c)** you agree in the individual circumstances an alternative arrangement in writing with the client or the third party, for whom the money is held.

1.3 You ensure that client money is available on demand unless you agree an alternative arrangement in writing with the client or the third party for whom the money is held

1.4 You ensure that client money is returned promptly to the client or the third party for whom the money is held, as soon as there is no longer any proper reason to hold those funds.

2: Client account □

2.1 You only maintain a client account at a branch (or the head office) of a bank or a building society in England and Wales.

2.2 You ensure that the name of any client account includes:

- (a)** your name; and
- (b)** the word "client" to distinguish it from any other type of account held or operated by the Prescribed Organisation

2.3 You must not use a client account to provide banking facilities to clients or third parties. Payments into, and transfers or withdrawals from a client account must be in respect of the delivery by you of regulated services.

3: Client money must be kept separate □

3.1 You keep client money separate from money belonging to you or the Prescribed Organisation.

- 3.2** You ensure that you allocate promptly any funds from mixed payments you receive to the correct client account or any other accounts operated by the Prescribed Organisation.
- 3.3** Where you are holding client money and some or all of that money will be used to pay your costs
- (a)** you must give a bill of costs or other written notification of the costs incurred, to the client or the paying party;
 - (b)** this must be done before you transfer any client money from a client account to make the payment; and
 - (c)** any such payment must be for the specific sum identified in the bill of costs or other written notification of the costs incurred, and covered by the amount held for the particular client or third party.
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4: Withdrawals from client account

- 4.1** You only withdraw client money from a client account
- (a)** for the purpose for which it is being held;
 - (b)** following receipt of instructions from the client or the third party for whom the money is held; or
 - (c)** on the SRAs prior written authorisation or in prescribed circumstances.
- 4.2** You appropriately authorise and supervise all withdrawals made from a client account
- 4.3** You only withdraw client money from a client account if sufficient funds are held on behalf of that specific client or third party to make the payment.
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5: Duty to correct breaches after discovery

- 5.1** You correct any breaches of these rules promptly upon discovery. Any money improperly withheld or withdrawn from a client account must be immediately paid into the account or replaced as appropriate.
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6: Payment of Interest

- 6.1** You account to clients or third parties for a fair sum of interest on any client money held by you on their behalf.
- 6.2** You may by a written agreement come to a different arrangement with the client or the third party for whom the money is held as to the payment of interest but you must provide sufficient information to enable them to give informed consent.
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7: Client accounting systems and controls

- 7.1** You keep and maintain accurate, contemporaneous, and chronological records to:
- (a)** record in client ledgers identified by the client's name and an appropriate description of the matter

to which they relate:

- (i) all receipts and payments in your name which are client money on the client side of the client ledger account;
 - (ii) all receipts and payments in your name which are not client money on the business side of the client ledger account;
- (b) maintain a list of all the balances shown by the client ledger accounts of the liabilities to clients (and third parties), with a running total of the balances; and
- (c) provide a cash book showing a running total of all transactions through client accounts held or operated by you.
- 7.2 You obtain, at least every five weeks, statements from banks building societies and other financial institutions for all client accounts and business accounts held or operated by you.
- 7.3 You complete at least every five weeks, for all client accounts held or operated by you, a reconciliation of the bank or building society statement balance with the cash book balance and the client ledger total, a record of which must be signed by someone authorised to do so by the Prescribed Organisation. You should promptly investigate and resolve any differences shown by the reconciliation.
- 7.4 You keep readily accessible a central record of all bills or other written notifications of costs given by you.

8: Obtaining and delivery of accountants' reports □

- 8.1 The SRA may require you to obtain or deliver an accountant's report to the SRA on reasonable notice if the SRA considers that it is in the public interest to do so. You must ensure that any such report is 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.
- 8.2 The SRA may disqualify an accountant from preparing a report for the purposes of this rule if:
- (a) the accountant has been found guilty by their professional body of professional misconduct or equivalent; or
 - (b) the SRA is satisfied that the accountant has failed to exercise due care and skill in the preparation of a report under these rules.
- 8.3 The SRA may specify from time to time matters that you must ensure are incorporated into the terms on which an accountant is engaged.
- 8.4 You must provide to an accountant preparing a report under these rules:
- (a) details of all client accounts held or operated by you in your own name at any bank building society or other financial institution at any time during the accounting period to which the report relates; and
 - (b) all other information and documentation that the accountant requires to enable completion of their report
- 8.5 You must store all accounting records in relation to client accounts held or operated in your name

securely and retain these for at least six years.

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