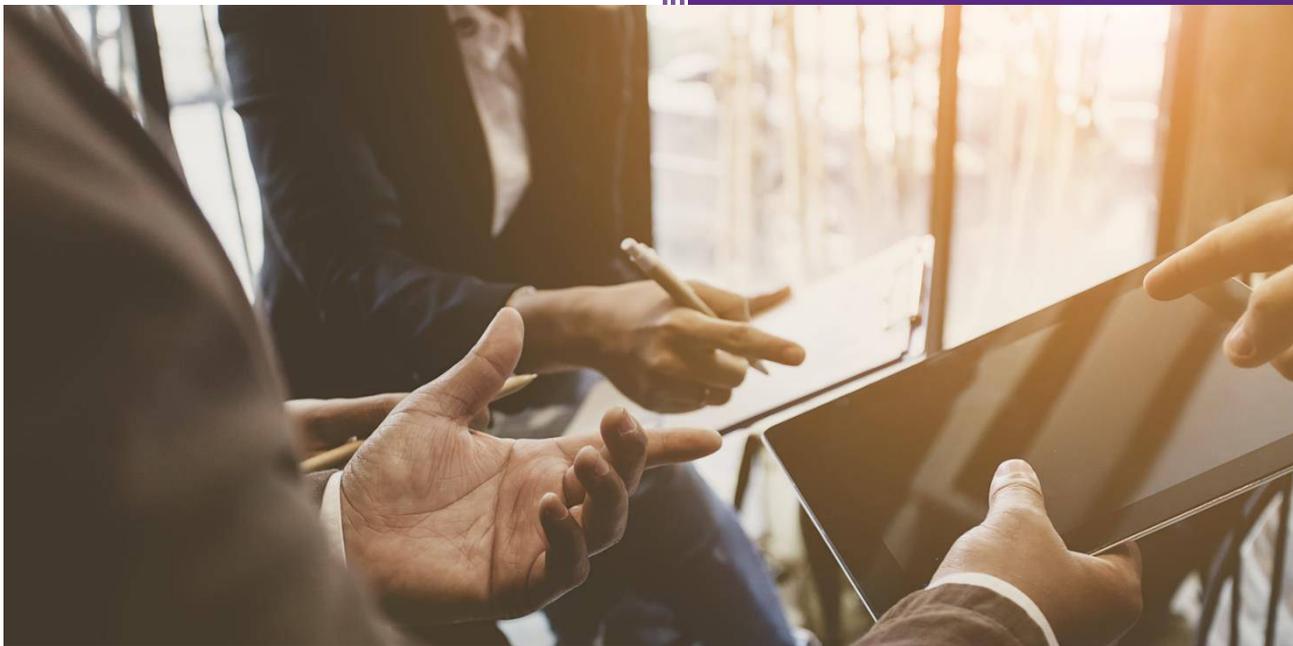


Changes to SRA Accounts



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Last updated: September 2019

Changes to SRA Accounts Rules

Historically the Solicitors Regulation Authority (SRA) Accounts Rules have comprised of a large number of very specific and prescriptive rules governing how law firms deal with client money. All firms, large or small, who hold client money have had to comply with these rules with no real scope to adapt them to suit their individual practice.

From **25 November 2019**, this will all change. The 46 detailed rules will be replaced with just 13 'principles-based' rules allowing law firms much more flexibility as to how they ensure that client money is properly protected.

The SRA has stated in the introduction to these new rules that firms will need to have systems and controls in place to ensure compliance, and the nature of those systems must be appropriate to the nature and volumes of client transactions dealt with and the amount of client money held or received.

What the changes may mean to you

Implementation date

The new rules come into effect on **25 November 2019** so you can make appropriate changes to your procedures with effect from this date. However, any such changes will need to be planned for, systems and procedures amended if necessary and communicated to staff (with training if necessary).

Change to definition of client money

In addition to money held as agent, stakeholder, trustee or as holder of a specified office or appointment e.g. donee of a power of attorney, Rule 2.1(d) defines client money as:

Money held or received by you in respect of your fees and any unpaid disbursements if held or received prior to delivery of a bill for the same.

Note that the trigger point for both fees and disbursements is the delivery of a bill and there is no longer a distinction in respect of professional disbursements.

The concept of 'agreed fees' (SRA Accounts Rules 2011 - Rule 12.7(c)(iv)) also no longer exists so you may wish or need to review your billing procedures to ensure compliance with this new rule.

Possible exemption from the requirement to hold money in a client account

If your only client money falls within Rule 2.1(d) and any money held for disbursements relates to costs or expenses incurred by you on behalf of your client and for which you are liable, and you do not for any other reason maintain a client account you are not required to hold this money in a client account if you have informed your client in advance of where and how the money will be held.

Is a Third-Party Managed Account (TPMA) for me?

This may be an option for all or some of what would otherwise be held in a client account. Your client would have to be informed in advance and you would still be required to obtain regular statements from the TPMA and ensure they accurately reflect all transactions on the account.

Because only the SRA, your client and the holder of the TPMA know you are holding client money in this way the account may be at far less risk of Cybercrime and consequently there may be scope for your professional indemnity insurance to be reviewed.

Against this, you will have to consider the fees and charges levied by the TPMA and your administration time involved.

Changes to SRA Accounts Rules

SRA – New Regulatory Model

The new Accounts Rules are part of a wider range of reforms which will all come into effect on 25 November 2019 and are designed to allow solicitors greater freedom to use their professional judgement in considering how they meet the standards.

In addition to the Accounts Rules, key changes include:

- separate codes of conduct for firms and solicitors
- freeing up solicitors to carry out non-reserved legal work from a business not regulated by a legal services regulator
- allowing solicitors to provide reserved legal services on a freelance basis.

Details of the new regulatory model, including the Accounts Rules are available on the SRA's website www.sra.org.uk/sra/news/press/standards-regulations-start-date-2019. To support the new Accounts Rules (and other regulations) the SRA has issued guidance on several areas to assist solicitors as these changes come into effect. The guidance is available on the SRA's website www.sra.org.uk/solicitors/guidance/guidance.

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How can we help?

This is an opportunity to consider how you can apply the principles embodied within the new rules in a way that best suits your practice.

Even if you do not plan to make any changes to your systems and procedures in the near future it will still be important to be able to demonstrate what those systems and procedures are.

Written policies and procedures are strongly advised to ensure your staff comply with your procedures and to be able to demonstrate that client money is properly protected.

If you would like to discuss these new rules in more detail or would like any assistance in determining or drafting suitable policies, please get in touch with your usual Jerroms contact.

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