

Residual client account balances consultation

Summary of responses

Professional Ethics

1 October 2007

Profile of respondents

Sixty substantive responses were received. Forty responses came from individual solicitors or their firms; six from individuals working in law firms, one from an employed solicitor and one from an accountancy firm.

Five local law societies responded, as did the Law Society and six other key stakeholders.

Main issues

A substantial majority of respondents (84% of all respondents; 88% of solicitor respondents in private practice) were in favour of amending the accounts rules to permit solicitors to withdraw surplus money from client account without prior SRA authorisation. However, 76% of all respondents agreed that a limit should be placed on the amount withdrawn in respect of any one matter without prior SRA approval.

A majority of respondents (70% of all respondents; 62% of solicitor respondents in private practice) supported the introduction of a specific obligation to return surplus funds to a client within a reasonable time of concluding a matter.

Impact of changes

The majority of respondents did not think that the reduction in the level of independent scrutiny by the SRA would lead to increased dishonesty, or result in solicitors taking a less robust approach to the safeguarding of client money and the keeping of proper accounting records.

Safeguards

A substantial majority of respondents thought that the proposed safeguards were sufficiently stringent to safeguard clients' interests, and struck a proper balance between the duty to return surplus client funds and the ability to clear client account balances efficiently.

Other issues

A majority of respondents supported a requirement for solicitors to make an annual return to the SRA of sums paid to charity.

Respondents were evenly split on whether it was possible to improve the current system of SRA authorisation. No suggestions for improvement were made beyond a general request for a simpler, less bureaucratic system.

A substantial majority of respondents opposed the suggestion that the SRA should make a charge to cover the cost of administering applications for authority to withdraw surplus funds from client account.

Although a majority of respondents supported the introduction of a specific obligation to return surplus funds within a reasonable time of concluding a matter, a number of respondents anticipated practical difficulties in complying with such a rule. Most respondents thought that the proposed new rule should specify a period of time which would apply "in normal circumstances".