

SRA Statutory Trust Rules

Introduction

These rules set out what the SRA does with money it takes possession of following an intervention into a firm's and/or an individual's practice. We hold this money on trust for the people it belongs to. This type of trust is called a statutory trust. The people that the money belongs to are beneficiaries of the trust. We have produced guidance on the way that we deal with this money [link to decision making guidance].

PART 1: GENERAL

Rule 1: Holding statutory trust monies

- 1.1 The **SRA** shall place all *statutory trust monies* in an identifiable *statutory trust account*.
- 1.2 All interest earned on the funds held in any *statutory trust account* shall be paid into that account.

Rule 2: Identifying beneficial entitlements

- 2.1 The **SRA** will create a *reconciled list* or a *best list* in respect of *statutory trust monies* held, using the information which it has available.
- 2.2 In creating a *reconciled list* or a *best list*, any sums of money which are identified within a *statutory trust account* as being payments on account of *fees* or unpaid *disbursements*, or which are equivalent to the *costs* incurred in a matter to which the funds relate, will be treated as due to the *client* rather than the *intervened practitioner*, unless there is sufficient evidence of a bill or other written notification of *costs* having been sent to the *client*.
- 2.3 The **SRA** will attempt to contact all *persons* identified as having a potential beneficial interest in the *statutory trust monies* and invite them to submit a claim in accordance with rule 4.

Rule 3: Minimum level of funds

- 3.1 The **SRA** may set a minimum level of funds to which a beneficiary may be entitled within a *statutory trust account* below which it will not attempt to identify or locate potential *beneficiaries* on the basis that, in the opinion of the **SRA**, it would be unreasonable or disproportionate to do so.
- 3.2 The level in rule 3.1 applies to the sum identified as relating to a particular *beneficiary*, after the application of any pro-rata adjustment which may be made under rule 6.2 but without including any interest under rule 7.3.

Part 2: CLAIMS

Rule 4: Claimants to money

- 4.1 Unless the **SRA** agrees otherwise, every **claimant** must submit to the **SRA** a claim in the **prescribed** form accompanied by any documentation and other evidence as may be required by the **SRA**, and which must include, if requested by the **SRA**, a statement of truth.

Rule 5: Verification of claims

- 5.1 The **SRA** may verify the individual potential beneficial entitlements claimed under rule 4 by examining all available evidence.

Rule 6: Shortfall in statutory trust account

- 6.1 In cases where a shortfall is revealed between **statutory trust monies** held, and the beneficial entitlements shown in a **reconciled list** or **best list**, the **SRA** may rectify the position, in whole or in part, by the use of other monies taken into its possession in consequence of the **intervention** to which that list relates.
- 6.2 Where, having applied additional funds under rule 6.1, a shortfall still exists on a **statutory trust account**, the **SRA** will decide on the method for calculating how to distribute the funds that are available in the account to **beneficiaries**.

Rule 7: Distribution of beneficial entitlements

- 7.1 In a case where the accounting records of the **intervened practitioner** are **reconciled accounts**, payments to **beneficiaries** will be made on the basis of the **reconciled list**.
- 7.2 In a case where the accounting records of the **intervened practitioner** are not **reconciled accounts**, payments to **beneficiaries** will be made on the basis of the **best list**.
- 7.3 Any interest which has accrued on a **statutory trust account** under rule 1.2, will be distributed to **beneficiaries** on a pro-rata basis in proportion to the payments made to them under rule 7.1 or 7.2.

Rule 8: Residual balances

- 8.1 The **SRA** may use any funds which remain in a **statutory trust account** following the distribution to **beneficiaries** under rule 7 to reimburse any costs, charges, or other expenses, which it has incurred in establishing the beneficial entitlements to the **statutory trust monies** and in distributing the monies accordingly.
- 8.2 If funds remain in a **statutory trust account** after payment to **beneficiaries** and the reimbursement of costs, charges and expenses in accordance with rule 8.1, the **SRA** may transfer such remaining funds into the compensation fund held by the **SRA** and any claim to such funds under these rules shall be extinguished.

Rule 9: Interim payments

- 9.1 The **SRA** may make an interim payment to a **beneficiary** before the full distribution of funds in a **statutory trust account** takes place provided that the **SRA** is satisfied that the payment can be made without prejudicing other claims to those funds.

Supplemental notes

Made by the SRA Board on [date]

Made under sections 79 and 80 of and paragraph 6B of Schedule 1 to the Solicitors Act 1974, paragraphs 32 to 34 of Schedule 2 to the Administration of Justice Act 1985, and paragraph 6 of Schedule 14 to the Legal Services Act 2007, governing the treatment of sums vested in the Law Society under paragraphs 6 or 6A of Schedule 1 to the Solicitors Act 1974 and under paragraphs 3 or 4 of Schedule 14 to the Legal Services Act 2007

Approved by the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007, on [date]

Commencing on [date] and replacing the SRA Intervention Powers (Statutory Trust) Rules 2011. These rules apply to all **statutory trust accounts**, whether such accounts were created before or after the commencement date.