Solicitors Accounts Regulations 2014

New consolidated solicitors accounts regulations will come in force on 1 December 2014. There are no fundamental changes to the existing regulations.

On 7 November 2014 the Council of the Law Society approved the Solicitors Accounts Regulations 2014. The regulations come into operation on the 1 December 2014. The statutory instrument may be viewed here.

Previously, regulations relating to solicitors’ accounting records were set out in the following five statutory instruments:

- Solicitors Accounts Regulations 2001
- Solicitors (Interest on Clients’ Moneys) Regulations 2004
- Solicitor Accounts (Amendment) Regulations 2005
- Solicitors Accounts (Amendment) Regulations 2006
- Solicitors Accounts (Amendment) Regulations 2013

The Law Society is introducing one statutory instrument to deal with all the solicitors accounts regulations. There are no fundamental changes to provisions of the existing solicitors accounts regulations.

Definitions

Some additional definitions and amendments to existing definitions have been introduced to include the definition of “matter”, “client ledger account”, “controlled trust ledger account”, “deposit account”, “non-controlled trust ledger account”, “insolvency arrangement ledger account”, “office account” and “office side of the client ledger account”.

Personal Insolvency Act 2012

In circumstances where there is a conflict in the terms of the provisions of the Personal Insolvency Act and the Solicitors Accounts Regulations, the Personal Insolvency Act 2012 takes precedence.

Interest on client moneys

The regulations on interest on client moneys are now contained as one regulation within the Solicitors Accounts Regulations 2014. The regulation has been re-drafted. There is no change to solicitors’ obligations in relation to interest on client moneys.

Balancing statements

The regulations have been changed to require solicitors to include information in relation to control trusts and insolvency arrangement accounts in the balancing statements that they are required to prepare.

Controlled trusts

For the avoidance of doubt, it is a breach of the regulations for a debit balance to arise on a controlled trust ledger account and for a solicitor to discharge personal or office expenditure from a controlled trust account.
Non-Controlled trusts

For the avoidance of doubt, it is a breach of the regulations for a solicitor to discharge personal or office expenditure from a non-controlled trust account.

Insolvency arrangements

For the avoidance of doubt, it is a breach of the regulations for a debit balance to arise on an insolvency arrangement ledger account and for a solicitor to discharge personal or office expenditure from an insolvency arrangement account.

Solicitors are specifically required to maintain a record of lodgements to insolvency arrangement accounts. The bank account register must include a record of all insolvency arrangement accounts. Solicitors are also required to obtain returned paid cheques and copies of bank drafts in relation to insolvency arrangement accounts.

Reporting accountants

All reporting accountants must be approved by the Law Society.

The reporting accountant is required to check the extraction of balances on controlled trust ledger accounts and insolvency arrangement ledger accounts.

The layout of the reporting accountant’s report has been amended to specifically require information in relation to controlled trusts and insolvency arrangements.

With regard to interest on client moneys, a provision under the Solicitors (Interest on Clients’ Moneys) Regulations 2004 under which the reporting accountants were not required to carry out examinations as to whether a solicitor had complied with those regulations is excluded.

The reporting accountant is not required to extend his or her examination to enquiries concerning the solicitor’s compliance with the provisions of the Personal Insolvency Act 2012 and the Personal Insolvency Act 2012 (Accounts and Related Matters) Regulations 2013.

Transitional arrangements

The Solicitors Accounts Regulations 2001 to 2013 remain in full force in respect of any accounting period that has commenced before 1 December 2014 until such time as the solicitor has duly complied with those regulations as regards the furnishing to the Law Society of a reporting accountant’s report for such accounting period.