

Frequently Asked Questions – Interest Charges on Client Accounts



- 1. Where is the Practice Note on interest charges on client accounts available?** The Practice Note on interest charges on client accounts (the Practice Note) issued on 12 February 2021 can be found on the Law Society website and is also here: [Practice Note: interest charges on client accounts](#)
- 2. Are there sample clauses for Section 150 notices available?** Yes, these can be downloaded from the Law Society website here: [Sample Clauses on Negative Interest Charges \(Section 150 Notices\)](#)
- 3. Can client funds be held in a non-interest bearing account?** Yes, the Solicitors Accounts Regulations 2014 permit clients' moneys to be held in a non-interest bearing account.
- 4. I have been notified by my bank that interest charges will be applied to my client account, what steps should I take?** You should contact your bank and instruct them, in writing, that any such charges should not be debited on the client account and should be debited on your office account.
- 5. What should I do if my bank deducts the interest charge from my client account, including where they have been instructed to do otherwise?** You should instruct your bank to reverse the charge applied and if this is not complied with by your bank you should, as soon as possible, arrange for moneys to be transferred from the office account to the client account in the amount deducted by the bank so that no deficit occurs in the client account.
- 6. Am I required to move bank or bank accounts to avoid interest charges on my client account?** No, a solicitor is under no obligation to move their bank or bank account. However, if your principal banker can provide you with an interest bearing (or a zero interest) solicitors client account, that account should be availed of.
- 7. Do I have an obligation to move funds between banks where I have a second bank in addition to my principal bank?** You are not obliged to move funds from your principal bank to another bank to avoid interest charges on client funds held.
- 8. Can interest charged by a bank in relation to funds held in a client account be passed on to my client? / Can interest charged by a bank in relation to funds held in a client account be treated like any other outlay?** Yes, the Solicitors

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Accounts Regulations 2014 permit an interest charge applied in respect of client moneys to be passed on to the client on the basis that certain steps are taken by the solicitor as outlined in the Practice Note. The Practice Note outlines that any moneys paid by the solicitor in satisfaction of any interest charge may be recovered as outlay from the client in question. Solicitors should be aware of their obligations under Section 150 of the Legal Services Regulation Act 2015 in this respect, and prior notice under Section 150 should be provided to the client in the same manner as would apply in respect of any other outlay.

9. **Where I have an existing or ongoing matter with a client do I need to issue a Section 150 notice in respect of interest charges on client funds?** Yes, a Section 150(5) notice should be issued to a client for an existing or ongoing matter and for new matters a Section 150 notice should include details of any interest charges and also how and when they will apply. Sample clauses for Section 150 notices are available [here](#).

10. **Can I enter into an arrangement or agreement with my client as to how any interest charged is to be treated? If so, does an arrangement with a client in relation to interest charges have to be in writing?** As an alternative to passing on the charge as outlay, a solicitor may, in accordance with Regulation 8(6) of the Solicitors Accounts Regulations 2014, enter into a direct arrangement with a client in respect of how any interest charged is to be treated. Any such arrangement regarding the treatment of the interest charge has to be in writing with a client.

By way of example, a solicitor may enter into an arrangement with a client directly in respect of a dedicated client account that interest charges be deducted directly from that dedicated client account but this must be arranged directly with the client.

11. **Is there anything I can do to reduce the negative interest charge that will arise in relation to my client account?** You should ensure that you pay out funds held in the client account at the earliest opportunity, you should withdraw fees as soon as they become due for payment and you should review client ledger balances on a regular basis to ensure that no funds are being held longer than necessary.

12. **Do interest charges arise on outstanding client account cheques?** Yes, where your client account is subject to interest charges, interest charges will arise on outstanding cheques that you have issued as the interest charges apply to the cleared

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balance on your client bank account. Firms will need to account for the interest charge in this respect.

13. **Do I have to obtain confirmation from my principal bank that there are no interest bearing client accounts available from them?** No, confirmation is not required in this respect, but solicitors are expected to be aware of the accounts available at their principal bank and if an interest bearing (or a zero interest) client account is available to them, then client moneys should be moved to the interest bearing (or the zero interest) client account.
14. **Are there any exemptions available for my client account or for particular funds held in my client?** You should contact your bank in this respect as it is the bank which determines which accounts they levy interest charges on.
15. **How do I know if there are to be interest charges on my client account?** You should be contacted by your bank in relation to this. You should contact your bank if you have any queries on whether interest charges apply to your client account.
16. **How is my bank applying interest charges to my client account?** You should contact your bank if you have any queries on how you bank is applying interest charges on your client account.

The Law Society has received the following response from Bank of Ireland, where they have outlined how negative interest rates (NIR) currently operates and the application of same:

“The current threshold set by Bank of Ireland for large SME customers is €2.5m. If when account(s) are reviewed and the balance or combined balances is above that threshold and the average combined deposit balances on all Euro accounts is also €2.5m or more over the 12 calendar months to the date that we completed our review, a 2 month pre-notification letter of the interest rate change issues to customers. Negative interest is applied on the full cleared credit balance in the account(s) from the effective date outlined in the notification letter(s) and at least until the next review date.

We currently review accounts where NIR applies periodically (approximately every two months from the effective date) to ensure that negative interest rates should continue to apply. If both the point in time and 12 month rolling average aggregate credit balances are at or above €2.5m on the date that we complete a review, negative interest rates will continue to apply. On each review, if account(s) no longer meet the criteria detailed above we will amend the rate that we apply to the cleared credit balance in these account(s). The rate that would currently apply where combined balances are under €2.5m following a review is 0% (this rate is subject to change). We also issue written notification to customers if they no longer meet the criteria to advise them their interest rate is changing. We may at some

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point in the future need to consider changing the €2.5m threshold, for example by reducing it. If we make a change we will write to impacted customers to let them know in advance.

The interest will be calculated daily from the effective date on the cleared for value credit balance in the account(s) outlined in the customers' notification letter(s) and will be automatically debited monthly in arrears (or at times set out in or agreed in line with the Terms and Conditions)."

Allied Irish Banks have confirmed to the Law Society that currently:

"the negative interest is applied where the aggregate balances held by the solicitor firm are over €3 million and that negative interest rate is applied to all balances and not just the amounts over the €3 million threshold",

and Allied Irish Banks notification letter to solicitors outlines the following in relation negative interest rates:

"We will apply the interest to your accounts each month. The interest rate is variable and therefore subject to change.

While your accounts will be on negative interest until further notice, we will review this regularly and will write to give you notice of any change.

The interest accrued will be applied monthly to the relevant account. You can direct the negative interest due on one account, for example your client account, to be deducted from another nominated account if required. Should you wish to avail of this facility, please advise your Relationship Manager or local Branch Manager in writing, confirming the nominated account for negative interest and the account numbers that are to have the negative interest rate redirected."

17. Do I have any notification obligations to the Society if my bank debits the interest charge to the client account? There is no obligation to notify the Law Society provided that there is compliance with the Solicitors Accounts Regulations 2014 and the Practice Note on interest charges on client accounts.

18. Can I lodge the proceeds of an estate in a probate matter directly to an executors account maintained by the executor? Any moneys received by a solicitor on behalf of their clients, which includes executors, are required to be paid into the solicitors client account, without delay, in accordance with Regulation 4(1) of the Solicitors Accounts Regulation 2014. However, in circumstances where the solicitor is the sole executor or co-executor in an estate the Solicitors Accounts Regulations do provide for and require the opening of a separate controlled or non-controlled trust account.

Further queries can be directed to the [Financial Regulation Section of the Law Society](#)