GUIDANCE TO SOLICITORS’ ACCOUNTS REGULATIONS 2014

(This Guidance does not form part of the Regulations and is for assistance only).

Regulation 15.4

Residual client balances not exceeding £500

Where amounts not exceeding £500 are held for an individual client or third party (the rightful owner), and reasonable and proportionate attempts have been made to trace that rightful owner or to pay the money to them, monies may be removed from the client account without the written approval of the Law Society of Northern Ireland (“The Society”), provided the solicitor complies with the prescribed circumstances set out below.

Prescribed circumstances

You may withdraw residual client balances not exceeding £500, held for a rightful owner provided:

1. the balance is paid to the Solicitors Benevolent Association or other charity of your choice.

2. you have taken reasonable steps to return the money to the rightful owner. The reasonableness of such steps will depend on:
   
   i. the age of the residual balance;
   ii. the amount of the residual balance;
   iii. if you have access to the rightful owner’s most up to date contact details;
   iv. if not, the costs associated with tracing the rightful owner.

We expect you to make more intensive efforts to locate the rightful owner for larger or more recent residual balances or for balances where more details are held about the rightful owner.

3. you record the steps taken to return the money to the rightful owner and retain those records, together with all relevant documentation for at least six years;

4. you keep appropriate accounting records, including:
   
   i. a central register which records the name of the rightful owner on whose behalf the money was held, the amount, name of the recipient charity (and their charity number) and the date of the payment; and
   ii. all receipts from the charity and confirmation of any indemnity provided against any legitimate claim subsequently made for the sum they have received. You may wish to utilise the Society’s template form of indemnity (or some other similar form) as set out in Schedule 1 to this Guidance.

5. you do not deduct from the residual balance any costs incurred in attempting to trace or communicate with the rightful owner.

The records referred to in points 3 and 4 above may be requested by your reporting accountant who will look at whether you have followed these prescribed circumstances.
If the prescribed circumstances have been complied with then you do not need to make an application to the Society for its written approval.

The Solicitors’ Benevolent Association can, on prior written notice from a solicitor, receive residual client balances by way of donation. It does not provide an indemnity but will provide an undertaking to the solicitor to refund on request. The Solicitors’ Benevolent Association is a voluntary charitable body consisting of all members of the Law Society of Northern Ireland and the Law Society of Ireland. For more information, please see below link:

www.lawsoc-ni.org/solicitors-benevolent-association-1

You may choose to pay the money to a charity that does not offer you an indemnity but if it does not, you will be liable to pay the money to the client if they contact you later to claim it.

**Residual client balances exceeding £500**

Where the amount or amounts held for a rightful owner are in excess of £500, they may not be removed from the client account without the Society's written approval.

Please contact the Society for written approval via email to Regulation@Lawsoc-ni.org
SCHEDULE 1

Solicitors’ Accounts Regulations 2014

Regulation 15.4 – Residual client balances

Form of Indemnity

I [insert name of charity representative] on behalf of [insert charity name, address and charity registration number] hereby indemnify [insert name of firm] (the firm) against any claim received by the firm from the rightful owner of [insert amount in £] removed from a client bank account of the firm pursuant to the above Regulation and its related Guidance. This indemnity is without any time limit for any claim.

Signed by the Charity Representative

___________________________________
Print Name

___________________________________
Dated

Signed by the Firm Principal

___________________________________
Print Name

___________________________________
Dated