

Further consultation on client money in legal services:

Protecting the client money that solicitors hold

Annex: draft rule amendments

December 2025

SRA Accounts Rules

Part 4: Accountants' reports and storage and retention of accounting records

Rule 12: Obtaining and delivery of accountants' reports

- 12.1 If you have, at any time during an accounting period, held or received client money, or operated a joint account or a client's own account as signatory, you must:
- (a) obtain an accountant's report for that accounting period within six months of the end of the period;
 - (b) deliver it to the SRA within six months of the end of the accounting period, in accordance with rule 12.10;
 - (c) submit a declaration to the SRA, in the prescribed form and manner, confirming that you are not exempt under rule 12.2; and
 - (d) ensure that you and the accountant make any other such declarations to the SRA as prescribed.
- 12.2 You are not required to obtain an accountant's report if either:
- (a) all of the client money held or received during an accounting period is money received from the Legal Aid Agency; or
 - (b) in the accounting period, the statement or passbook balance of client money you have held or received does not exceed:
 - (i) an average of £10,000; and
 - (ii) a maximum of £250,000,or the equivalent in foreign currency; and

- (c) you also submit a declaration to the SRA confirming your exemption status, in the prescribed form and manner.

12.3 In rule 12.2 above a "statement or passbook balance" is the total balance of:

- (a) all client accounts held or operated by you; and
- (b) any joint accounts and clients' own accounts operated by you,

as shown by the statements obtained under rule 8.2.

12.4 The SRA may require you to obtain or deliver an accountant's report to the SRA on reasonable notice if you cease to operate as an authorised body and to hold or operate a client account, or the SRA considers that it is otherwise in the public interest to do so.

12.5 You ensure that any report obtained under this rule is prepared and signed by an accountant who is a member of one of the chartered accountancy bodies and who is, or works for, a registered auditor.

12.6 The SRA may disqualify an accountant from preparing a report for the purposes of this rule if:

- (a) the accountant has been found guilty by their professional body of professional misconduct or equivalent; or
- (b) the SRA is satisfied that the accountant has failed to exercise due care and skill in the preparation of a report under these rules.

12.7 The SRA may specify from time to time matters that you must ensure are incorporated into the terms on which an accountant is engaged.

12.8 You must provide to an accountant preparing a report under these rules:

- (a) details of all accounts held or operated by you in connection with your practice at any bank, building society or other financial institution at any time during the accounting period to

which the report relates; and

- (b) all other information and documentation that the accountant requires to enable completion of their report.

12.9 The accountant must complete, sign and date their report in the *prescribed* form.

12.10 You must arrange for the reporting accountant to deliver the report directly to the SRA in accordance with rule 12.9.

SRA Regulatory and Disciplinary Procedure Rules

Rule 11: Fixed financial penalties

- 11.1 Where the SRA has evidence that a relevant person has committed one or more of the breaches listed in rule 11.2, it may notify them and will:
- (a) set out the allegation and the facts in support, accompanied by any evidence or documentation that the SRA considers to be relevant to the allegation;
 - (b) require the relevant person to remedy any specified breaches and provide evidence of the action taken to the SRA within a specified period (which must be no less than seven days from the date of the notification); and
 - (c) make a recommendation as to the decision to be made under rule 3.1(h) (taking into account any previous penalties issued), regarding publication under rule 9, and costs under rule 11.4, in the event that the requirements made under rule 11.1(b) are not complied with.
- 11.2 The prescribed breaches are:
- (a) SRA Transparency Rule 1.5
 - (b) SRA Transparency Rule 2.1
 - (c) SRA Transparency Rule 4.1
 - (d) SRA Authorisation of Firms Rule 13.4
 - (e) SRA Authorisation of Firms Rule 13.6
 - (f) SRA Financial Services (Scope) Rule 5.3
 - (g) SRA Financial Services (Scope) Rule 5.4;
 - (h) SRA Code of Conduct for Firms Rule 3.3(a); or
 - (i) SRA Code of Conduct for Firms Rule 2.1 and/or 3.8(a) in respect of material changes or inaccurate or incomplete information provided about:
 - (i) COLPs and/or COFAs (with reference to Rule 8.1 SRA Authorisation of Firm Rules)
 - (ii) Managers and owners (with reference to Rule 9.1 SRA Authorisation of Firm Rules)
 - (iii) Non-authorised material interest holders in licensed bodies (with reference to paragraphs 21 to 24 of Schedule 13 to the Legal Services Act 2007)
 - (iv) Beneficial owners, officers and/or managers of firms which are independent legal professionals (ILPs) and/or tax advisers (with reference to Regulation 26 of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as may be amended from time to time) (the MLRs)

- (v) Beneficial owners, officers and/or managers of firms which are trust or company service providers (TCSPs) (with reference to Regulations 56 and 57 of the MLRs)
- (vi) Money laundering reporting officer and/or money laundering compliance officer of an ILP, TCSP and/or tax adviser (with reference to Regulation 21 of the MLRs)

- (j) [SRA Accounts Rules 12.1](#)
- (k) [SRA Accounts Rules 12.2](#)
- (l) [SRA Accounts Rules 12.10](#)