

Payments in respect of Statutory Trusts (Rule 7)

5 July 2021

Who is this guidance for?

This guidance is for all applicants seeking a payment from the Fund and for those assisting applicants with their application.

Purpose of this guidance

To explain when the Fund may make a payment to replace a shortfall in client money held by a firm we regulate.

What is a statutory trust?

When we close a law firm, we take possession of all money the firm held. We then hold this money on what is known as a 'statutory trust'. That means, we hold it for the people it belongs to and we will review the firm's accounting records to try to identify those people. We will then try to pay the money to its rightful owner.

Sometimes there is not enough money in the statutory trust to pay everyone who is entitled to it - in other words there is a shortfall. This can happen, for example, where a solicitor has taken money for costs without raising bills, or has stolen money. Where that happens, people may be able to apply to the Fund for any of their money they do not receive.

When might payment be made?

In some cases, we may make one payment from the Fund to replace the shortfall in the statutory trust. Our Statutory Trust Team will then be able to pay the money out to the people entitled to it. You therefore would not need to make separate applications to the Fund. If you have already made an application, we will transfer it to our colleagues in the Statutory Trust Team who will contact you.

We are most likely to do this where we are able to accurately establish the amount of the shortfall and where the people who the money belongs to are private individuals who had dealings with the intervened firm. This is because we know that individuals are most likely to be eligible for a payment from the Fund.

We are less likely to make a payment to replace a large and not easy to quantify shortfall, or where the money is due to large businesses who would potentially not be eligible for payment from the Fund.



Example

We close down a firm that deals solely with immigration work. The clients of the firm are all individuals who paid money on account for their cases. We establish that the firm's client account (now held by us on statutory trust) should have held £100,000 but only has £95,000.

The Fund makes a payment of £5,000 to the statutory trust to replace the shortfall. The clients of the firm can then receive all their money back without having to make individual applications to the Fund for fairly small sums.

Further guidance

Read more information about our [Compensation Fund](https://upgrade.sra.org.uk/consumers/compensation-fund/) [<https://upgrade.sra.org.uk/consumers/compensation-fund/>].

Further help

If you require further assistance, please contact our [Contact Centre](https://upgrade.sra.org.uk/contactus/) [<https://upgrade.sra.org.uk/contactus/>].