

Interest policy

1 Introduction

1.1 This document sets out our policy for paying interest where we hold money in client account for a:

- 1.1.1 client
- 1.1.2 person funding all or part of our fees
- 1.1.3 trust
- 1.1.4 person to whom a stake is to be paid (when we hold money as stakeholder)

Collectively called 'the recipient(s)'.

1.2 We are required by the SRA Accounts Rules 2011 to:

- 1.2.1 have a written policy on the payment of interest that seeks to provide a fair outcome
- 1.2.2 pay interest when it is fair and reasonable to do so in all the circumstances
- 1.2.3 pay a fair and reasonable sum calculated over the whole period for which any money is held

2 Responsibility for payment of interest

2.1 The Director of Finance is responsible for agreeing the interest rates stated in this policy.

2.2 The COFA is responsible for:

- 2.2.1 devising and implementing this interest policy, in consultation with the Executive Management Team

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- 2.2.2 providing assistance to individuals and/or teams who have responsibility for calculating or paying interest
- 2.2.3 reviewing periodically the interest rates we receive and pay
- 2.2.4 monitoring compliance with this policy
- 2.2.5 reporting to the Executive management team on the firm's interest arrangements

3 When do we pay interest?

3.1 We do not pay interest:

- 3.1.1 on money held to pay a professional disbursement, if the intended recipient has requested that we delay in paying them
- 3.1.2 on money held for the Legal Aid Agency
- 3.1.3 on money that we have paid into a client account as an advance from the firm to fund a payment on behalf of a client or trust in excess of funds held for that client or trust
- 3.1.4 if we have agreed with the recipient to contract out of our obligation to pay interest, subject to prior consent being sought from the Head of Financial Compliance
- 3.1.5 on monies that we are instructed to hold outside a client account in a manner that does not attract interest, eg cash held in our safe
- 3.1.6 the amount of interest, calculated in accordance with this, is less than £50

3.2 We will pay interest on all other monies held on client account, including any monies we should have held on client account but failed to do so.

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3.3 Interest will be calculated and paid in accordance with this policy. The amount of interest paid to each recipient will take into account:

- 3.3.1 the amount held
- 3.3.2 how long we held cleared funds
- 3.3.3 the requirement to provide instant access to funds held in client account
- 3.3.4 the rate of interest payable on the amount held in an instant access account at the bank where we have our client account
- 3.3.5 the practice of the bank where we have our client account on how often interest is compounded

4 **Types of client account**

4.1 Client account monies can be held in two different ways:

- 4.1.1 in a separate client deposit account (CDA)--in some cases we open a separate bank or building society account for a specific client or trust, etc
- 4.1.2 in our general client account--this is where we hold monies for clients or trusts that are not held in an CDA

4.2 How we calculate interest under this policy depends on which type of account is used. It is therefore important that we use the correct type of account.

5. **Interest on monies held in a designated client deposit account**

5.1. We will pay a fair rate of the interest received on monies deposited in a CDA to the recipient to whom we ultimately pay the monies on deposit. Where the monies on deposit are divided between more than one recipient, we will divide the interest in the same proportions.

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5.2. We will also use a CDA:

5.2.1. for money that we hold as or on behalf of trustees under a trust

5.3. Interest will be paid gross. It will be the recipient's responsibility to declare interest received to HMRC

6 **Interest on monies held in our general client account**

6.1 Any money not held in a CDA will be held in our general client account.

6.2 We will pay interest at no less than the rate available from HSBC on a Client Premium Account for the actual balance that was held for you.

6.3 The interest rate will change from time to time and will be updated as required.

6.4 Interest will be paid before deduction of tax. It will be the recipient's responsibility to declare interest received to HMRC.

7 **Best available rate**

7.1 We are required by the Solicitors Regulation Authority (SRA) to deposit monies in instant access accounts only. This means that the interest rate paid on monies in a CDA or our general client account may not be as high as the recipient can achieve by placing the money on deposit themselves. We will ensure that the recipient is aware of this and, where appropriate, has the opportunity to make alternative arrangements.

8 **Interest period**

8.1 Interest will be calculated over the whole period that we hold the monies, starting from the date the monies are treated by us as cleared funds.

8.2 Unless we are notified by our bank to the contrary, we will treat monies as cleared funds in accordance with the table shown below:

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Method of payment	When are monies treated as cleared funds
cheque	7 working days after the money has been paid into our client account
debit or credit card	date of actual receipt into the account
direct transfer	the following working day

9 Monies held on more than one matter

- 9.1 Where we hold monies on more than one matter for a recipient, interest will be calculated separately for each individual instruction--unless it is fair and reasonable to aggregate the interest.

10 Payment dates

- 10.1 Interest will be paid at the conclusion of the retainer or on a quarterly basis.

11 Special cases

- 11.1 This policy does not apply when we act as liquidator, trustee in bankruptcy, Court of Protection deputy or the trustee of occupational pension scheme. We will comply with the appropriate statutory rules and any other relevant provisions of the SRA Accounts Rules 2011 regarding payment of interest.
- 11.2 If we hold money jointly with a client, the interest earned will belong to the client, unless we agree otherwise.
- 11.3 If we hold money jointly with another firm, we will agree with the other firm how interest will be allocated.

12 Unpresented cheques

- 12.1 Where we pay monies to clients by cheque, some clients will delay in paying the cheque into their bank. We will pay additional interest only where it is reasonable in all the circumstances to do so.
- 12.2 Where we do recalculate interest and/or issue a further cheque, we reserve the right to charge for the additional work involved.

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13 Informing clients of our interest policy

- 13.1 We will notify clients of our interest policy in our terms of business.
- 13.2 Failure to explain our policy on payment of interest could give the recipient unrealistic expectations about the amount of interest they will receive. Ultimately, this could lead to complaints to the firm and/or Legal Ombudsman.

14 Contracting out

- 14.1 Contracting out usually takes the form of agreeing that we will pay no interest or a reduced amount of interest. It can also include agreeing to pay 100% of the interest received on monies held on general client account, where this exceeds the amount that would normally be paid under this policy.
- 14.2 We may, by written agreement with the client and/or recipient, contract out of the terms of this interest policy.
- 14.3 We will only contract out where doing so provides a fair outcome. This will depend on all the circumstances, eg:
 - 14.3.1 the amounts involved--the larger the sum of interest, the greater the onus on us to show that the client has been treated fairly
 - 14.3.2 the status and bargaining position of the client--it may be less appropriate to contract out if the client is a private individual with little legal exposure than for a commercial client where the interest represents a very modest proportion of the overall transaction
 - 14.3.3 whether there are specific reasons for contracting out, eg tax reasons or religious belief
- 14.4 When agreeing to contract out, we will:
 - 14.4.1 act fairly towards our client

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- 14.4.2 Provide sufficient information to enable the client to give informed consent.
- 14.4.3 Require prior approval from the Financial Compliance Team

15 Failure to comply with this policy

- 15.1 We are required to notify the SRA if we breach the SRA Accounts Rules including the rules relating to payment of interest. If you suspect that we have breached this policy, please report your concerns to our COFA or Head of Financial Compliance.

16 Training

- 16.1 All staff will receive training, as necessary, on our interest policy including:
 - 16.1.1 regular training for existing staff
 - 16.1.2 training for new staff at induction
 - 16.1.3 updates following any changes to the policy that affect staff
 - 16.1.4 focused training for individual staff or teams responsible for specific interest actions

17 Monitoring and review

- 17.1 The Head of Financial Compliance (HFC) is responsible for this policy.
- 17.2 All staff must be aware of and adhere to it. You may be liable to disciplinary action if you fail to comply with the provisions of this policy or related policies and procedures.
- 17.3 The HFC will monitor compliance with this policy by exception reports produced by accounts staff reviewed by a manager.
- 17.4 We will review this policy regularly--at least annually. We will provide information and/or training on any changes we make.

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