



Legal Update

May 2009

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Solicitors Accounts Rules 1998 Changes

With effect from 31 March 2009 the Solicitors' Accounts Rules have been amended as part of a general updating of the rules to introduce firm-based regulation and Legal Disciplinary Practices (LDPs) as a result of the Legal Services Act 2007.

In summary, the main changes are as follows:

Controlled Trusts

The Legal Services Act has abolished the concept of a "controlled trust", so all money held by a practice will be either client money or office money. This will simplify the Solicitor's obligation to account for interest on trust money and firms will no longer need to ensure that a central register of Controlled Trusts is maintained.

Persons covered by the rules

Following the introduction of LDPs, the scope of the SARs has been extended to not only cover sole practitioners, partnerships, companies, LLPs, but practices with non-solicitor lawyers as managers, and practices with up to 25 per cent of managers who are not legally qualified. The SARs will also apply to the individual managers and employees of those practices, and to in-house lawyers.

All firms will need to ensure all employees are kept up to date with the rules as under Rule 4 Note (i) "all employees of a recognised body are directly subject to the rules and non compliance by an member of staff will *also* lead to the principles being in breach of the rules".

Menzies LLP legal team do run tailored courses to keep staff of regulated firms up-to-date. Please contact your relationship partner at Menzies LLP should this be of interest.

Signatories for client account withdrawals

Following the changes to allow for LDPs under Rule 23 to include non-qualified managers (Partner, LLP Member or Director) these managers will be permitted to authorise withdrawals from the client account, including signing of cheques.

Interest certificates under Rule 28

Rule 28 has now been repealed and the statutory basis for interest certificates has been removed, so any interest complaints will now be dealt with by the Legal Complaints Service in future rather than by the SRA.

Accountants Reports

The Act also enables the introduction of more flexible, risk-based provisions for the delivery of accountants' reports, and requires the introduction of a mandatory whistle blowing duty on reporting accountant.

Your accountant will therefore be amending your engagement letter to cover the revised whistle blowing paragraphs.

For further information, please contact [Peter Noyce](mailto:pnoyce@menzies.co.uk) at pnoyce@menzies.co.uk or your regular Menzies LLP Relationship Partner.