

## Accounts Code

In this Code ‘you’ refers to individuals and bodies regulated by the **CLC**; all individuals and bodies regulated by the **CLC** must comply with this Code. You must not permit anyone else to act or fail to act in such a way as to amount to a breach of this Code.

In the case of an **Authorised Person** who no longer holds a **Licence** or **Certificate of Recognition**, this Code applies as if that **Licence** or **Certificate of Recognition** were still in force until such time as any relevant part of this Code has been fully and appropriately complied with.

For more detailed **guidance** on this please see the **CLC’s Guidance** on Accounts

### **Outcomes-Focused**

The **Code of Conduct** requires you to deliver the following **Outcomes**:

- **Clients receive an honest and lawful service (Outcome 1.2);**
- **Client money is kept separately and safely (Outcome 1.3);**
- **Appropriate arrangements, resources, procedures, skills and commitment are in place to ensure Clients always receive a high standard of service (Outcome 2.3);**
- **Each Client’s best interests are served (Outcome 3.1).**

Appropriate handling of **Client Money** helps you delivery these **Outcomes** and requires you to act in a principled way:

1. **Act with Independence and Integrity. (Overriding Principle 1)**
2. **Maintain High standards of Work. (Overriding Principle 2)**
3. **Act in the Best Interests of your Clients. (Overriding Principle 3)**
4. You keep **Client Money** Safe. (CoC P1h)
5. You promote ethical practice and compliance with regulatory requirements.(CoC P2g)
6. You maintain proper governance, management, supervision, financial and risk management **arrangements** and **controls**. (CoC P2i)

You must also comply with the following **specific requirements**:

7. You keep **Client money** entirely separate from your money or the money of the entity. (CoC P1k)
8. You comply with anti-money laundering and prevention of financing terrorism legislation. (CoC P1m)
9. You:
  - 9.1.1 ensure that your partners, **employees** and directors (including partners, **employees** and directors who are not **Authorised Persons**) comply with this Code;
  - 9.1.2 use each **Client's money** only for that **Client's** matters;
  - 9.1.3 only pay money into, and withdraw money from, the **Client Account** and the **Office Account** for purposes related to the provision of services regulated by the **CLC**;
  - 9.1.4 establish and maintain proper accounting systems, procedures, processes and internal **controls**, to ensure compliance with this Code;
  - 9.1.5 ensure there is no debit balance on the **client** side of a **client** ledger account nor a credit balance on the office side of a **client** ledger account;
  - 9.1.6 remedy any breach of these requirements **without delay**;
  - 9.1.7 account to the **Client** as soon as possible after completion of any transaction or after a retainer has been terminated.

#### **Payment into Client Account**

- 10.1. Subject to the provisions of the 10.4 and 11.1 requirements, upon receiving **Client Money** you pay it into a **Client Account without delay**.
- 10.2 Money held in a **Client Account** is available immediately, even at the sacrifice of interest, unless the **Client** otherwise instructs.
- 10.3 Money held in **Separate Designated Accounts** is not aggregated with money held in other **Client Accounts**.
- 10.4 Only **Client Money** is paid into or held in a **Client Account** except:
  - 10.4.1 such money belonging to you as an **Authorised Person** as may be necessary for the purpose of opening or maintaining the **Client Account**;
  - 10.4.2 money to replace any sum which for any reason has been or is about to be withdrawn from the account in breach of 12.5, such money then becoming **Client Money**;
  - 10.4.3 where you receive money and are in doubt as to whether it is wholly **Office Money** you pay such money into a **Client Account** and within one calendar month of receipt ascertain and withdraw such part as is **Office Money**.

#### **Money to be withheld from Client Account**

- 11.1 Notwithstanding the provisions of this Code, you do not pay into a **Client Account** money:
- 11.1.1 which a **Client** instructs you to withhold from such an account, such instruction being either on a **Durable Medium** from the **Client** or acknowledged by you on a **Durable Medium** to the **Client**; or
- 11.1.2 which has been withheld from **Client Account** with the written authorisation of the **CLC** (authority is given only in very exceptional circumstances).

#### **Withdrawal and Transfer from Client Account**

- 12.1 Subject to requirement 12.3, there must be withdrawn from a **Client Account**:
- 12.1.1 **Without Delay** following discovery, money that has been incorrectly paid into it;
- 12.1.2 as soon as possible and in any event within one calendar month of receipt, **Office Money** paid into it in accordance with requirement 10.4.3;
- 12.1.3 **Without Delay Office Money** no longer necessary to maintain a **Client Account**;
- 12.1.4 within 28 days of the date on which a bill of **costs** is sent to a **Client**, money held on account of **Costs** and **Disbursements**, provided it is made clear to the **Client** or the paying party on a **Durable Medium** either before or at the time the bill of **costs** is sent that such money will be applied towards or in payment of that bill of **costs**. (The work for which the money is applied under this requirement must have been completed, whether at the end of a matter or at an interim stage (with the **Client's** agreement)).
- 12.2 In addition to the withdrawals referred to in requirement 12.1 and subject to requirement 12.3, there may only be withdrawn from **Client Account** money:
- 12.2.1 properly required for payment to or on behalf of a **Client**;
- 12.2.2 properly required for payment of a Disbursement on behalf of a **Client**;
- 12.2.3 properly required in full or partial reimbursement of money already expended by you out of the **Office Account** on behalf of a **Client**;
- 12.2.4 properly required in full or partial reimbursement of money for which you have incurred a liability to make a payment out of **Office Account** on behalf of a **Client**;
- 12.2.5 which is transferred to another **Client Account** ;
- 12.2.6 Where the **CLC** has given written authority for a specific payment to be made to a nominated payee or where the **CLC** has approved a scheme for automated payments direct from **Client Account**.
- 12.3 Withdrawals out of **Client Account** under requirements 12.1.4, 12.2.3 and 12.2.4 are specific sums relating to **Costs** or **Disbursements**. Round sum withdrawals on account of **Costs** or **Disbursements** are not permitted.

- 12.4 Money withdrawn under 12.1 and 12.2 does not exceed the total of the money held to the credit of both the **Client** and the **Client Account** in which the money is held.
- 12.5 You replace **Without Delay** any shortfall to a **Client** or to a **Client Account** by payment into **Client Account** under 10.4.2.
- 12.6 Undrawn **Costs** or **Disbursements** must not remain in **Client Account** either in anticipation of future errors which could result in a shortage on that account or any current shortage on that account and are not available as a set off against any general shortage on **Client Account**.
- 12.7 Any withdrawal in your favour is recorded in both the **client** and office columns of the appropriate **client** ledger account in accordance with requirement 13.
- 12.8 Subject to requirement 12.9 a withdrawal from **Client Account** is made as follows:-
- 12.8.1 cheques or other written instructions for withdrawal from **Client bank** account are signed by an **Approved Person**;
- 12.8.2 where CHAPS terminals or other electronic systems are used to withdraw monies from **Client bank** account and authority has not been given in accordance with requirement 12.8.3, such systems are operated by an **Approved Person**;
- 12.8.3 where payments are authorised electronically, such authority is only given by an **Approved Person**.
- 12.9 Authority in accordance with requirement 12.8 is not required for the transfer of money from one **Client Account** to another **Client Account** at the same **Bank** or **Building Society** except where either is a **Separate Designated Account**. (Authority for any such transfer is required in accordance with requirement 12.8).
- 12.10 A transfer of money from the ledger account of one **Client** to that of another **Client** is only made if it would have been permissible under this Code for the money to be withdrawn from **Client Account** in the case of the first **Client** and for the money to be paid into **Client Account** in the case of the second **Client**.
- 12.11 A withdrawal from a **Client Account** in your favour is by way of a cheque to you or by way of a transfer to your **Office Account**.
- 12.12 Withdrawals in cash from a **Client Account** are not permitted.
- 12.13 Except with the prior written authority of both **Clients** no sum in respect of a **Private Loan** from one **Client** to another is paid out of funds held for the lender:
- 12.13.1 to the borrower directly; or
- 12.13.2 by a payment from one **Client Account** to another; or
- 12.13.3 by a transfer from the ledger account of the lender to that of the borrower;

12.14 All monies held in the **Client Account** are paid to the **Rightful Recipient** as soon as there is no longer any proper reason to retain these funds.

### **Accounting Records**

13.1 You update **Accounting Records** at least once a week and ensure they are properly written up to show clearly all dealings with:

13.1.1 **Client Money** received, held or paid, including **Client Money** withheld from a **Client Account** under 11.1; and

13.1.2 **Office Money** and any other monies received, held or paid in any **Office Account**.

13.2 **Accounting Records** are sufficient to:

13.2.1 show and explain accurately every transaction relating to each **Client**;

13.2.2 disclose at any time total indebtedness to each **Client** and also each **Client's** total indebtedness to you/the entity.

13.3 All dealings with **Client Money** are appropriately recorded:

13.3.1 In a **client** cash account or in a record of sums transferred from one **client** ledger account to another; and

13.3.2 on the **client** side of a separate **client** ledger account for each **Client** or for each **Client** matter;

13.3.3 with sufficient narrative on the ledger and cash account to explain each entry.

13.4 If **Separate Designated Accounts** are used:

13.4.1 a combined cash account must be kept in order to show the total amount held in **Separate Designated Accounts**; and

13.4.2 a record of the amount held for each **Client** must be made either in a deposit column of a **client** ledger account, or on the **client** side of a **client** ledger account kept specifically for a **Separate Designated Account**, for each **Client**;

13.4.3 upon receipt of information that interest has been credited to the **Separate Designated Account**, corresponding entries must be made in the Accounting Records.

13.5 The current balance on each **client** and office ledger account is shown, or is readily ascertainable, from **Accounting Records** kept in accordance with this Code.

13.6 All dealings with **Office Money** relating to any **Client** must be appropriately recorded in an office cash account and on the office side of the appropriate **client** ledger account.

- 13.7 When acting for both lender and borrower in a mortgage transaction between them, separate **client** ledger accounts for both **Clients** need not be opened provided that the funds belonging to each **Client** are clearly identifiable and the lender is an institutional lender which provides mortgages in the normal course of its activities.
- 13.8 You retain on a **Durable Medium** a central record or file of copies of all bills of **costs** distinguishing in each bill between **Costs**, paid **Disbursements** and **Disbursements** not yet paid at the date of the bill and VAT.

### Reconciliations

- 13.9 At least once in each calendar month you:
- 13.9.1 prepare a **bank** reconciliation statement by comparing the balance on the **client** cash account with the balances shown on the **client bank** statements and passbooks (after allowing for all unpresented items) of all **Client Accounts** and **Separate Designated Accounts** and any **Client Money** held by you/the entity in cash;
- 13.9.2 as at the same date prepare a listing of all the balances shown by the **client** and office ledger accounts and compare the total of the **client** ledger credit balances with the balance on the **client bank** reconciliation statement; and
- 13.9.3 prepare a reconciliation statement showing the cause of the differences (if any) shown by each of the above comparisons.
- 13.10 The steps required under requirement 13.9 are:
- 13.10.1 prepared to a date not more than five weeks after the date to which they were last prepared; and
- 13.10.2 completed within 7 days of the date to which they are prepared.
- 13.11 Records maintained in accordance with requirements 13.1 to 13.9 are kept separate from those for any other business. Where the accounts of more than one business are maintained on the same system, they are capable of being reproduced independently by the system.
- 13.12 You have immediate and unrestricted access to the **Accounting Records**.

### Retention of Records

- 13.13 You retain on a **Durable Medium** for at least six years from the date of the last entry all documents or other records required by requirement 13.1 to 13.9.
- 13.14 You retain for at least two years:
- 13.14.1 all paid cheques, unless any relevant **Bank** or **Building Society** has agreed it will retain such cheques or copies of the cheques on a **Durable Medium** on your behalf for that period; and

13.14.2 originals or copies of all other authorities for the withdrawal of money from the **Client Account**.

13.15 All statements and passbooks, as printed by the **Bank** or **Building Society** for **Client Accounts, Separate Designated Accounts**, accounts in which **Client Money** has been held and any **Office Account** is retained for at least six years from the date of the last entry.

#### **Misappropriation of Clients' Money**

13.16 Upon discovery of any misappropriation of **Client Money** you notify the **CLC Without Delay**. (The shortfall caused by the misappropriation must be rectified **Without Delay** by payment into **Client Account** in accordance with requirement 10.4.2).

#### **CLC Monitoring**

14.1 In order to monitor compliance with the **CLC's** Code, at the time and place determined by the **CLC**, you produce all information held on a **Durable Medium** relating to the business (to include his **Accounting Records**, papers, files and financial accounts) as would be reasonably required to enable the preparation of a report.

14.2 For the purposes of requirement 14.1, you hold **Accounting Records** on a **Durable Medium** and produce/make these available to the **CLC's** appointee in the manner required by the **CLC**.

14.3 The **CLC** is entitled to seek verification from your **Clients**, staff and **Banks** or Building Societies. If necessary, you provide written permission for such information to be given.

14.4 If you do not give the **CLC** permission to remove original documents from your premises, you provide us with photocopies on our request.

#### **Deposit Interest**

15.1 When holding **Client Money** in a **Client Account** or which should have been paid into a **Client Account**, subject to 15.3 you must account to the **Client** for any interest earned or which should have been earned on such money.

15.2 If the **CLC** directs pursuant to paragraph 22 of Schedule 8 to the **1990 Act** that such a sum should be paid, you pay to the **Client** the amount directed within fifteen days of the **CLC** sending notification of that direction.

15.3 You provide sufficient information in writing to enable the **Client** to give informed consent in writing if it is felt appropriate to depart from requirement 15.1. This includes expressly drawing the **Client's** attention to any contracting out provision which may be contained in **terms of engagement**.

#### **Accountant's Reports**

- 16.1 If you have at any time during an **Accounting Period** held or received **Client Money** you procure the delivery by the **Reporting Accountant** to the **CLC** of an Accountant's Report for that period.
- 16.2 The **Accountant's Report** is delivered to the **CLC** within six months of the end of the **Accounting Period** except that, where on the date of coming into force of this Code, the **Accounting Period** has already ended. The form of the **Accountant's Report** to be delivered shall be that prescribed by this Code.
- 16.3 If you have two or more places of business and choose separate **Accounting Periods** for these, you provide a separate **Accountant's Report** for each place of business.
- 16.4 You immediately notify the **CLC** of any changes to the identity, address and other relevant details of the **Reporting Accountant**.
- 16.5 Subject to Requirement 16.7 the **Reporting Accountant** is qualified to sign and give an **Accountant's Report** on behalf of an **Authorised Person** if he is a member of an accountancy body recognised by the **CLC** and holds a current practising certificate issued by that body when he signs the report.

#### **Requirements to be qualified to certify Accountant's Reports**

- 16.6. The **Accountant's Report** is certified by a member of one of the following accountancy bodies:
- (a) the Institute of Chartered Accountants in England and Wales;
  - (b) the Institute of Chartered Accountants of Scotland;
  - (c) the Institute of Chartered Accountants in Ireland;
  - (d) the Association of Chartered Certified Accountants;
  - (e) the Association of Authorised Public Accountants.
- 16.7 The **Accountant's Report** is not certified by an accountant who:-
- 16.7.1 either at any time between the beginning of the **Accounting Period** to which the **Accountant's Report** relates and the signing of the **Accountant's Report** they were a partner, **employee** or officer in the entity to which the **Accountant's Report** relates or was employed by the same employer as the **Authorised Person** for whom the **Accountant's Report** is given; or
- 16.7.2 they have been disqualified by the **CLC** and have been given by the **CLC** notice of disqualification which has not been withdrawn.
- 16.8 You ensure that your **Reporting Accountant's** rights and duties are stated in **terms of engagement**, which include the terms set out in the Schedule. The **terms of engagement** and a copy are signed by both you and the **Reporting Accountant** and you retain the copy.



- 16.9 The **Reporting Accountant** examines your **Accounting Records** and other relevant documents at your office, not their own, and does not remove any original records from the premises.
- 16.10 You provide the **Reporting Accountant** with details of all accounts kept or operated by you in connection with your entity at any **Bank** or **Building Society** at any time during the **Accounting Period** to which the **Accountant's Report** relates, including **Client Accounts**, **Office Accounts** and accounts which are not **Client Accounts** but which contain **Client Money**.
- 16.11 The **Reporting Accountant** examines your **Accounting Records** to ensure compliance with this Code and carries out the checks and tests as prescribed on the **CLC** website and Management Information System.
- 16.12 The **Reporting Accountant** signs and delivers to the **CLC** the **Accountant's Report** together with the completed checklist in the form prescribed by the **CLC**.

### General Saving Provisions

17.1 When acting on a **Client's** instructions, you have the general right on the grounds of **Client** privilege to decline to produce any document the **Reporting Accountant** requests for examination purposes. Where such a refusal occurs, the **Reporting Accountant** must qualify his **Accountant's Report** and include an explanation for such qualification.

### **Reporting Accountant's Terms of Engagement - Schedule 1**

- 18.1 The terms on which you instruct a **Reporting Accountant** include the following:-
- 18.2 'In accordance with the **CLC** Accounts Code you are instructed:
- 18.2.1 to conduct tests and checks prescribed by the **CLC**;
- 18.2.2 to sign and deliver to the **CLC** the **Accountant's Report** together with the completed checklist in accordance with requirement 16.11; and provide me with a copy;
- 18.2.3 to report directly to the **CLC** without prior reference to me/this firm/this company if, in the course of carrying out work in preparation of the **accountant's report**, you discover evidence of theft or fraud affecting **client money** or information which is likely to be of material significance in determining whether I am/this entity is a **fit and proper person** to hold **client money**;
- 18.2.4 to report directly to the **CLC** should your appointment be terminated following the issue of, or the indication of intention to issue, a qualified **Accountant's Report** or following the raising of concerns prior to the preparation of an **Accountant's Report**;
- 18.2.5 to retain these **terms of engagement** for at least two years after termination of the retainer and to produce them to the **CLC** on request; and

18.2.6 following any report made to the **CLC** under 18.2.2- 18.2.4, to provide to the **CLC** on request any further relevant information in your possession or in the possession of your firm.

18.3 By accepting instructions under requirement 16 of the Accounts Code you agree that:-

18.3.1 the **CLC** will rely upon the content of your Report,

18.3.2 a duty of care is owed by you to the **CLC**; and

18.3.3 your liability to the **CLC** will be limited to the loss and costs suffered by the **CLC** arising from items which you have negligently or fraudulently failed to specify in your Report.

18.4 To the extent necessary to enable you to comply with the preceding paragraphs, I/We waive my/the firm's/the company's right of confidentiality. This waiver extends to any report made, document produced or information disclosed to the **CLC** in good faith in accordance with these instructions, even though it may subsequently transpire that you were mistaken in your belief that there was cause for concern'

Should you require information on how to meet your responsibilities under this Code, please see the CLC's [Accounts Guidance](#).