



## Disbursements and Profit Costs

The CLC's **Estimates and Terms of Engagement Code** requires you to state the **fees** and **disbursements** (plus any VAT) you propose to charge to your **client** and how fees for abortive work will be calculated. The purpose is to avoid any misunderstanding about the level of costs which will need to be paid and how they are made up.

**Disbursements** are any payment made, or for which a liability to pay has been incurred, by a CLC regulated individual or body to a third party on behalf of a **Client**; **disbursements** are deemed to include: stamp duty land tax; Land Registry fees; Local Authority and any other applicable search fees.

Any expenses incurred by you which are not charged to the client at cost must be billed as **fees**, rather than **disbursements**. One example is a telegraphic transfer fee where the sum charged to the client is more than the direct cost charged by the bank to the practice. These are described as 'profit costs'.

### Lender Panel Management Fees – a profit cost

A number of lenders charge an annual panel management fee to practices to offset the cost of managing those panels. The CLC considers that those charges are an overhead for the practice. Some panels are now introducing a fee per transaction. Provided the client has been advised as soon as it becomes apparent that the charge is to be incurred, it is acceptable for that charge to be passed on to the client as an expense (and therefore charged as part of the profit costs due to the practice). However, the CLC's view is that this charge is not a liability incurred to a third party on behalf of a **Client** and therefore should not be charged to the **client** as a **disbursement**.

### Identity Checks – a disbursement

Conveyancers are required by their regulators and legislation to carry out identity checks on their **clients**. The fee incurred with a third party provider in carrying out a search is properly chargeable to the **client** as a **disbursement** and therefore that cost can be passed onto the **client** as a **disbursement** (and not a profit cost) in an invoice submitted by the practice to the **client**. These costs cannot be billed as a **disbursement** if there is any element of uplift in the charge made to the **client**. We would also expect the **client** to be advised of this cost when the estimate of costs is sent to the **client**. We believe that this approach ensures that **clients** are made aware in as clear way as possible of all the costs they are likely to be asked to pay at as early a stage as possible in the transaction.

*Last reviewed: July 2018*