

Interest Policy

This policy sets out how we calculate and pay interest on money we hold on behalf of clients and third parties, in accordance with the SRA Accounts Rules 2019.

1. Purpose of This Policy

The purpose of this policy is to ensure that we pay a **fair and reasonable** sum of interest to clients or third parties (“the recipient(s)”) on money held in our client account, as required by **Rule 7 of the SRA Accounts Rules 2019**.

Rule 7 requires firms to *account to clients or third parties for a fair sum of interest on money held* and permits alternative arrangements only with the recipient’s informed consent.

We also take into account evolving regulatory expectations, including:

- Increased SRA scrutiny of fairness where firms retain interest earned on client money
- The 2024 SRA consultation exploring whether firms should be prevented from retaining any surplus interest
- The Ministry of Justice consultation (Feb 2026) on an “Interest on Lawyers’ Client Account Scheme (ILCA)” which may change future requirements

Until any rule changes take effect, this policy reflects the current regulatory environment.

2. Responsibility for the Policy

Managing Partner

- Approves the interest rate used for payments under this policy.

COFA

The COFA is responsible for:

1. Designing and implementing this policy.
 2. Supporting colleagues in calculating or applying interest.
 3. Quarterly formal review of our payable interest rate, based on current instant-access and business deposit rates offered by major high-street banks.
 4. Monitoring compliance with this policy.
 5. Reporting monthly to the partners on interest arrangements and compliance.
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3. When We Pay Interest

We will pay interest on money held in our client account **unless one of the following exceptions applies**:

1. Money held for payment of a professional disbursement where the payee has requested a delay.
2. Money held for the Legal Aid Agency.
3. Money advanced by the firm to fund a payment in excess of funds held for the client.
4. Where the recipient has agreed to contract out of interest.
5. Money instructed to be held outside a client account in a non-interest-bearing manner (e.g., cash in safe).
6. Where calculated interest is **less than £50**.

Interest reflects:

- the amount held,
 - duration of cleared funds,
 - the need for instant access accounts,
 - prevailing rates available on instant-access business deposit accounts (see Section 5),
 - compounding practices of our bank.
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4. Types of Account

4.1 Separate Designated Client Account (SDCA)

These may be opened where contractually required or appropriate for trusts or long-term deposits.

- Recipients receive **100% of the interest actually earned** on that account.
- Interest is paid gross.

4.2 General Client Account

Most client funds are held in our pooled general client account.

5. Interest Rate on General Client Account Funds

5.1 Fixed Internal Rate (Updated Approach)

We pay interest at a **fixed internal rate**, currently:

Current Payable Rate: 1.1% (from 14 October 2025)

5.2 Basis for the Fixed Rate

The fixed internal rate is set by reference to:

- The **average interest rates available on instant-access or business deposit accounts** offered by major high-street banks.
(This approach reflects current sector practice, as firms commonly base rates on those available from major banks for instantly accessible funds.)

The fixed rate is designed to represent a *fair* sum of interest given that:

- Firms are required to hold client money in instant access accounts, which typically offer lower interest rates than longer-term deposits.

5.3 Quarterly Review

Rates will be **formally reviewed quarterly** by the COFA, taking into account:

- Current instant-access and business savings rates published by major high-street banks
- Any significant changes in market conditions
- Regulatory expectations on fairness (including SRA commentary that firms must account to clients fairly and proportionately)

If a review results in an adjusted rate, this will apply prospectively.

6. Basis of Calculation

Interest is calculated:

- Over the period during which the money is held as **cleared funds**, and
- Using the **daily balance method**, at the fixed internal rate.

Cleared fund timings follow typical banking standards:

- **Cheque**: 5 working days after deposit
- **Card payments**: Date received
- **Bank transfer**: Date received

The same timing principles apply to funds released to recipients.

7. Monies Held on More Than One Matter

Interest is calculated separately for each matter unless fairness requires aggregation.

8. Payment Dates

Interest will ordinarily be paid:

- At the **conclusion of the matter**, or
 - At another point where fair and reasonable.
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9. Special Cases

This policy does not apply when we act as:

- Liquidator
- Trustee in bankruptcy
- Court of Protection deputy
- Trustee of an occupational pension scheme

Statutory rules and SRA Accounts Rules 2019 apply.

Joint accounts:

- If held jointly with a client, interest belongs to the client unless agreed otherwise.
- If held jointly with another firm, we will agree interest allocation between firms.

Unpresented cheques:

- Additional interest may be paid where reasonable.
 - Additional administrative work may be charged.
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10. Informing Clients

Clients are notified:

- Through our Terms of Business, and
- Via this publicly accessible policy.

The SRA has emphasised the importance of transparency and fairness in interest arrangements, particularly where firms retain any part of the interest earned.

11. Contracting Out

We may agree in writing with the recipient to:

- Pay no interest,
- Pay reduced interest, or
- Pay 100% of interest earned (even if above the fixed internal rate).

Contracting out will only occur where:

- Fair to the client, and
 - The client can give informed consent (as required under Rule 7.2).
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12. Regulatory Changes Under Review

We note current proposals that may lead to future policy changes:

- **SRA 2024 consultation** considering whether firms should be prohibited from retaining any interest on client money.
- **MoJ 2026 consultation** on a national scheme to divert client-account interest to support the justice system (ILCA).

We will update this policy promptly if rules change.

13. Compliance Failure

Any suspected breach must be reported to the **COFA** and **COLP** under our Compliance Failure Policy. The SRA requires firms to report breaches of the Accounts Rules, including failures to pay fair interest, promptly.

14. Training and Review

- Training is provided at induction and periodically, or where processes change.
 - COFA conducts quarterly audits and monitors compliance.
 - This policy will be reviewed *at least annually* or sooner if regulatory changes occur.
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Policy Owner: Head of Finance

Change Log:

Version	Description of change	By whom	Date
V1	New Policy: Approved by Managing Partner, Accounts Manager & Director of Operations	Charlotte Snowdon	
	Reviewed – no changes	Emma Hook-Child	07/03/2024
V2	Reviewed & updated minor changes with wording	Emma Hook-Child	13/03/2025
V3	Full policy rewrite to align with recent SRA guidance and best practice	Emma Hook-Child	11/02/2026
