

**PRACTICE NOTE
840
THE AUDIT OF SOLICITORS' ACCOUNTS UNDER
THE SOLICITORS' ACCOUNTS RULES AND
THE ACCOUNTANT'S REPORT RULES**

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THE ACCOUNTANT'S REPORT RULES

The purpose of Practice Notes issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) is to assist auditors in applying Statements of Auditing Standards (SASs) and Standards on Assurance Engagements (SAEs) of general application to particular circumstances and industries.

They are persuasive rather than prescriptive. However they are indicative of good practice and have similar status to the explanatory material in SASs and SAEs, even though they may be developed without the full process of consultation and exposure used for SASs and SAEs. Auditors should be prepared to explain departures when called upon to do so.

Introduction

1. In this Practice Note, unless the context otherwise requires:
 - a. "client" means any person on whose account a solicitor or a firm holds or receives client's money;
 - b. "client account" means a current or deposit account at a bank in the name of a solicitor or a firm in the title of which the word "client" appears;
 - c. "client's money" means money held or received by a solicitor or his firm on account of a person for whom he or his firm is acting in relation to the holding or receipt of such money either as a solicitor, as agent, bailee, stakeholder, solicitor-trustee or in any other capacity, but not money to which the only person entitled is the solicitor himself or, in the case of a firm, one or more of the partners in the firm:

Provided that the expression "client's money" shall not extend to money held or received by a solicitor holding an office to which section 75(a) of the Legal Practitioners Ordinance (the Ordinance) applies, in the course of his employment in such office, or to money paid without delay into an account subject to public or official audit;
 - d. "firm" means a sole practitioner or a partnership of 2 or more solicitors, carrying on the business of practising as a solicitor;
 - e. "practice year" means a period of 12 months ending on 31 October each year; and
 - f. "principal" means a sole practitioner or partner of a firm.
2. The purpose of this Practice Note is to give guidance to members on the audit of firms' accounts under the Solicitors' Accounts Rules and the Accountant's Report Rules. This Practice Note takes account of the law as at 1 February 2002. The Solicitors' Accounts Rules and the Accountant's Report Rules are hereunder collectively referred to as the "Rules".
3. This Practice Note deals exclusively with those aspects of the Rules which are concerned with clients' monies held by firms. The Rules, which are given statutory force by the Ordinance, are designed to prevent a firm from improperly handling clients' monies entrusted to it. Broadly speaking, this is achieved by requiring such monies to be kept separate from the firm's own monies. In addition, transactions are required to be arranged in such a way that monies belonging to one client may not be used for the benefit of another.
4. It is emphasised therefore that this Practice Note does not cover a complete audit of firms' accounts and the auditors should ensure that other aspects are not omitted from their audit, and where necessary that the need for additional tests to verify clients' monies are considered.

5. A summary of the major points of the Rules is given below. Full details of the Rules may be obtained from the Ordinance, which should be consulted before commencing any work on firms' accounts.

The Solicitors' Accounts Rules

6. A list of key questions based on the Solicitors' Accounts Rules is attached as Appendix 1. Any "NO" answers to these key questions would normally suggest that the Solicitors' Accounts Rules have not been complied with. An accountant would make any further investigation as may be necessary to enable him to sign the accountant's report. He would issue a qualified opinion (paragraph 10(1)(b)) in the accountant's report where he has come across any breaches of the Solicitors' Accounts Rules during the course of his audit.
7. Rule 3 provides that all clients' monies and trust monies, on receipt, must be paid without delay into a client's bank account, except in the cases specified in Rule 9 (see paragraph 11 below). More than one client's account may be maintained and the bank accounts of individual trusts are counted for this purpose as clients' accounts (but do not require to be included in the scope of the accountant's report). This Rule precludes a firm from holding petty cash on clients' account. Cash disbursements must be made from an office account, for subsequent reimbursement (in bulk) by cheque on the appropriate clients' bank account.
8. Rule 4 stipulates that the only other monies which may be paid into a client's account are:
 - a. trust money - (Rule 4(a));
 - b. those which may be necessary to maintain the account in being - (Rule 4(b));
 - c. those required to make good any accidental withdrawal in contravention of the Rules - (Rule 4(c)); and
 - d. a cheque, of which only part is clients' money - under Rule 5 the firm is entitled, where practicable, to split such a cheque but may elect to pay it all into the clients' account - (Rule 4(d)).

In particular, deposit interest which the firm retains must be credited to a separate office account.

9. Under Rule 7 withdrawals are only permitted as follows:
 - a. for a payment to or on behalf of a client, or made on the clients' authority - (Rules 7(a)(i) and (iii));
 - b. to reimburse the firm for expenditure on the clients' behalf or in payment of a debt properly due by the client to the firm - (Rule 7(a)(ii));
 - c. in settlement of a bill of costs which has been rendered to the client, with a notification in writing that it will be settled in this manner - (Rule 7(a)(iv));
 - d. trust funds may be expended in any way proper for the trust, or may be transferred to a separate bank account for the particular trust - (Rule 7(b)); and
 - e. to restore to the firm money which in fact belongs to it but has found its way into the clients' bank account, either as a result of the provisions of Rule 4(b) or (d) (see paragraph 8 above) or by error - (Rules 7(c) and (d)).

No client can be paid out of the clients' bank account more than it contains to his credit.

- 9A. Rule 7A lays down the authority required for drawing money from a client account.
10. Rule 8(1) states that when a firm withdraws money from a client's account for its own use under Rule 7(a)(ii) or (iv) or 7(c) or 7(d) (see paragraphs 9(b), 9(c) and 9(e) above) it may do so only by cheques drawn in favour of itself or by transfers to its office bank account; i.e. it cannot pay private debts by cheques drawn on a client's account.
11. Rule 9 states that clients' monies need not be paid into a client's account when:
 - a. such monies (which can include cash) are immediately paid over to or on behalf of the client (and a cheque must be endorsed over to comply with this requirement); or
 - b. they are paid into a bank account opened in the name of the client or his nominee, who has been designated in writing.

12. Rule 9 further states that clients' monies must not be paid into a client's account when the client for his own convenience requests a firm not to do so. The request must be in writing (or be acknowledged by the firm). For example, a client gives a cheque for the deposit on the purchase of property and the transaction is then held up, with the result that to save himself interest charges he asks for the cheque not to be presented for his own convenience.
13. Finally Rule 9 forbids the payment of clients' monies into a client's account when the money is really the firm's (i.e. it is paid in settlement of or on account of a debt due to it). When the debt is for costs, however, a bill must have been delivered or an "agreed fee" settled.
14. Rule 9(4) states that the Council of the Law Society may upon an application made to them by a firm specifically authorise it in writing to withhold any client's money from a client's bank account.
- 14A. Rule 9A imposes a duty on the principals of a firm to remedy any breach of the Solicitors' Accounts Rules promptly upon discovery.
- 14B. Rule 10A requires a solicitor to prepare monthly reconciliation statements on balances of client accounts.
15. Rule 10 provides for the keeping of proper books of account spelling out in some detail what records must be kept and the timing of entries in them. Such records must be kept in Hong Kong (Rule 10(6A)) and retained for six years (Rule 10(6)). Rule 10(8) provides that notwithstanding Rule 10(6A), the Council of the Law Society may specifically exempt a foreign lawyer from that Rule upon such conditions as it thinks fit. Rule 11 gives the Council of the Law Society power to call for their production.
16. The Council of the Law Society has obtained the following opinion of London leading Counsel as to the application of the Solicitors' Accounts Rules.

"A solicitor will receive his client's money in some identifiable form which will need to be recorded. If the payment is by cheque or bank transfer it will go into a bank account which will be a client account.

Whether split between several banks or retained whole, at all times the location of the money in question should be ascertainable from the solicitor's books..... There is nothing to prevent a sum of money being held first in some form of holding account and then distributed amongst several bank accounts but the manner of distribution must be recorded."

The above requirement has become effective on 27 September 1994 and will be covered by Question 11 in Appendix 1.

The Accountant's Report Rules

17. To ensure that the Solicitors' Accounts Rules are complied with, every firm is required to produce annually an accountant's report, in accordance with the Accountant's Report Rules. The prescribed format of an accountant's report is attached as Appendix 3.
18. When an accountant signs an accountant's report, he has to sign in his own name and not in the practising firm's or corporate practice's name under the Accountant's Report Rules.
19. Rule 4 lays down the duties of an accountant.
 - a. Rule 4(1) lays down what is expected of an accountant's examination and, inter alia, requires an examination of the bookkeeping system to verify that it complies with the Solicitors' Accounts Rules and is so designed that:
 - i. an appropriate ledger account is kept for each client;
 - ii. such ledger accounts show separately from other information particulars of all clients' money received, held or paid on account of each client; and
 - iii. transactions relating to clients' money and any other money dealt with through a client's account are recorded in the firm's books so as to distinguish such transactions from transactions relating to any other monies received, held or paid by the firm.

- b. Rule 4(2) requires that if in the performance of the duties required of him in Rule 4(1) it appears to the accountant that there is evidence that the Solicitors' Accounts Rules have not been complied with or he becomes aware of any matter which appears to affect adversely any client account or any trust money held by the firm to a material extent, he shall include in the accountant's report signed by him such details of the contravention or matter.

Under Practice Direction J "Interest on Clients' Account", which is contained in the Hong Kong Solicitors' Guide to Professional Conduct, Volume 2, a firm is required to pay interest on client account. The operation of Practice Direction J was suspended by the Law Society with effect from 1 January 2004 until further notice. A copy of Practice Direction J is reproduced in Appendix 4.

The Law Society advised the HKICPA on 13 August 2003 that it would not envisage qualification of Accountant's Reports merely on a failure to account for very small amounts of interest, particularly if those amounts of interest are less than a realistic administration fee. The Law Society is of the view that the purpose of Accountant's Reports is to verify compliance with the Solicitors' Accounts Rules and to draw attention to any breaches of the Solicitors' Accounts Rules or Practice Directions that adversely affect any client account or trust money to a material extent. An accountant would therefore exercise common sense and proportionality in deciding whether a failure to account for interest is adverse to the client account or trust money.

In arriving at a decision whether to qualify an Accountant's Report, an accountant is advised to take into account factors such as the amounts of interest involved and whether there has been a systemic failure on the part of the firm to account for interest on client account in accordance with Practice Direction J.

20. In order to meet the requirement of Rule 4 as to specific tests the Audit Programme in Appendix 2 would be followed. Please note that the tests performed should cover all branches of the firm. It is not intended that a complete audit is carried out although this can of course be done if the firm requires it. This Audit Programme is an indication of what is required by the Accountant's Report Rules; the extent of work to be done will be decided in the light of the systems examinations, any weaknesses revealed and any other available evidence. If anything is discovered which indicates that the Rules are not being complied with a more detailed examination will be necessary. It should be borne in mind when carrying out the tests that omissions from the books may be just as important as items included in them.
21. The Council of the Law Society of Hong Kong has granted a waiver on Rule 4(1)(d) of the Accountant's Report Rules on 9 February 1987. The waiver states,
- "... where a solicitor uses a computerised or mechanised system of accounting which automatically produces an extraction of all client ledger balances, insofar as such work merely amounts to a check on the accuracy of the computer or machine, the Council waives the requirement of the Rule that all client ledger balances extracted on the list produced by the computer or machine must be checked against the individual records of ledger accounts, provided the accountant is satisfied that a satisfactory system of control is in operation, carries out a test check of the extraction against the individual records and specifies in his report that he has relied on this waiver. It should be noted that the remainder of the Rule is not waived and the appropriate comparisons must continue to be made at not fewer than two dates."*
22. If a firm employs computerised accounting, the accountant may need to consider the applicability of computer audit and refer to Statement of Auditing Standard 310 "Auditing in a computer information systems environment".
23. Under Rule 5 all accountant's reports delivered by a firm under the Accountant's Report Rules shall be in accordance with Form 1 in the Schedule to the Accountant's Report Rules, which is reproduced in Appendix 3.
24. Rule 6 states that the Council of the Law Society will be satisfied that the delivery by a solicitor of an accountant's report for a practice year is unnecessary if the solicitor has not practised as a principal during the practice year.
25. Rule 8 states the following with regard to accounting periods:

- Rule 8 (1) "A firm shall once in each practice year deliver to the Council of the Law Society an accountant's report containing the information prescribed by rules made by the Council of the Law Society under section 73(1)(b) of the Ordinance."
- Rule 8 (2) "The firm shall deliver the accountant's report to the Council of the Law Society not more than 6 months (or the period prescribed by rules made under section 73(1)(b) of the Ordinance) after the accounting period specified in the report."
- Rule 8 (3) "An accountant's report for a firm is taken to be delivered on behalf of all principals of the firm."
- Rule 8 (4) "A firm is not required to deliver an accountant's report in the practice year in which it commenced business if it would result in a report being delivered for less than 1 month of practice."
- Rule 8 (5) "Subject to paragraphs (6) and (7), a firm shall:
- (a) deliver an accountant's report for the accounting period adopted by it and notified to the Law Society in accordance with the Solicitors' Practice Rules;
 - (b) not adopt an accounting period which corresponds to the practice year; and
 - (c) not change an accounting period without the permission of the Council of the Law Society whose permission shall only be given in exceptional circumstances."
- Rule 8 (6) "Where a firm commences business, the first accounting period for the firm:
- (a) shall begin on the date on which it commenced business and shall end at the end of the accounting period adopted by the firm and notified to the Law Society in accordance with the Solicitors' Practice Rules;
 - (b) may cover a period of less than 12 months; and
 - (c) shall in all other respects comply with the requirements of section 8(2) of the Ordinance."
- Rule 8 (7) "Where a firm ceases business, the final accounting period for the firm:
- (a) shall begin at the end of the accounting period specified in the preceding accountant's report or, where the firm commenced business in the same practice year in which it ceases business, on the day on which it commenced business, and shall end at the date on which the firm ceased business;
 - (b) may cover a period of less than 12 months; and
 - (c) shall in all other respects comply with the requirements of section 8(2) of the Ordinance."
26. Rule 9 states the following with regard to change in composition of firm:
- Rule 9 (1) "Where a solicitor ceases to be a principal in a firm but the remaining partners continue the firm's practice, the accountant's report delivered by the firm shall state the date on which the solicitor ceased to be a principal."
- Rule 9 (2) "Where a solicitor commences to be a principal in an existing firm, the accountant's report delivered by the firm shall state the date on which the solicitor commenced to be a principal."
- Rule 9 (3) "Where a solicitor is a principal in two or more firms -
- (a) the firms shall each deliver an accountant's report;
 - (b) the accounting periods for the accountant's reports may overlap; and
 - (c) the accountant's reports shall in all other respects comply with section 8(2) of the Ordinance and these Rules."

Appendix 1

KEY QUESTIONS BASED ON THE SOLICITORS' ACCOUNTS RULES

	ANSWER (YES, NO or N/A)	COMMENT (Where answer is NO)
1. Is a separate client account(s) in the name of the firm maintained at a bank, in the title of which the word "client" appears? (Rule 2)		
2. Where the firm holds or receives client's money, is such money paid into a clients' bank account without delay (except under 4 below)? (Rule 3)		
3. Is the only other money which is paid into the client account within the following categories: <ul style="list-style-type: none"> a. trust money b. money which is necessary to maintain the account in being c. money required to make good any accidental withdrawal in contravention of the Rules d. a cheque of which only part is client's money? (Rule 4)		
4. Do those clients' monies which are not paid into a clients' bank account consist only of: <ul style="list-style-type: none"> a. monies which are immediately paid over to or on behalf of the client (but note that details should still be recorded in the books of account as a transaction conducted on behalf of the client) b. monies which are paid into a bank account opened in the name of the client or his nominee c. monies which the client for his own convenience requests not to be banked d. monies which really belong to the firm (i.e. paid in settlement of or on account of a debt due to it)? (Rule 9)		
5. Is all money withdrawn from a client account within the following categories: <ul style="list-style-type: none"> a. a payment to or on behalf of a client or made on the client's authority b. to reimburse the firm for expenditure on the client's behalf or in payment of a debt properly due by the client to the firm c. in settlement of a bill of costs which has been rendered to the client with a notification in writing that it will be settled in this manner d. in the case of a trust fund a payment which is proper for the trust, or a transfer to a separate bank account for the particular trust 		

<p>e. money which in fact belongs to the firm and has found its way into the clients' bank account, whether by error or as a result of 3(b) or 3(d) above? (Rule 7)</p>		
<p>5A. Are all withdrawals from a client account authorized in writing by one of the following persons:</p> <ul style="list-style-type: none"> a. the solicitor in whose name the client account is kept or, where the client account is kept in the name of a firm, any solicitor, partner, consultant or foreign lawyer in the firm; b. a certified public accountant (practising) as defined in the Professional Accountants Ordinance; or c. a person approved by the Council of the Law Society, which approval shall only be given in exceptional circumstances, upon an application in writing made to it by the solicitor or firm and subject to such conditions as the Council of the Law Society may think fit, if any? <p>(Rule 7A)</p>		
<p>6. Are all withdrawals from a client account for the firm's own use (as per 5(b), (c) and (e) above) by cheque drawn in favour of itself or by transfers to its office bank account? (Rule 8)</p>		
<p>6A. Are all breaches of the Solicitors' Accounts Rules remedied promptly upon discovery? (Rule 9A)</p>		
<p>7. Are records kept properly written up to record separately:</p> <ul style="list-style-type: none"> a. clients' money received, held or paid b. any other money dealt with through a client account c. a ledger account for each client detailing all transactions d. transfers between accounts in the client ledger? <p>(Rule 10)</p>		
<p>8. Are a cash book and ledger maintained for dealings of the practice other than with clients? (Rule 10)</p>		
<p>9. Is a record kept of all bills of costs (distinguishing between profit costs and disbursements)? (Rule 10)</p>		
<p>9A. Are monthly reconciliation statements on balances of client accounts prepared? (Rule 10A)</p>		
<p>10. Have any transfers between individual clients in the records been made other than under the rules relating to lodgement and withdrawal?</p>		
<p>11. Whether receipts are split between several banks or retained whole, is at all times the location of clients' money ascertainable from the books? (See paragraph 16 of the Practice Note)</p>		

Appendix 2

AUDIT PROGRAMME UNDER RULE 4 OF THE ACCOUNTANT'S REPORT RULES

	Extent of Test
<p>1. Test check that all recorded cheques, cash, etc. received are entered in the cash book and banked (or otherwise accounted for) without delay. This objective will normally embrace the following audit steps, each of which should be signed for separately:</p> <p style="margin-left: 20px;">a. Test check record of cash received and/or cashbook with bank stamped paying-in slips, noting individual items as well as totals, and enquiring into any delays in banking.</p> <p style="margin-left: 20px;">b. Test check cash book with record of cash received.</p> <p style="margin-left: 20px;">c. Test check receipts in cash book with bank statements.</p> <p>Watch for any evidence of teeming and lading, and consider obtaining original paying-in slips from bank where stamped copies are not available or where there are doubts as to adequacy of the internal control.</p>	
2. Test check that receipts of clients' money are correctly posted to personal accounts in client ledger and to nominal accounts.	
3. Test vouch payments in cash book with bank statements.	
4. Test vouch all cheque payments from client account to ensure that they have been made to or to the instructions of the clients, or that if they have been paid to the firm, the provisions of the Solicitors' Accounts Rules have been complied with.	
5. Test check that payments of clients' money are correctly posted to personal accounts in client ledger and to nominal accounts.	
5A. Ensure that monthly reconciliation statements on balances of client accounts are prepared.	
<p>6. a. Extract or check extractions of all balances on clients' ledger accounts. <u>OR</u></p> <p style="margin-left: 20px;">b. If a satisfactory system of control is in operation, and the accountant relies on the waiver of Rule 4(1)(d) of the Accountant's Report Rules, carry out a test check of the extraction against the individual records.</p> <p>It should be noted that, where the accountant relies on the above waiver, he specifies in the accountant's report that he has done so. (See paragraph 21 of the Practice Note)</p>	Not less than two dates during year*
<p>7. a. Compare such balances with cash book balance on client account and with control account in nominal ledger. <u>OR</u></p> <p style="margin-left: 20px;">b. Compare the extraction of balances on a test basis if the conditions specified in 6(b) above are satisfied.</p>	- do -
8. Scrutinise clients' ledger accounts to ensure that no accounts have gone into debit, and that no incorrect items have been included.	- do -
9. Obtain bank certificate(s) for client account(s).	- do -

10. Prepare or check bank reconciliation and note subsequent date of clearance of outstanding items, enquiring into reasons for undue delay.	- do -
11. Test check additions in ledger accounts and cash book.	
12. Circularise client account(s) on a test basis in accordance with SAS 402 "External confirmations".	
13. Test check that interest on client account(s) has been correctly accounted for in accordance with Practice Direction J "Interest on Clients' Account" contained in the Hong Kong Solicitors' Guide to Professional Conduct, Volume 2.	

* Note - these dates must be random; it is not sufficient to select month-ends regularly.

Appendix 3

The following is the accountant's report which must be delivered by a firm of solicitors under the Accountant's Report Rules and is reproduced from Form 1 in the Schedule to the Accountant's Report Rules.

ACCOUNTANT'S REPORT RULES ACCOUNTANT'S REPORT

To: The Council
The Law Society of Hong Kong
3/F., Wing On House
71 Des Voeux Road Central
Hong Kong

1. Name of firm: _____
2. The firm does/does not* operate a branch office or offices.
3. Address of main office: _____

4. Address(es) of branch office(s), if any: _____

5. The firm is a sole proprietorship/a partnership*.
6. The period covered by this report:
Commences: _____ Ends: _____
7. Full name(s) of sole proprietor or all partners: (attach additional sheet(s) if the space is not adequate)

8. If any of the partners commenced or ceased to be partners in the firm during the period covered by this report, complete the following:

Name: _____
Date of commencing to be a partner: _____

Name: _____
Date of ceasing to be a partner: _____
9. If this is the first or final accountant's report for the firm, complete the following:
For a first accountant's report: _____
(date of firm commencing business)

For a final accountant's report: _____
(date of firm ceasing business)

10. Accountant's statement:

In compliance with section 8 of the Legal Practitioners Ordinance and the Accountant's Report Rules, I have examined the books, accounts and documents of the firm produced to me and I certify that from my examination and from the explanations and information given to me:

(1)(a) I am satisfied that during the accounting period the firm has complied with the provisions of the Solicitors' Accounts Rules.

OR *

(b) I am satisfied that during the accounting period the firm has complied with the provisions of the Solicitors' Accounts Rules, except for:

- (i) trivial breaches due to clerical errors or mistakes in book-keeping, all of which were rectified on discovery and which I am satisfied did not result in any loss to any client;
- (ii) the matters set out in Schedule 1. *

(2)(a) I am not aware of any matter which appears to affect adversely any client account or any trust money held by the firm to a material extent.

OR *

(b) I am not aware of any matter which appears to affect adversely any client account or any trust money held by the firm to a material extent, except for those matters the details of which are set out in Schedule 2.

(3) This is the final accountant's report for the firm which ceased to hold client's money on the _____ day of _____ 19____.*

11. Details of accountant:

Accountant's full name: _____

Firm name: _____

Address: _____

12. Accountant's signature: _____

13. Date: _____

* Delete whichever is not applicable

Appendix 4

J. INTEREST ON CLIENTS' ACCOUNT

1. REQUIREMENT TO PAY INTEREST

Subject to paragraph 2 hereof, on each occasion when a solicitor holds or receives money for or on account of a client in respect of a particular matter, the solicitor shall deposit such money in a designated interest bearing clients' account in a bank and shall account to the client for any interest earned thereon failing which the solicitor shall pay to the client a sum equivalent to the interest which would have accrued for the benefit of the client if the money had been deposited in a Hong Kong dollar savings account of the Hongkong and Shanghai Banking Corporation Limited.

2. MINIMUM AMOUNT AND TIME

A solicitor shall only be required to account in accordance with paragraph 1 above where the solicitor holds the money for as long as or longer than the time set out in the right hand column of the Table below and the minimum amount held equals or exceeds the corresponding figure in the left hand column of the Table:

The Table

Minimum Amount	Minimum Time
Exceeding \$3,000,000.00	4 Banking Days
Exceeding \$250,000.00 but not exceeding \$3,000,000.00	2 Weeks
Exceeding \$100,000.00 but not exceeding \$250,000.00	4 Weeks
Exceeding \$50,000.00 but not exceeding \$100,000.00	8 Weeks

3. REMEDY AVAILABLE TO CLIENT

Without prejudice to any other remedy which may be available to him, any client who feels aggrieved that interest, or a sum equivalent thereto, has not been paid to him under these Practice Directions shall be entitled to require the solicitor to obtain from the Council of the Law Society a certificate as to whether or not interest ought to have been earned for him, and if so, the amount of such interest. Upon receipt of such a request the Council shall cause the matter to be investigated and if it determines that interest should have been earned it shall issue a certificate to that effect setting out the amount of interest which should have been earned in accordance with these Practice Directions. On the issue of such a certificate the sum certified to be due shall be payable by the solicitor to the client.

4. EXCEPTIONS

Subject to paragraph 5 hereof nothing in the Practice Directions shall:

- (a) affect any agreement in writing whenever made between a solicitor and his client as to the application of the client's money or interest thereon;
- (b) apply to money received by a solicitor, being money subject to a trust of which the solicitor is a trustee; or
- (c) affect any agreement in writing for payment of interest on stakeholder money held by the solicitor.

5. ARRANGEMENT FOR NO INTEREST SHALL BE VOID

Any arrangement howsoever made to the effect that no interest shall be payable in respect of monies deposited with a solicitor shall be void.

6. ADMINISTRATION FEE PERMITTED

A solicitor who deposits a client's money in accordance with paragraph 1 hereof shall be entitled to charge and be paid such sum as is fair and reasonable by way of an administration charge in respect of the work undertaken in the deposit and withdrawal of monies and accounting to the client for the interest accrued thereon.

This Practice Direction came into effect on 1 January 1997. The operation of this Practice Direction was suspended by the Law Society with effect from 1 January 2004 until further notice.