

Residual client balances



Professional firms are required to return balances on client accounts as soon as there is no longer a proper reason to retain them. Oxfordshire Community Foundation (OCF) can transform unclaimed balances into an asset for the community.

Guidelines from the Solicitors Regulatory Code of Conduct Rules (20.1.j) state that where client monies that cannot be traced and returned to the client, they should now be paid to a charity. As well as a firm's compliance obligations, it can be in their interests to ensure that residual client balances are used to support a charity, rather than remaining inactive and subject to audit each year.

What are residual client balances?

There may be an unclaimed amount held on client account for a number of reasons. For example:

- The rightful owner cannot be traced, or will not provide instructions on how the funds should be dealt with
- Monies returned to the client have not been cashed.

As long as the firm has made adequate attempts to ascertain the proper destination of the money, the SRA mandates that where it is unclaimed, it should be paid to a charity. The SRA may require the firm to obtain an indemnity from the beneficiary charity, in case the original owner should seek recompense.

Why choose OCF as the beneficiary charity?

OCF is a registered independent charity with over 20 years' experience of directing local charitable funds to community organisations that are making the biggest difference in Oxfordshire.

Community foundations are uniquely placed to help firms deal with residual client balances, because we can hold funds in a general endowment earmarked for your firm. This means we can confidently sign any indemnity, as the capital funds are protected – something that other charities may struggle with. In the meantime, we distribute the annual income earned from the interest and dividends to local community groups.

Because we work across a range of themes, firms can be assured that any residual client balances are having an impact across a spread of different causes. The exact type of organisation and cause to be supported can be selected by you and your team according to your charitable objectives, or can be left open.

OCF is also part of a network of 46 accredited community foundations across the UK, so where a firm operates across different regions, we can enlist our fellow community foundations to ensure any charity donations have the appropriate geographical reach.

How does it work?

OCF handles all cases sensitively and in confidence. Any residual client balances held that are below £500 in relation to any one individual client or trust matter can be transferred to the community foundation immediately. For amounts over £500, authorisation is required from the SRA. The application form and guidance can be found at www.sra.org.uk (search for "residual client balances").

PROVIDING REASSURANCE

Investment management

CCLA

GOOD INVESTMENT

OCF's endowment is invested in CCLA's COIF Charities Investment Fund. CCLA is one of the UK's largest charity fund managers, and was awarded Ethical Investment Fund of the Year by the *Charity Times* in 2015. The COIF fund employs an ethical screen, which excludes companies involved in production of weapons prohibited under UK law and companies that derive more than a third of revenues from tobacco, pornography and online gambling. The diligence process for new investments includes screening for transparency and sustainability in the context of governance and ethics.

Testimonials from other firms

OCF has recent experience of working with a number of local law firms on residual client balances, and can arrange an introduction for fellow firms wanting to hear about the experience from a colleague. Having identified unclaimed client monies as a potential governance issue, one firm set up a named fund with OCF to house the money – a ringfenced charitable fund held by us on their behalf. As and when the firm identifies dormant funds amongst their client accounts, they simply transfer them to their named fund. To request an introduction to this firm's Chief Executive, please use the contact details below and ask for our CEO Jayne Woodley.

"As a firm, one of our core values is to actively support the community. By working with OCF we have the reassurance that our contributions will have an impact on local projects that will truly benefit. I am pleased that our unclaimed client monies – an issue all legal firms have to deal with – can become a force for good in Oxfordshire."

CEO of a large Oxfordshire law firm