

News release

Firms must immediately replace client account shortages, SRA warns

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Law firms have been reminded of their duty to replace any shortages on client accounts immediately upon discovery in [a new warning notice](https://indemnity.sra.org.uk/solicitors/guidance/money-missing-client-account/) [https://indemnity.sra.org.uk/solicitors/guidance/money-missing-client-account/].

Shortages on the balance firms hold on behalf of clients might occur for a number of reasons, for example administrative errors, the firm being subject to a cyber-attack or, on rare occasions, dishonest acts by employees. Our latest warning notice makes clear that whatever the underlying reason, firms have an obligation to replace immediately any money missing from the account.

The warning notice outlines the risks for both solicitors and clients associated with the failure to address a shortage quickly. For example, clients looking to pay money into an already deficient account need to be properly advised of their position.

Paul Philip, SRA Chief Executive, said: 'Caselaw is very clear that the client account is sacrosanct. However, firms do report shortages on the client account for a variety of reasons.

'Our rules are also very clear - you must make good on any deficit promptly. A shortage on the client account presents a risk to all clients for whom you hold money.

'Ultimately, solicitors have a trusted position when they hold client money, and it is in the best interests of every solicitor to maintain that trust.'

The warning notice also says that firms should have clear processes in place for regularly checking that their client account balances are correct, and be aware of other obligations, such as informing their insurers, if they ever find this is not the case.

Go to the [client account shortage warning notice](https://indemnity.sra.org.uk/solicitors/guidance/money-missing-client-account/) [https://indemnity.sra.org.uk/solicitors/guidance/money-missing-client-account/]