



# Ministry of **JUSTICE**

## Claims Management Services Regulation

### **Client Account Rules 2006**

14 December 2006



**Conduct of Authorised Persons Rules  
2006**

**CONTENTS**

Citation	3
Interpretation	3
General Obligations of Authorised Businesses	5
Payment into Client Account	5
Withdrawal and Transfer from Client Account	6
Accounting Records	8
Monitoring by the Regulator	10
Deposit Interest	11
Accountant's Reports	12
Client accounts operated under other regulatory rules	15



## Claims Management Services Regulation

### Client Accounts Rules 2006

Made by the Regulator pursuant to Section 9 of, and paragraph 5(xi) of the schedule to, the Compensation Act 2006 and paragraph 11(3)(h) of the Compensation (Claims Management Services) Regulations 2006.

#### 1. Citation

- 1.1 These Rules may be cited as the Claims Management Regulations Accounts Rules 2006 and shall come into force on 6 April 2007.

#### 2. Interpretation

- 2.1 In these Rules:

- 2.1.1 **'Accounting Records'** include all documents or records on a Durable Medium necessary for the operation of any system of book-keeping;

**'Accounting Period'** has the meaning given in rule 9.3;

**'Accountant's Report'** means a report signed by a Reporting Accountant, in such form as the Regulator may determine, relating to Client Money held or received by each Business in respect of each Accounting Period;

**'Authorisation'** means an authorisation to provide claims management services under the Compensation Act;

**'Authorised Business'** means a person who was, or currently is, authorised under the Compensation Act;

**'Client'** means a person for whom a Business acts in providing a regulated claims management service;

**'Client Account'** means a current or deposit account (but not a share account) at a branch (or the head office) located in England or Wales of a building society or bank in each case in the name of the Business and in the title of which account the word 'Client' appears;

**'Client Money'** means money held or received for a Client by an Authorised Business incidental to the provision of a regulated claims management service;

**'Compensation Act'** means Compensation Act 2006.

**‘Conduct Rules’** means the Conduct of Authorised Persons Rules 2006;

**‘Costs’** includes fees, charges, disbursements, expenses, remuneration and any Value Added Tax element, and also includes all other items of expenditure in respect of which an Authorised Business has incurred a liability on the instructions of his Client;

**‘Durable Medium’** means a medium on which, or a method by which, information can be stored in a way accessible for future reference for no less than the period prescribed under these rules and which allows the unchanged reproduction of the information stored;

**‘Office Account’** means an account in the name of an Authorised Business for holding Office Money;

**‘Office Money’** means money which belongs to an Authorised Business and any other money which is not Client Money and includes:

- (a) money held or received in connection with running the Business (for example, PAYE, or VAT on the Business’s fees);
- (b) interest on Client Accounts (other than on Separate Designated Accounts);
- (c) payments received in respect of fees for which a bill has been delivered;
- (d) payments received in respect of disbursements already paid by the Business, or for which a liability to pay has been incurred and the payment recorded in the office columns of the appropriate client ledger account;
- (e) money received from a Client as a debt owed to the Business;

**‘Regulator’s Rules’** means rules made by the Regulator under Part 6 of the Compensation (Claims Management Services) Regulations 2006, including these Rules;

**‘Reporting Accountant’** for a Business means an accountant who is qualified in accordance with rule 9.6 and has been instructed by the Business to prepare and sign an Accountant’s Report;

**‘Separate Designated Account’** means an interest bearing account (but not a share account) at the branch (or the head office) located in England or Wales of a building society or bank in each case in the name of the Authorised Business, and in the title of which account the word ‘Client’ and a reference to the identity of the Client or the matter concerned must appear;

**‘the Regulator’** has the same meaning as in the Compensation Act 2006, and includes the Secretary of State when he is exercising the functions of the Regulator;

**‘Working Day’** means any day which is not a Saturday, Sunday, or statutory bank holiday.

**2.2** In these Rules, a requirement to do something Without Delay is a requirement to do the thing no later than the working day after the day on which the requirement has effect.

2.2.1 Other expressions in these Rules shall, except where otherwise stated, have the meanings given to them by the Compensation Act 2006.

### **3. General obligations of Authorised Businesses**

**3.1** Every Authorised Business which holds Client Money must:

3.1.1 comply with these Rules;

3.1.2 use each Client's money only for that Client's matters;

3.1.3 establish and maintain proper accounting systems, and proper internal controls over those systems, to ensure compliance with these Rules;

3.1.4 ensure there is no debit balance on the client side of a client ledger account nor a credit balance on the office side of a client ledger account;

3.1.5 remedy any breach of these Rules Without Delay.

**3.2** In the case of an Authorised Business that is no longer an authorised business, these Rules continue to apply to the Business until the business no longer holds Client Money and the required reports have been filed with the Regulator.

### **4. Payment into Client Account**

**4.1** An Authorised Business that receives Client Money must maintain one or more Client Accounts that, or each of which, satisfies the following requirements—

(a) it is a current or deposit account at a branch (or the head office) in England and Wales of a building society or bank;

(b) its title contains the name of the Business and the words 'Client Account'.

**4.2** An authorised business may also open a Client Account, called a Separate Designated Account, for the benefit of a particular Client, that satisfies the requirements in paragraph 4.1 except that its title also contains a reference to the name of the Client for whose benefit it is operated.

**4.3** Subject to rules 4.2, an Authorised Business must Without Delay pay Client Money held or received by him into a Client Account.

**4.4** Money held in a Client Account must be available immediately, even at the sacrifice of interest, unless the Client otherwise instructs.

**4.5** Money held in Separate Designated Accounts must not be aggregated with money held in other Client Accounts.

## Notes

- (i) *An Authorised Business may keep one Client Account or as many Client Accounts as it thinks fit.*
- (ii) *Subject to Rule 4.3, the Regulator permits schemes proposed by banks to aggregate sums held in a number of Client Accounts in order to maximise the interest payable.*
- (iii) *Client Accounts are not intended to provide banking facilities for Clients.*
- (iv) *There are criminal sanctions against assisting money launderers.*

## **4.6 Only Client Money may be paid into or held in a Client Account except:**

- 4.6.1 such money belonging to the Authorised Business as may be necessary for the purpose of opening or maintaining the Client Account;
- 4.6.2 money to replace any sum which for any reason has been or is about to be withdrawn from the account in breach of rule 5.3, such money then becoming Client Money;
- 4.6.3 where the Authorised Business receives money and is in doubt as to whether it is wholly Office Money. In this case, it shall pay such money into a Client Account but shall ascertain and withdraw such part as is Office Money as soon as possible and in any event within one calendar month of receipt.

## Notes

- (i) *Client Money includes money held or received as a payment on account of costs generally.*
- (ii) *Money held to the sender's order is Client Money if accepted and must be held in a Client Account unless it is received on the express terms that the cheque or draft (as opposed to the money itself) may not be presented for payment without the sender's consent. In this case the Authorised Business is under a professional obligation to return the cheque or draft to the sender on demand.*
- (iii) *A payment from an Authorised Business to a Client which is credited to Client Account in accordance with rule 4.4.2 becomes Client Money and must be recorded in both the client and office columns of the appropriate client ledger account.*
- (iv) *An Authorised Business cannot be his own Client for the purposes of these Rules; if a transaction is conducted for a principal, money held or received on his behalf is in principle Office Money. However, money received in such a case may still be Client Money, e.g.:*
  - (a) *where the Business acts for a principal and his spouse jointly (assuming that the spouse is not also a principal in the Business), money received on their joint behalf is Client Money;*
  - (b) *where the Business acts for an employee (whether or not an Authorised Business) or consultant, such person is regarded as a Client of the Business and money received on his behalf is Client Money, even if that person conducts the transaction himself.*

## **5. Withdrawal and Transfer from Client Account**

### **5.1 Subject to rule 5.3, there must be withdrawn from a Client Account:**

- 5.1.1 Money that has been incorrectly paid into a Client Account must be withdrawn Without Delay following discovery of the error.
- 5.1.2 Office Money that was paid into Client Account in accordance with rule 4.4.3 must be withdrawn as soon as possible and in any event within one calendar month of its receipt.

- 5.1.3 Office Money no longer necessary to maintain the Client Account must be withdrawn from that account immediately if it ceases to be required for that purpose.
- 5.1.4 Money properly required for or towards payment of an Authorised Business's Costs must be withdrawn from a Client Account within one calendar month after a bill of costs has been delivered to the Client concerned and it has been made clear to him in writing that the money held for him will be applied towards or in payment of those Costs.
- 5.2 Subject to rule 5.3, client money may be withdrawn from Client Account if it is properly required for payment to or on behalf of a Client;
- 5.3 Money withdrawn from Client Account for a Client shall not exceed the total of the money held in Client Account to the credit of the Client.
- 5.3.1 Money withdrawn from Client Account shall not exceed the total of the money held in the account.
- 5.4 The Authorised Business must replace any shortfall to a Client or to a Client Account without Delay by payment into Client Account under rule 4.6.2.

Notes

- (i) *The word 'properly' in rule 6.1.4 makes it clear that the work for which the money is applied must have been completed, whether at the end of a matter or at an interim stage.*
- (ii) *An Authorised Business is permitted by rule 6.2.5 to transfer money from Client Account to Office Account where a direct debit scheme is in operation. A liability to pay out of Office Account is deemed to have been incurred when the anticipated payment from Office Account has been evidenced on a Durable Medium and recorded on the office side of the appropriate client ledger account.*
- 5.5 A withdrawal out of Client Account under rule 5.1.4, must be of the exact sum relating to the Authorised Businesses Costs [and covered by the amount held for the Client]. Round sum withdrawals on account of the Authorised Businesses costs are not permitted.
- 5.6 Undrawn Costs must not be left in Client Account in anticipation of future errors which could result in a shortage on that account and must not be used as a set off against any general shortage on Client Account.
- 5.7 Any withdrawal in favour of an Authorised Business must be recorded in both the client and office columns of the appropriate client ledger account in accordance with rule 6.
- 5.8 Withdrawals from Client Account must be made in one of the following ways:-
- 5.8.1 cheques or other written instructions for withdrawal from Client Account must be signed by a person duly authorised in writing by the Authorised Business;
- 5.8.2 where CHAPS terminals or other electronic systems are used to withdraw money from Client Account and authority has not been given in accordance with rule 6.8.3, such systems must be operated by a person duly authorised in writing by the Authorised Business;

5.8.3 payments may be authorised electronically only by a person duly authorised in writing by the Authorised Business.

Notes

- (i) *Nothing under rule 6.8 prevents any other person from operating such systems or processes in conjunction with a person duly authorised by the Business, but the unauthorised person can not operate such systems or processes alone.*
- (ii) *Oral authorisations alone to the bank are not permitted.*

**5.9** A withdrawal from a Client Account in favour of an Authorised Business must be by way of a cheque to the Authorised Business or by way of a transfer to his Office Account.

**5.10** Withdrawals in cash from Client Account are not permitted.

**6. Accounting Records**

**6.1** An Authorised Business must at all times keep Accounting Records promptly and properly written up to show all his dealings with:

6.1.1 Client Money received, held or paid by him, including Client Money withheld from a Client Account under rule 5.1; and

6.1.2 any Office Money relating to any Client matter.

**6.2** Accounting Records must be sufficient to:

6.2.1 show and explain every transaction relating to each Client;

6.2.2 disclose at any time the Authorised Business's total indebtedness to each Client and also each Client's total indebtedness to the Authorised Business.

**6.3** All dealings with Client Money must be appropriately recorded:

6.3.1 in a client cash account or in a record of sums transferred from one client ledger account to another; and

6.3.2 on the client side of a separate client ledger account for each Client or for each Client matter;

6.3.3 with sufficient narrative on the ledger and cash account to explain each entry.

Notes

- (i) *Where banks operate automatic transfers to Client Accounts offering a higher rate of interest, separate cash accounts are not required to record these transfers.*
- (ii) *Only client ledger accounts in the name of a Client are allowed. General or suspense client ledger accounts are not permitted.*



- 6.4** If Separate Designated Accounts are used:
- 6.4.1 a combined cash account must be kept in order to show the total amount held in Separate Designated Accounts; and
  - 6.4.2 a record of the amount held for each Client must be made either in a deposit column of a client ledger account, or on the client side of a client ledger account kept specifically for a Separate Designated Account, for each Client;
  - 6.4.3 upon receipt of information that interest has been credited to the Separate Designated Account, corresponding entries must be made in the Accounting Records.
- 6.5** The current balance on each client and office ledger account must always be shown, or be readily ascertainable, from Accounting Records kept in accordance with the Rules.
- 6.6** All dealings with Office Money relating to any Client must be appropriately recorded in an office cash account and on the office side of the appropriate client ledger account.
- 6.7** An Authorised Business shall retain on a Durable Medium a central record or file of copies of all bills of costs delivered to Clients.

### ***Reconciliations***

- 6.8** An Authorised Business shall, at least once in each calendar month:
- 6.8.1 prepare a bank reconciliation statement by comparing the balance on the client cash account with the balances shown on the client bank statements and passbooks (after allowing for all unpresented items) of all Client Accounts and Separate Designated Accounts and any Client Money held by the Authorised Business in cash;
  - 6.8.2 as at the same date prepare a listing of all the balances shown by the client and office ledger accounts and compare the total of the client ledger credit balances with the balance on the client bank reconciliation statement; and
  - 6.8.3 prepare a reconciliation statement showing the cause of the differences (if any) shown by each of the above comparisons.
- 6.9** A reconciliation, listing and statement required by rule 6.8 must be prepared as at a date not more than five weeks after the date to which the previous reconciliation of the Business's accounts was carried out.
- 6.10** The steps required under rule 6.8 must be completed within 7 days of the date to which they are prepared.
- 6.11** The Accounting Records of a Business must be kept separate from those for any other Business. Where the accounts of more than one Business are maintained on the same system, they must be capable of being reproduced independently.
- 6.12** The Authorised Business must ensure that he has at all times immediate and unrestricted access to his Accounting Records.

### **Notes**

- (i) *Where, as a result of carrying out the comparisons and preparation of the reconciliation statement under rule 6.8, any shortfall on Client Account is revealed it must be made good Without Delay by a payment into Client Account in accordance with rule 4.6.2.*

- (ii) *Any outstanding credit on the client bank reconciliation should be matched with a payment into client bank account Without Delay. The absence of a corresponding entry at the bank may create a shortfall on the relevant client ledger account.*

### ***Retention of Records***

- 6.13** An Authorised Business shall retain, on a Durable Medium, for at least six years from the date of the last entry, all documents or other records required by rules 6.1 to 6.8, but only in respect of documents or records relating to the period after these Rules come into effect.
- 6.14** An Authorised Business shall retain, in respect of transactions after these Rules come into effect, for at least two years:
- 6.14.1 all paid cheques, unless the bank or building society on which the cheques are drawn has agreed in writing that it will retain such cheques or copies of the cheques on a Durable Medium on his behalf for that period;
- 6.14.2 originals or copies of all other authorities for the withdrawal of money from Client Account; and
- 6.14.3 each signed checklist produced by his Reporting Accountant under rule 9.15.
- 6.15** From the date these Rules come into effect all statements and passbooks for Client Accounts, Separate Designated Accounts, accounts in which Client Money has been held and any Office Account of the Authorised Business must be retained for at least 6 years from the date of the last entry.

### ***Misappropriation of Clients' Money***

- 6.16** The Regulator must be notified Without Delay upon discovery of any misappropriation of Client Money.

#### Note:

- (i) *The shortfall caused by the misappropriation must be rectified Without Delay by payment into Client Account in accordance with rule 4.4.2.*

## **7. Monitoring by the Regulator**

- 7.1** In order to monitor compliance with the Regulator's Rules, an Authorised Business must at the time and place determined by the Regulator produce to any person appointed by the Regulator all information held on a Durable Medium relating to the application of these rules (to include the Accounting Records, papers, files and financial accounts) reasonably required to enable the preparation of a report to the Regulator.

#### Note

- (i) *Reasons are not required to be given for an inspection.*
- (ii) *Part 8 of the Compensation (Claims Management Services) Regulations 2006 applies.*

- 7.2** For the purposes of rule 7.1, Accounting Records held on a Durable Medium must be produced and made available to the Regulator's appointee in the manner required by the Regulator.
- 7.3** The Regulator is entitled to seek verification from Clients, staff and the Authorised Business's banks or building societies. The Authorised Business must, if necessary, provide written permission for such information to be given.
- 7.4** Except with the permission of the Authorised Business, the Regulator may not remove original documents from the Authorised Business's premises but must be provided with photocopies on request.

Note

- (i) *Any report made by the Regulator's appointee may be sent by the Regulator to the Crown Prosecution Service or the Serious Organised Crime Agency or to any member of the Consultative Committee of Accountancy Bodies (CCAB). It may be taken into account by the Regulator in relation to the possible disqualification of a Reporting Accountant under rule 9.8.*

**8. Deposit Interest**

- 8.1** When an Authorised Business holds Client Money in a Separate Designated Account the Authorised Business must account to the Client for all interest earned on the account.

Note

- (i) *Since interest earned on a Separate Designated Account is calculated on the funds in that account and is clearly identifiable, the Authorised Business will not himself have to calculate and account for any interest owing.*

- 8.2** Subject to rule 8.3, when an Authorised Business holds money for a Client in a Client Account other than a Separate Designated Account, or if money should have been held in a Client Account but was not so held, the Authorised Business must account to the Client for a sum in lieu of interest calculated in accordance with rule 8.8.
- 8.3** An Authorised Business shall not be required to pay to a Client a sum in lieu of interest under rule 8.2 if the amount calculated is £20 or less.
- 8.4** If Client Money is held intermittently in the course of a transaction and the sum in lieu of interest calculated under rule 8.8 for any period is £20 or less, a sum in lieu of interest shall still be paid if it is fair and reasonable in the circumstances to aggregate the money held in respect of the individual periods.
- 8.5** Where Client Money is held for a continuous period and for part of that period it is held in a Separate Designated Account, a sum in lieu of interest for the period when it was not held in a Separate Designated Account shall be paid to the Client if it is fair and reasonable in the circumstances to do so.
- 8.6** If a sum greater than £20 in lieu of interest is payable under rule 8.2, the whole of the calculated amount must be paid and the first £20 shall not be retained, whether by reference to rule 8.3 or to cover the expense of accounting.
- 8.7** An Authorised Business must seek a reasonable rate of interest on money held in a Separate Designated Account and must account for a fair sum in lieu of interest on money held in any other Client Account or on money which should have been so held but was not.

**8.8** Where a sum in lieu of interest is payable, it shall be calculated on the amount of the balance or balances held over the whole period during which such balance or balances were cleared at a rate not less than the greater (at the bank or building society where the money is held) of the following:

8.8.1 the rate of interest payable on a Separate Designated Account on the amount or amounts held; or

8.8.2 the published rate obtainable for the amount or amounts held by a member of the general public for a deposit on similar terms.

Notes

(i) *An Authorised Business will usually account for a sum in lieu of interest at the end of the Client's matter, but may in some cases consider it appropriate to account at intervals throughout.*

(ii) *When looking at the period over which the sum in lieu of interest must be calculated, it will usually be unnecessary to check on actual clearance dates. When money is received by cheque and paid out by cheque, the normal clearance periods will usually cancel each other out, so that it will be satisfactory to look at the period between the dates when the incoming cheque is banked and the outgoing cheque is drawn. If payments in and out are not both made by cheque, different considerations apply, e.g. the relevant date in the case of a telegraphic transfer is (for an incoming transfer) that on which the money begins to earn interest or (for an outgoing transfer) that on which the transfer is made.*

**8.9** Without prejudice to any other remedy, a Client may apply to the Regulator for a direction as to whether or not interest should have been earned in respect of Client Money held on his behalf by an Authorised Business. If the Regulator directs that interest should have been earned then it may issue a direction as to the sum that should be paid by the Authorised Business to the Client in lieu of interest.

**8.10** If the Regulator directs that such a sum should be paid, the Authorised Business shall within fifteen days of receiving notification of that direction pay to the Client the amount so directed.

Note

(i) If appropriate, the Regulator will require the Authorised Business to obtain an interest calculation from the relevant bank or building society.

**9. Accountant's Reports**

**9.1** Every Authorised Business who has at any time during an Accounting Period held or received Client Money must deliver to the Regulator an Accountant's Report for that period.

**9.2** The Accountant's Report must be delivered to the Regulator within six months of the end of the Accounting Period.

**9.3** The Accounting Period of an Authorised Business must be 12 months, except that:

9.3.1 an Authorised Business may begin its first Accounting Period when it first holds or receives Client Money, and that (and only that) Accounting Period may be shorter than twelve months;

- 9.3.2 an Authorised Business who has ceased to hold or receive Client Money may end his last Accounting Period on the date the date upon which Client Money ceases to be held, and that Accounting Period may be shorter than twelve months;
- 9.3.3 an Authorised Business who has ceased to operate may end his last Accounting Period on the date of cessation, and that Accounting Period may be shorter than twelve months;
- 9.3.4 if an Authorised Business changes the period for which accounts are made up, the last Accounting Period before the change may be shorter than twelve months or, if the prior written consent of the Regulator has been obtained, may be longer than twelve months.
- 9.4** Each successive Accounting Period must begin immediately after the previous one ends.

Notes

- (i) *When a partnership is dissolved, it is usually appropriate for the books to be made up as at the date of dissolution and for the partners' Accountant's Reports to be delivered within six months of that date. If, however, the old partnership continues to hold or receive Client Money in connection with outstanding matters, an Accountant's Report will continue to be required for those matters; the books should be made up on completion of the last of those matters and an Accountant's Report delivered within six months of that date. The same is true for a sole practitioner ceasing to operate.*
- (ii) *When a Business is being wound up, the Authorised Business may be left with Client Money which is unattributable or belongs to a Client who, despite efforts, cannot be traced. It may then be appropriate to apply to the Regulator for authority to withdraw this money from the Client Account under rule 6.2.6.*

**9.5** An Authorised Business who has two or more Businesses need not have the same Accounting Period for all of them. If separate Accounting Periods are chosen, he shall provide a separate Accountant's Report for each Business. If the same Accounting Period is chosen for all Businesses, he may provide either separate Accountant's Reports or a single composite Accountant's Report.

**9.6** An Authorised Business must immediately notify the Regulator of any changes to the name, address and other relevant details of the Reporting Accountant.

**9.7** Subject to rule 9.8, an accountant is qualified to sign and give an Accountant's Report on behalf of an Authorised Business if he is a CCAB qualified accountant who holds a current practising certificate when he signs the Accountant's Report.

**9.8** An accountant is not qualified to give an Accountant's Report if:-

9.8.1 at any time between the beginning of the Accounting Period to which the Accountant's Report relates and the signing of the Accountant's Report, he either was a partner, employee or officer in the Business to which the Accountant's Report relates or was employed by the same employer as the Authorised Business for whom the Accountant's Report is given; or

9.8.2 he has been disqualified under rule 9.9 and has been given by the Regulator notice of disqualification which has not been withdrawn subsequently.

Note

- (i) *It is not a breach of the rule for an Authorised Business to retain an independent accountant to write up the books of account and to instruct the same person to prepare and sign the Accountant's Report. However, the accountant will have to disclose these circumstances in the Accountant's Report.*

- 9.9** It is a condition of being qualified that he has not been found guilty by the disciplinary tribunal of his professional body of professional misconduct or discreditable conduct.
- 9.10** An Authorised Business must ensure that his Reporting Accountant's rights and duties are stated in terms of engagement. The terms of engagement and a copy shall each be signed by the Authorised Business and the Reporting Accountant and the copy shall be retained by the Authorised Business.
- 9.11** The place of examination of an Authorised Business's Accounting Records and other relevant documents must be the Authorised Business's office and not that of the Reporting Accountant.
- 9.12** The Authorised Business must provide the Reporting Accountant with details of all accounts kept or operated by him in connection with his Business at any bank or building society at any time during the Accounting Period to which the Accountant's Report relates, including Client Accounts, Office Accounts and accounts which are not Client Accounts but which contain Client Money.
- 9.13** The Reporting Accountant must examine the Authorised Business's Accounting Records and complete a check list in the form prescribed by the Regulator.
- 9.14** The Reporting Accountant must sign and deliver to the Regulator the Accountant's Report.

Note

- (i) *The terms of engagement require the Reporting Accountant to pass the completed checklist to the Authorised Business, to keep a copy for two years and to produce the copy to the Regulator on request.*

**9.15** A Reporting Accountant may qualify his Accountant's Report for an Authorised Business if, having carried out his obligations, he is not satisfied that the Authorised Business has complied fully with these Rules.

**9.16** If any breaches were trivial the Accountant need not qualify his Report if he is satisfied that—

9.16.1 they were caused by clerical errors or mistakes in book-keeping;

9.16.2 all were rectified on discovery; and

9.16.3 none appeared to have resulted in loss to any Client.

**9.17** If an Authorised Business declines to produce to its Reporting Accountant a document requested by the Reporting Accountant for the purpose of his examination, the Reporting Accountant must qualify his Accountant's Report to the necessary extent and include in the report an explanation for the qualification.

Notes

- (i) *Although it may be agreed between the Authorised Business and the Reporting Accountant that the Reporting Accountant should send the Accountant's Report direct to the Regulator, the responsibility for delivery is that of the Authorised Business. The form of Accountant's Report requires the Reporting Accountant to confirm that a copy of the Accountant's Report has been passed to the Authorised Business.*

- (ii) *Factors to be considered in determining whether a breach is 'trivial' include the amount involved, the nature of the breach, whether the breach was deliberate or accidental, how often the same breach occurred, and the time which passed before discovery and correction (especially the replacement of any shortage).*
- (iii) *If an Accountant's Report is qualified only by reference to trivial breaches but which shows a significant difference between liabilities to Clients and Client Money held, an explanation for this difference, from either the Reporting Accountant or the Authorised Business, should be given.*

## **10. Client accounts operated under other regulatory rules**

**10.1** If an Authorised Business is regulated by the Financial Services Authority for any activity which is not a regulated claims management service and maintains client accounts under FSA rules then it is sufficient to apply those rules as if the business was complying with the Claims Management Services Regulation Account Rules 2006.

**10.2** Any breach of the FSA rules would be treated as if the Authorised Business had breached the Claims Management Services Accounts Rules 2006.

### Notes

- (i) *An authorised business must be regulated by the FSA and already have clients accounts opened in accordance with its client account rules for this rule to apply. This rule may not be applied retrospectively.*