Adviser Guidance

Client Money and the Client Account

Codes 62 to 64 and Rules 15 to 19 set standards to be met in the management of finances.

The OISC considers clear and comprehensive financial management to be a key indicator of an organisation's fitness.

This guidance describes how your organisation should deal with 'client money'.

'Client money' is defined as money that belongs to the client and not the organisation.

Examples of client money include:

- Future client disbursements, for example, Home Office fees
- Fees paid by the client to your organisation for work not yet done by the organisation

Codes 62 and 63 and Rules 15 to 18 direct that fees received from clients must be recorded, as must all transactions involving each client. Clients should pay third party fees, such as Home Office application fees, direct to the third party. Where it is necessary to hold client money, whether for third party fees or payment in advance for work not yet done, it must be held in a client account separate from your business account.

Code 64 and Rule 19 say you must have documentation to show transfers into and out of the client account, that clients must be given their account balance who ask and that there must be a direct co-relation between work done and money charged against the client account.

In addition to the information required by Codes 62 to 64 and Rules 15 to 19, it is good practice to include in your records and management documents:

- Clients must be given an official receipt for any fees they pay up front
- The client must be informed of the existence and purpose of the organisation's client bank account
- Advisers must keep their accounting records (invoices paid and all receipts, ledgers, bills, statements, cash books, etc.) for a minimum of six years.
- Accounts and records must comply with current legislation as set out in the Companies Act 1985.

The adviser must inform the client when work has been done and that money to the value of that work will be taken as payment form the client account. Sending the client a bill or a letter stating what work has been done should satisfy this.

You must understand that it is not sufficient for an organisation simply to operate two business accounts and call one of them a client account without the bank knowing this.

Your bank must know that the account used to keep client money is your client account. Your organisation must have evidence that the account holding client money has been designated as such by the bank.

If you do not intend to take deposits and will only invoice clients after work is completed, you do not need to have a client account.