

Camerons Solicitors LLP
Terms of Business
Interest Policy

1 General

1.1 Until October 2011, solicitors were subject to strict rules imposed by the Solicitors Regulation Authority as to when it was fair to account to a client for interest on monies held for a client. With effect from 6 October 2011, solicitors are subject to new rules which require firms to maintain a written policy relating to compensation for interest. This interest policy substantially follows the former strict rules which had been in operation since 1998. Historically, we have compensated for interest, even when the former rules did not require any equivalent to interest to be paid.

1.2 By signing and returning the firm's terms of business supplied to you with this policy, you are agreeing that you accept the terms of this policy.

1.3 **Please read this policy carefully** and, if any point is unclear, please contact us so that we can seek to provide further explanations as necessary. We seek to provide services to a very high standard and we may seek to allay any uncertainty or concern on your part by entering into a specific agreement with you concerning interest, should that be your wish

2 Why do we hold monies for clients?

2.1 Money will normally be held for you as a necessary, but incidental, part of our contract with you, to facilitate the carrying out of your instructions. Our main aim is to keep your money safe and available for the purpose for which it was provided. The following examples illustrate when we might hold monies on your behalf: When acting for you in buying or selling a property or a business, we might receive funds from you (or the lawyers acting for the other party) for a deposit, or funds advanced on mortgage, or monies required to complete a transaction, or for payment of disbursements (such as stamp duty and HM Land Registry fees); When acting for you in a dispute or claim we might require you to pay funds to us to cover any settlement in favour of another party; In some commercial transactions, monies may be retained in an account as security towards possible future claims arising under a commercial agreement.

3 How do we hold monies for clients?

3.1 Client monies are usually paid into a general client account. A general client account gives us instant access to the funds so that monies are immediately available to us, allowing us to progress your matter more efficiently. Although held in one single account, the funds held for each client are treated individually and we will never draw on one client's money to pay out for the benefit of another client (unless specifically authorised and requested by the paying client). Under the

Solicitors Act 1974, all interest earned on general client account belongs to the firm and must be credited to the firm's office account. The interest cannot belong to the client. However, we have systems in place which allow us to pay to a client a sum equivalent to interest (which we call a "Lieu Payment" in this policy) to compensate for interest which might have accrued to the client in the event that a separate designated account had been opened in the name of the client.

3.2 There are exceptions to the usual practice of paying client funds into a general client account. For example, trust monies are paid, instead, into a designated account in the firm's name for the client in question and all interest, however small, will be paid to the client. Another exception is where monies are held on retention against possible warranty claims in a commercial transaction, when monies are paid either into a joint account held with the solicitors for the other party, or into an account held solely in the firm's name, and in which all interest, however small, will be paid according to the relevant commercial agreement between the parties.

3.3 If we hold monies in a designated account, or if we hold monies in a joint account with another lawyer, we will use reasonable efforts to obtain a reasonable rate of interest applicable to an account of the type which we regard as suitable, having regard to the reason and purpose for the account in question. An account which permits immediate or short notice withdrawals or into which modest monies are to be lodged is likely to offer a lower rate of interest than an account which requires longer notice before a withdrawal can be made or into which more substantial monies are to be lodged. The type of account which we will open will be governed by the needs of the particular matter being undertaken.

4 How do we apply interest on designated accounts or jointly held accounts?

4.1 We will account to you or, according to the relevant agreement, the other party for all interest earned, however small, subject only to any deduction of tax required by law.

5 How do we apply interest on general client account?

5.1 Where we receive funds which we hold for a party as a stakeholder, such as a deposit under a contract to buy land, and the monies (or stake) are paid into our general client account, we will account for a Lieu Payment (in fact, a sum equivalent to all the interest earned on the deposit in the account, however small) to the party to whom the stake is ultimately paid, subject only to any deduction of interest required by law.

- 5.2 In respect of all other monies held in general client account we will make a Lieu Payment if it is fair and reasonable in all the circumstances. What is fair and reasonable depends on factors such as the amount held, the period of time over which it is held, the applicable interest rate, and the purpose for which it is held. A Lieu Payment may not be as high as the interest that would be obtainable if you invested or deposited the money yourself. We seek to find a fair balance between, on the one hand, the gain we make on client money generally and the costs to us of dealing with the process of accounting for small sums of interest and/or when we hold money for just a day or two and, on the other hand, with your right to receive a return on monies that we are holding and which are to be returned to you.
- 5.3 Although it is not an absolute rule, we would not normally account for a Lieu Payment unless the equivalent amount of interest exceeded £25, regardless of the length of time for which we have held your monies (unless we have failed when requested to account to you promptly for monies to which you are entitled). A sum of £1,000 held for a month on an interest rate of 0.5% (½%) per year will earn interest of around 46 pence, or £5 over a year. As a guide, we would probably not regard it as fair and reasonable to account for such a small sum, even after a year. On the other hand, if the interest rate were, say, 6% we would usually regard it as fair and reasonable to account for a Lieu Payment of £60 if we held the money for a year and, similarly, for a Lieu Payment of £30 if we held the money for 6 months. Worked examples of these elements of this policy follow in the table at the end of this document.
- 5.4 We would not ordinarily make a Lieu Payment to you on monies held for less than a week unless it is fair and reasonable to do so in all the circumstances. We do not make Lieu Payments on cash that we receive from you on account of our costs and/or disbursements, as those are funds that will be due to us, or for which we are, or will be, liable to make payment.
- 5.5 We are unlikely to agree to hold cash for you. If exceptional circumstances arise such that we agree to hold cash at your request, outside of a client account, we will never make a Lieu Payment on such monies.
- 5.6 We will usually account to you for a Lieu Payment at the conclusion of your matter but, in some cases, we may consider it appropriate to account to you at intervals throughout the conduct of your matter.
- 5.7 If we are holding sums of money in relation to more than one matter for you, we will treat the money relating to the different matters separately rather than treat the matters as aggregated.
- 5.8 The period for which money is held (and therefore the period in respect of which a Lieu Payment is calculated), is as follows:
- where we receive incoming money in cash or BACS payment, from the date the cash is received or BACS payment credited until the date when the outgoing cheque or BACS payment is sent;
 - where we receive money via telegraphic transfer, from the date when the incoming telegraphic transfer begins to earn interest until the date when the outgoing cheque or BACS payment is sent;
 - where we receive money by cheque or banker's draft, from the date when the cheque or banker's draft is or would normally be cleared until the date when the outgoing telegraphic transfer is made or banker's draft obtained or outgoing cheque or BACS payment is sent.
- 5.9 We seek at all times to achieve a fair outcome in respect of the payment of interest, and this policy is intended to ensure that a fair sum that is equivalent to interest is accounted to you, whenever appropriate.

Worked example

Assume that we hold a sum of money not exceeding the amount shown in column 1 below for a period not exceeding the period shown in column 2, and assume that interest is earned at the interest rates in columns 3 and 5, then columns 4 and 6 indicate whether a Lieu Payment would usually be paid:

Amount	Period	Interest at 6%	Lieu Payment?	Interest at 0.5%	Lieu Payment?
£1,000	12 weeks	£13.84	No	£1.15	No
£1,000	26 weeks	£30.00	Yes	£2.50	No
£5,000	5 weeks	£28.84	Yes	£2.40	No
£50,000	1 week	£57.69	Yes	£4.80	No
£300,000	1 week	£346.15	Yes	£28.84	Yes