

GUIDANCE NOTE

INTEREST ON INVESTED FUNDS

The issue of interest on invested funds has been considered by the Guarantee Fund and Professional Practice Committees. Unless agreed otherwise and set out in Terms of Business or a separate letter which provides either that no interest will be earned because of current bank interest rates, or that some of the interest will be retained by the firm, then the matter is covered by Rule 11 of the Accounts Rules. This requires interest to be earned but includes a provision that solicitors and clients can agree in writing what interest will be earned on clients invested funds, provided that agreement is made in writing in advance of the funds being deposited.

Paragraphs 3 (1), 6, 7 and 11 of the Schedule to the [Standards of Conduct Rules](#) are also relevant. Solicitors are the agents of the clients and must put the clients' interest ahead of their own; must avoid a conflict between their firm's interest and that of the client; must disclose a financial interest; and must charge fees which are fair and reasonable in all the circumstances.

An arrangement whereby the firm receives all or even half of the interest earned on invested funds, no matter how little that is, could leave the firm open to a complaint.

March 2009