# Client Account Interest Rate and Financial Compensation Policy

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## Key points

- this Policy seeks to pay interest to clients where it is fair and reasonable.
- Interest will only be paid to clients on cleared funds and where interest exceeds £40.
- Interest will be paid currently at 1% although different rates may apply where substantial funds are held longer term.
- clients can request that we transfer significant sums (over £250,000) into a separately designated Client account if they wish.
- If the bank in which we hold funds fails, compensation of up to £120,000 can be claimed.
- If clients believe interest paid is insufficient, they can have the matter reviewed by our Client Care Partner in accordance with the Firm's Complaints Procedure.

## Client Account Interest Rate and Financial Compensation Policy

### 1. Purpose of this Policy

As part of carrying out our instructions on behalf of clients, Martin Tolhurst Partnership LLP ("the Firm") may receive and hold money in its client account.

In accordance with Rule 7 of the SRA Accounts Rules 2019 ("SRA Accounts Rules"), the Firm will account to clients or third parties for a fair sum of interest on client money held by the Firm, or otherwise provide for a fair outcome in all the circumstances.

This policy explains how the Firm applies interest to funds held in client account and the principles used in determining whether interest is payable.

This policy seeks to achieve a fair outcome for clients whilst recognising that:

- Client funds must remain immediately available to facilitate transactions
- Client money is ordinarily held as part of carrying out legal instructions rather than for investment purposes
- There are administrative costs associated with receiving, safeguarding, administering, calculating and paying interest on client money.

Where the Firm seeks to agree a different arrangement for the payment of interest, this will be confirmed in writing and the client or third party will be provided with sufficient information to enable them to give informed consent, in accordance with Rule 7.2 of the SRA Accounts Rules.

### 2. Client Bank Accounts

The Firm is required to ensure that client money is kept safe, separate from office money and available for the purpose for which it is held.

#### General Client Account

Client money will ordinarily be held in the Firm's general client account with National Westminster Bank Plc ("NatWest").

The general client account holds pooled client funds and is maintained on an instant-access basis to enable compliance with the SRA Accounts Rules and to facilitate transactions as required.

The interest available on a general client account will usually be lower than the interest a client might obtain through personal savings or investment arrangements.

From time to time, funds may be held in alternative instant-access accounts that attract different rates of interest. However, such accounts will remain immediately accessible to ensure compliance with regulatory obligations, and it may not be possible to attribute any enhanced interest to individual clients.

Interest received by the Firm on pooled client money in the general client account is received on the aggregate balance of all client monies held. Subject to the Firm accounting to clients or third parties for a fair sum of interest in accordance with this policy, any residual interest belongs to the Firm.

### Designated Client Account

Where a significant sum of money, ordinarily over £250,000 (although the Firm may establish a designated account for lower amounts where appropriate), is expected to be held for an extended period, the Firm may consider placing funds into a designated client account in the name of a specific client, ordinarily with NatWest or another appropriate banking institution selected by the Firm.

Where a designated account is opened, the client will ordinarily receive all interest earned on that account, subject to any tax deducted at source or otherwise applicable.

The Firm reserves the right to charge a reasonable fee for establishing and administering a designated client account. Any such charge will be discussed and agreed with the client in advance.

Where a client requests a designated account, the Firm will advise the client of the likely interest arrangements and any associated costs before proceeding.

### Protection of Client Funds

Client money held by the Firm is deposited with approved banking institutions in accordance with the SRA Accounts Rules.

If any bank with which the Firm holds funds should fail, the Firm may disclose to the Financial Services Compensation Scheme ("FSCS") the names and other details of clients whose money is held in order for those clients to claim compensation, where applicable.

FSCS eligibility and limits depend on the client's status and the authorised institution with which funds are held. The standard deposit protection limit is currently £120,000 per eligible person, per authorised bank or building society. In some circumstances, temporary high balance protection may apply.

The Firm cannot guarantee the availability or amount of FSCS protection. The Firm will not be liable for any excess over the applicable FSCS limit.

The Firm will not be liable to any client or third party for any loss or damage suffered as a result of any act, omission, fraud, delay, negligence, insolvency or default of any bank, financial institution, clearing or payment system, or of the directors, officers, employees, agents or representatives of any of the foregoing.

## 3. Payment of Interest

### General Client Account

Where money is held in the Firm's general client account, or where money should have been held in client account but was not, the Firm will consider whether payment of interest is fair and reasonable in all the circumstances.

Interest will ordinarily be assessed by reference to:

- The amount of money held
- The length of time funds are held
- The reason funds are held

- The applicable interest rate received or available to the Firm on relevant client account balances
- The administrative cost and proportionality of calculating and paying interest
- The need to achieve a fair outcome for the client or third party in accordance with the SRA Accounts Rules 2019.

### Designated Client Accounts

Where funds are held in a designated client account, the Firm will account to the client for all interest earned on that account, subject to any applicable tax deductions.

### De Minimis Threshold

The Firm will ordinarily not make a payment of interest where the total amount calculated over the full period funds are held is less than £40.

The Firm takes the view that any amount below £40 is reasonably retained by the Firm to cover the administrative costs of dealing with client funds.

The Firm may nevertheless make a payment below this threshold where it considers that doing so is necessary to achieve a fair outcome in all the circumstances.

## 4. Circumstances Where Interest Will Ordinarily Not Be Paid

Interest will ordinarily not be paid in the following circumstances:

- On money held for the payment of professional disbursements
- Where delay in presenting a cheque or other payment for processing results in funds remaining outstanding beyond the date on which payment would ordinarily have been completed
- Where the amount of interest calculated would be less than the de minimis threshold in section 3 above
- On mortgage advance monies held overnight or over a weekend for conveyancing purposes to facilitate completion and avoid transactional delay
- On money held on account of unpaid fees where the client has been notified of the bill and the Firm is entitled to transfer funds in settlement
- On funds subject to a third-party direction, statutory trust or court order that precludes payment of interest to the client
- Where the bank does not pay interest on the relevant balance or period, for example on same-day value where no interest accrues
- On funds held for fewer than 21 days on conveyancing matters, unless the Firm considers it fair and reasonable to make a payment.

The above circumstances are not automatic exclusions. The Firm will retain discretion to pay interest where it considers payment is required to achieve a fair outcome in accordance with the SRA Accounts Rules.

## 5. Estate Administration Matters

In estate administration matters, interest will ordinarily be calculated at appropriate stages during the administration, including when estate values have been established for administration and taxation purposes.

Estate administration matters are assessed under the same fair outcome principles as other client matters. The Firm does not apply a separate interest rate but will consider the amount held, duration and circumstances of the estate when determining whether additional interest is appropriate.

Further interest pending final distribution will ordinarily only be paid where it exceeds £100, or where the Firm considers that payment is necessary to achieve a fair outcome in all the circumstances.

## 6. Calculation of Interest

Interest will be calculated by reference to the applicable rate over the period during which cleared funds are held.

Interest may be calculated during the course of a matter upon request and will ordinarily be assessed at the conclusion of the matter and credited to the relevant client ledger.

The current reference rate used for calculating interest on funds held in the Firm's general client account is 1.00%.

This rate is reviewed periodically and at least annually. It may also be reviewed where there is a material change in the Bank of England Bank Rate, the rate received by the Firm on its general client account, or other relevant banking arrangements.

Interest calculations will not be compounded unless the Firm considers that compounding is necessary to achieve a fair outcome, or unless the funds are held in a designated client account where the account itself applies compound interest.

## 7. Tax

Interest will normally be paid gross. It is the responsibility of the recipient to declare any interest received to HMRC or any other relevant tax authority and to pay any tax due.

Where tax is deducted at source by a bank or financial institution, the Firm will account to the client for the net interest received, unless otherwise agreed or required.

## 8. Fair and Reasonable Assessment

The Firm will consider all relevant circumstances to ensure a fair outcome for the client or third party in accordance with the SRA Accounts Rules 2019.

Oversight of this policy and decisions concerning the application of interest shall be undertaken by James Lowther, the Firm's appointed Compliance Office for Finance and Administration ("COFA").

## 9. Queries and Complaints

Any queries concerning the payment of interest should be raised with the fee earner responsible for the matter in the first instance.

Any concerns or complaints will be reviewed in accordance with the Firm's complaints procedure.

## 10. Review of Policy

This policy and the Firm's approach to the payment of interest will be reviewed at least annually by the Firm's COFA.

## Version Control

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