



FEE DISPUTES



In this booklet, 'accountant' means a chartered accountant who is an ICAEW member.

This booklet is for anyone who doesn't agree with the fees their accountant has charged. It describes different situations in which you may find yourself in dispute with your accountant over fees, and suggests what to do next. In some cases ICAEW may be able to help.

FEE DISPUTES

HOW ACCOUNTANTS USUALLY CHARGE FOR THEIR WORK

When you ask an accountant to do work for you and they agree to do so, you have created a contract. You should receive a letter that sets out the terms of the contract – often called a letter of engagement. It should explain who does what and how your accountant will work out the fees. You may also want to ask for a written estimate or quotation, and your accountant should give you one if possible.

To work out how much you owe, accountants usually multiply the number of hours of work by their charge-out rates. Charge-out rates vary depending on various factors such as the complexity of the work, specialist knowledge required, and the size and location of the firm. ICAEW doesn't set or recommend charge-out rates.

If your accountant doesn't give you this information, you should ask for it.

The relationship between you and your accountant is subject to the law of contract. If a dispute arises over fees that have been charged, which isn't resolved in any other way, it is the courts that decide what fee is payable. ICAEW can't get involved in these disputes unless you both agree to use ICAEW's fee arbitration scheme. For more information, see *Fee Arbitration*.

Some firms of accountants are authorised for **investment business** by the Financial Services Authority (FSA). If they are, and if you want to complain about the fees you've been charged for investment

business services, you should contact the FSA. If you're not sure what investment business services are, ask your accountant or call ICAEW's complaints helpline (+44 (0)1908 546 235) for advice.

COMMON TYPES OF FEE DISPUTE AND HOW TO RESOLVE THEM

1 The bill doesn't give enough information

If, before you pay the bill, you can't understand how it has been prepared, ask your accountant to give you a breakdown of the fees. You shouldn't have to pay for this information. A fee breakdown won't give details of absolutely everything, but it should be detailed enough to allow you to identify the work carried out for you during the period concerned. Ideally, it should tell you:

- what type of work was carried out;
- how long it took the staff to do the work; and
- the charge per hour for the staff involved.

2 The bill is much higher than you were led to believe

If your bill is much higher than you were told it would be, ask your accountant to explain why. Accountants have to give you this explanation and try to resolve any misunderstanding.

If you're still not satisfied, you might be able to negotiate with your accountant and agree an acceptable figure. Remember that your accountant is

more likely to be persuaded if you've got valid reasons to support your case. Your accountant doesn't have to reduce the bill and, if a reduction is made, it doesn't necessarily mean that the original bill was wrong. If you can't agree, your accountant may go to court to resolve the fee dispute.

Using arbitration to resolve a fee dispute

If you and your accountant can't resolve a fee dispute, ICAEW can appoint an arbitrator. Arbitration is sometimes cheaper and quicker than court proceedings, but both you and your accountant must agree to follow this process.

The arbitrator will be an independent accountant. The fee arbitration scheme requires both parties to fill in an application form and provide a copy of the disputed bill (or bills). The cost of the arbitration is fixed and the amounts you and your accountant pay are worked out according to a fixed formula, based on the principle that the loser pays.

If you would like further details of our fee arbitration scheme, please contact the scheme administrator at the address shown at the end of this booklet or phone +44 (0)1908 546 229.

Legal action

Your accountant is entitled to take you to court to try to recover fees you owe. The court will decide whether the fee is reasonable for the work undertaken.

ICAEW will not discipline your accountant simply because the fee is reduced in your favour.

3 The accountant's fees have been deducted from money held on your behalf

If your accountant is holding money on your behalf that has come from another source (such as HM Revenue and Customs), the accountant could take the amount you owe in fees from this money if:

- you have agreed the amount with your accountant or it has been decided by a court or arbitrator; or
- you have agreed (in writing) a formula for calculating the fees that can be used to work out the amount you now owe; or
- you received the bill more than 30 days ago and you haven't questioned the amount charged.

If you think your accountant has deducted fees from your money and none of these conditions apply, you should:

- discuss the matter with them;
- give them a copy of this booklet; and
- contact ICAEW if you're still not satisfied.

4 What if your accountant keeps your papers?

Until the fee is paid, your accountant may have a legal right (called a lien) to keep any of your papers they've used to carry out work for which you still owe money. Once legal action or arbitration has started, however, your accountant should give the papers either to you or your new accountant. They have the right to keep their working papers and other documents that are their property. Usually, your accountant can't use a lien to keep the statutory books or accounting records of a limited company.

If you urgently need the papers held by your accountant, you could offer to place the fee you owe with a third party stakeholder, for example, a solicitor. If your accountant agrees, they should release your papers as long as you agree that they can have access to them, if necessary, during court action against you. If the court decides against you, the money you owe will be paid from the money you placed with the third party stakeholder.

MAKING A COMPLAINT TO ICAEW

ICAEW considers all complaints. However, before you make a complaint, it is always better to follow the advice in this booklet and give your accountant an opportunity to sort out the problem. If you think ICAEW should look into the service your accountant has provided or any other matter (apart from the level of fees) you should write a letter of complaint to:

The Director, Professional Conduct Department

ICAEW, Metropolitan House
321 Avebury Boulevard, Milton Keynes
MK9 2FZ UK

or email complaints@icaew.com and attach copies of all relevant correspondence. ICAEW will consider your concerns as soon as we receive your letter (or email) and supporting documents. Wherever possible, please give the name of the accountant or principal who has been handling your affairs. There's more information about making a complaint in our booklet, *Resolving problems with your chartered accountant* (icaew.com/complaints).

COMMON ISSUES EXPLAINED

1 I think fees are too high

This is a legal matter, not a matter of professional conduct.

2 Service is poor

Contact ICAEW.

3 The bill is more than I was led to believe

Your accountant should give you an explanation and take steps to resolve any misunderstanding.

If not, contact ICAEW.

4 I don't understand the bill

Your accountant should provide a breakdown free of charge, including:

- what work
- hours taken
- rate charged.

If not, contact ICAEW.

5 My accountant has taken their fee from money held on my account

Your accountant can only do this if the amount has already been fixed (for example, by formula or agreement) or if a bill was sent and you didn't question it within 30 days.

Otherwise, contact ICAEW.

6 My accountant won't return my records

Your accountant may have a legal right to keep papers (a lien) if they relate to work which you have not yet paid for.

Accountants can't hold onto statutory books or accounting records of a limited company.

If they do, contact ICAEW.

If you need the records urgently, you might be able to get access to them by paying the amount you owe to a stakeholder, pending legal action over the fees.