



**PROFESSIONAL
STANDARDS
DEPARTMENT**



ICAEW RESPONSE

REF: PSD2026/002

**MOJ CONSULTATION: INTEREST ON LAWYERS'
CLIENT ACCOUNTS SCHEME**

9 March 2026

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EXECUTIVE SUMMARY

Introduction

1. ICAEW welcomes the opportunity to respond to the Ministry of Justice's (MoJ) [consultation on an Interest on Lawyers' Client Account Scheme \(ILCA\)](#).
2. ICAEW's [regulatory role](#) as an improvement regulator is to act in the public interest and strengthen consumer confidence and trust in the profession by striving to ensure ICAEW Chartered Accountants and ICAEW supervised/regulated firms, and regulated and affiliated individuals conduct themselves with integrity and undertake work correctly. We do this by enabling, evaluating and enforcing the standards expected by the profession. Additionally, as an approved regulator and licensing authority for probate services and the administration of oaths, our activities in this service area are guided by and support the Legal Services Board's strategic themes: fairer outcomes, stronger confidence and better services.
3. This response dated 9 March 2026 reflects the views of ICAEW as an Approved Regulator and Licensing Authority for probate and the administration of oaths under the Legal Services Act 2007. It is informed by our oversight of ICAEW-accredited legal services firms, our regulatory requirements, and feedback from ICAEW's Legal Services Committee.
4. ICAEW has considered the ILCA scheme proposals in the context of our [regulatory framework](#), the regulatory objectives set out in [Section 1 of the Legal Services Act 2007](#) and the potential impact on accredited firms and consumers. Our response addresses only the consultation questions which are applicable to ICAEW as a legal services regulator and focuses on overarching regulatory, consumer protection, and public interest considerations. ICAEW-accredited legal services firms (accredited firms) have been invited to respond to the consultation separately.

Our position

5. ICAEW acknowledges the importance of the MoJ's objective of securing sustainable funding to support the justice system in England and Wales. As an approved legal services regulator, ICAEW shares and supports the aim of promoting access to justice. However, we do not consider that diverting interest belonging to bereaved and often vulnerable consumers is a proportionate or appropriate mechanism to achieve this. Therefore, for the reasons set out below, ICAEW does not support the proposal.
6. ICAEW accredited firms generally remit interest on client accounts by default to clients and beneficiaries, and this interest must represent a fair rate. Clients who have instructed an accredited firm to provide probate services therefore reasonably expect that estate monies will be protected for the benefit of beneficiaries. However, the proposed scheme would undermine this protection by diverting a proportion of that interest away, materially reducing their entitlement and overriding established client money safeguards.
7. This is a significant concern because an [ICAEW survey](#) of probate practitioners, beneficiaries and personal representatives conducted in 2023, identified that some bereaved and potentially vulnerable families can face significant financial difficulties during probate matters. For these consumers, even relatively small sums of accrued interest can be meaningful to the overall value of the estate. Therefore, deducting interest accrued on estate monies may incentivise personal representatives to move funds away from ICAEW regulated client accounts. For example, into separate executor accounts or as these accounts are often difficult to access, potentially even personal bank accounts, weakening consumer protection and exposing estate funds to greater risk.

8. The scheme would also impose costs on firms but there is limited evidence from the MoJ that it would deliver commensurate public benefit. In practice, accounting for interest can result in administrative and operational complexity even where very small sums of interest have been earned. The financial viability of the scheme is also highly sensitive to prevailing interest rates. For example, a small probate practice holding average client balances of £3 million over a year would generate approximately £120,000 at a 4% rate, but only £3,000 at 0.1% from levels seen in the recent past. Therefore, the administrative cost of calculating, tracking, allocating and reporting interest across multiple designated accounts would likely exceed the interest generated during low-rate periods. In such circumstances, the scheme would create net costs for firms and consumers, rather than net benefit for the justice system. The policy justification for the proposed scheme is further weakened if any revenue generated will not be specifically earmarked for improving consumer outcomes in access to justice projects.
9. The costs of the scheme could also have a chilling effect on the regulated market. Smaller accountancy practices, for whom probate services are often a supplementary offering to existing clients, may conclude that the additional administrative costs make continued provision uneconomic. This could lead to firms withdrawing from the market, reducing competition and limiting consumer choice. In our view, an intervention that risks shrinking the supply of regulated services and impacts consumers cannot be considered proportionate or appropriately targeted.
10. Finally, the commissioned evidence from Pye Tait Consulting does not include ICAEW accredited firms or probate clients. Therefore, it does not consider the implications of ICAEW's regulatory framework, the impact on vulnerable bereaved consumers or the potential administration costs for firms to separate client funds between reserved probate services and unreserved estate administration activities. As such, we consider that if the scheme proceeds, client accounts used by ICAEW-accredited firms for probate and estate administration should be excluded, given that any interest generated is remitted by default to the client, unless the client agrees otherwise.

Background - ICAEW's Clients' Money Regulations

11. Clients instructing an ICAEW accredited firm primarily do so for probate and estate administration services. These consumers are typically bereaved family members, many of whom may be experiencing circumstances that place them in a vulnerable position. This work routinely involves holding estate funds on behalf of beneficiaries in compliance with [ICAEW's Clients' Money Regulations](#) (CMR).
12. Firms hold these funds on trust and have a duty to account to the client unless otherwise agreed. In accordance with the CMR, client money must be held in an interest-bearing client bank account, unless the interest is not material. Under Regulation 14 of the CMR, a firm must ensure the account pays a fair amount of interest and is paid or credited to the client, or as the client instructs. The rate must be at least the minimum deposit rate offered publicly by a bank for small deposits. This is unless, under Regulation 16, the firm and the client have agreed to different arrangements in writing. This means that the default position is that interest on client money is treated as belonging to the client or the estate, not to the firm, unless the client formally consents to a different arrangement.
13. Furthermore, under the CMR, client money over £10,000 or which is expected to be held for more than 30 days, must be deposited in a designated client account. In practice, as estate funds tend to be high value transactions, these are typically deposited in a designated account, rather than a general pooled client account and have higher administration costs. ICAEW's CMR does not currently include 'Third-Party Managed Accounts' (TPMAs) in the definition of a client bank account.

RESPONSE

Question 1: Do you have any views on the proposed scope of the scheme?

14. The consultation acknowledges that legal service regulators are better suited to set client interest rules. It also states that the proposed scheme is not intended to override existing regulatory regimes. However, in our view, the scope of the proposals would in practice conflict with ICAEW's CMR and the default position that client interest belongs to the client. Clients instructing ICAEW-accredited firms for probate and estate administration services expect that estate funds will be protected and that any interest earned on those funds will be credited to the estate and its beneficiaries. Under the CMR, firms are required to ensure that interest on client money represents a fair rate and is remitted to clients unless a specific written agreement exists. Diverting a proportion of that interest to the ILCA scheme could materially reduce client entitlements, overriding the safeguards established to protect clients' financial interests.
15. The scheme would also require firms to use specific account types, whereas currently they only need to use in an interest-bearing client bank account where the interest is likely to be material. This constrains ICAEW-accredited firms' ability to comply with the CMR in a proportionate, risk-based manner. It also introduces additional operational complexity and administrative cost, particularly for designated accounts holding individual estates, without delivering a meaningful or consistent public benefit. Probate services are often complementary to accountancy services for ICAEW accredited firms rather than a core revenue stream. Therefore, if the regulatory and administrative burden increases further, firms may withdraw from providing these services altogether. This would reduce consumer choice and would run counter to the intent of the Legal Services Act 2007 to promote competition and widen access to legal services.
16. Furthermore, the MoJ's evidence base appears to be primarily informed by the position in solicitors' firms and the SRA Account Rules. The report highlights that 33% of firms surveyed return client interest from pooled accounts to clients. However, ICAEW-accredited firms and designated client accounts were not included in the commissioned research, meaning the impact on probate-focused practices and compliance with the CMR has not been considered. While there are similarities between ICAEW and SRA client money rules, we anticipate that this figure would be even higher still for our firms. Where written agreements exist permitting accredited firms to retain interest, these arrangements are generally the exception rather than the rule.
17. Additionally, in such cases, the scheme is likely to have a disproportionate impact on smaller firms, which makes up a significant proportion of accredited firms. These firms often operate on lower margins, are unable to access higher interest-bearing accounts and generally may have fewer clients. Any additional costs are likely to be passed on to clients, particularly where client matters involve modest estates or short-term funds. The scheme risks creating tension between the objectives of improving access to justice, promoting competition in the provision of services and protecting the interest of consumers.
18. In our view, ICAEW accredited firms (the majority of whom remit by default interest on client accounts to estate beneficiaries) should not be included in the scope of the scheme so that these consumers are not disadvantaged as a result.

Question 2: Aside from reserved legal activities, is there other work undertaken by legal service providers that includes holding client money? Should this be in or out of scope of the scheme?

19. ICAEW accredited firms may hold client money in relation to accountancy services in a separate client account. This activity falls outside the scope of reserved legal activities

and should therefore be excluded from the ILCA scheme.

20. Accredited firms may also hold estate funds in connection with the unreserved activity of estate administration. This service can be provided as part of a broader probate service, or as estate administration alone (typically for estates where probate is not required). Estate administration is regulated by ICAEW and forms part of authorised work under our regulatory framework. Including stand-alone estate administration services within the scope of the ILCA scheme would be inappropriate. It could potentially lead to personal representatives opting to use unregulated providers to avoid the scheme, further undermining regulatory protections.
21. As set out above, we also believe that probate services (including estate administration) should be excluded from the scheme, for the reasons outlined in this response.

Question 4: Are there any types of individual account used for holding client money that should not be included in scope of an ILCA scheme? And why?

22. We note that the consultation proposes to include client funds held in individual designated accounts as well as general pooled accounts in scope of the scheme. The consultation acknowledges that designated client accounts typically involve higher administration costs for firms and are often used for larger or longer-term matters, such as probate, where funds may accrue interest over time. It therefore proposes that a lower proportion of interest on designated accounts be remitted to the MOJ. We do not consider that the inclusion of these accounts is proportionate or appropriate, even where a lower percentage remittance is proposed.
23. Under ICAEW's CMR, accredited firms will, in most cases, hold estate funds in designated client accounts. Unlike pooled accounts, which aggregate funds from multiple clients, designated accounts make it clear which funds belong to which client and any interest accrued is remitted to the estate and its beneficiaries. This segregation is a core consumer protection safeguard, supporting transparency and confidence in the handling of client money, particularly for beneficiaries.
24. Requiring ICAEW-accredited firms (under option one) to identify, calculate and remit a proportion of interest from multiple accounts, while also accounting separately to individual clients would introduce additional administrative complexity and cost. These burdens would arise regardless of the level of interest generated and are therefore likely to be disproportionate, particularly where estates are modest or funds are held for relatively short periods. In practice, we anticipate that these additional costs are likely to be borne by consumers through higher fees and may place pressure on smaller firms. Additionally, while the MOJ would retain a proportion of the interest earned, its own administration costs are likely to erode much of the income, particularly at lower interest rate levels. Therefore, we do not consider that the proposed scheme would deliver proportionate financial benefit.
25. For these reasons, we do not support the inclusion of designated client accounts within the scope of the ILCA scheme.

Question 9. Are there any impacts of the proposed scheme on clients that we have not considered?

26. We note that views from clients and estate beneficiaries have not been considered in the MoJ's commissioned research. However, in our view, a requirement for a fixed proportion of client interest to be remitted to government would deprive beneficiaries of interest income that is rightfully theirs. While we recognise that the scheme is intended to support the justice system, it is not specifically ringfenced for improving access to justice. Therefore, its aim should be balanced against the potential impact on consumers, in

particular vulnerable consumers such as those experiencing bereavement.

27. In our view, the scheme effectively acts as an additional tax on estates, as it diverts interest to the government that would otherwise belong to beneficiaries. We know from our [2023 ICAEW survey](#) that bereaved families can face significant financial difficulties during probate and therefore are likely to find it difficult to absorb further reductions in estate funds. Furthermore, any additional administration costs to firms may be passed on to consumers through increased fees. This introduces an additional cost to deceased estates, unrelated to the services they receive, and which in our regulatory context, falls disproportionately on bereaved and vulnerable consumers.
28. Ultimately, clients who have instructed an accredited firm to provide probate services expect that estate funds placed in ICAEW client accounts will be protected and will accrue interest at a fair rate that can be distributed in full to the estate. We do not consider that this is compatible with our regulatory objective to protect and promote the interests of consumers, or the intent of the CMR.
29. We are also concerned that the scheme may incentivise personal representatives to move funds outside regulated client accounts to retain any accrued interest. In practice, this may not be limited to opening formal executor accounts. Personal representatives may hold funds in personal accounts if they consider this preferable to losing interest. This would remove those funds from the protections provided by ICAEW's CMR, including segregation, reconciliation requirements, and regulatory oversight. The result would be weaker consumer protection for estates, beneficiaries and creditors, and an increased risk of loss or misuse of funds. This would undermine the very safeguards the regulatory system is designed to provide.