

ACCEPTING PAYMENT BY DEBIT AND CREDIT CARD AND UPDATE ON UITF 40

ACCEPTING PAYMENTS BY DEBIT AND CREDIT CARD

Many solicitors, along with a growing number of businesses, may wish to offer the facility to their clients to pay by credit and debit card. This offers a flexible payment system for clients whilst reducing administration for the practitioner and moving funds into their account more quickly. However, for those solicitors holding clients' money under the Solicitors' Accounts Rules 1998, there are some additional issues to be aware of.

Separate facilities for office and client account

In order to offer a comprehensive service that complies with the Rules, separate facilities need to be set up and agreed with the lender for both the client and office accounts. This is unfortunately more costly than having a single facility.

Where the solicitor wishes to restrict their operation to one facility, the relevant sections of the Rules need to be carefully considered.

Using the facility only for office payments into office account

It is possible to set up a facility just for the office account, but this would be of limited value, and care would have to be exercised to ensure that no client money was inadvertently paid in by this means. This would automatically exclude money received for payment of unpaid professional disbursements or for payment of stamp duty land tax, Land Registry registration fees,

telegraphic transfer fees and court fees, unless already paid by the solicitor. Also payments on account of costs cannot be received in this manner.

Using the facility only for payments into client account

On the face of it, setting up the facility to go entirely into the client account would seem the most prudent option. However, Rule 19, which concerns the receipt of money in respect of full or part settlement of the solicitors' bill, states that "if the sum comprises office money only, it must be placed in an office account". There is some relaxation in Rule 20, but this is only in respect of the receipt of "mixed payments" (ie: one that includes client money or controlled trust money as well as office money). In this case, the entire payment can be placed in client account and the office money element transferred out within 14 days. Accepting a final settlement of a bill via client account would therefore be a breach of the rules. The only option is to restrict credit and debit card payments to payments on account, which will be paid into client account. However, the client may find it confusing to make part payments, but not final settlement of bills by this payment method.

Communication

The solicitor should make his payment terms clear to the client in the engagement letter. Where a charge is to be made for the debit or credit card service, this needs to be communicated to the client at the outset. If the solicitor wishes to refuse

payment of disbursement by credit card, this will also need to be stated in the engagement letter.

Any publicity for credit and debit card facilities must not imply that the service is available for all legal services if that is not the case.

Conclusion

Offering a credit and debit payment card facility gives the greater flexibility of payment that many people expect in today's society, but for the solicitor handling client money, there is the added problem of ensuring that it does not result in an inadvertent breach of the Rules.

We would be pleased to assist with this or any other accounting issues.

UITF UPDATE - WELCOME RELIEF FOR SOLICITORS

Many practitioners will have been pleased to hear the Chancellor say in his pre-budget speech that the government will legislate in the Finance Bill 2006 to enable most businesses affected by the changes in the income recognition rules to spread any extra tax charge over three years. Those businesses most severely affected will be able to spread the charge over six years.

This is welcome news, as most solicitors will be caught by the revenue recognition changes outlined in UITF 40.

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