

## IPA CLIENT MONEY REGULATIONS

1. These Regulations are made by the Board on 27 September 2023 pursuant to Article 62 of the Association's Articles of Association

### 2. Commencement

2.1 These Regulations shall come into force on 1 January 2024.

2.2 The regulations dated 28 April 2000 apply after the date in regulation 2.1 only in respect of acts or omissions prior to the coming into force of these regulations.

### 3. Definitions

- 3.1 In these Regulations the following expressions shall have the following respective meanings:-

Articles	the Articles of Association of the Association adopted by Special Resolution passed on 30 <sup>th</sup> May 2023
Association	The Insolvency Practitioners Association
Bank	(a) a branch in the United Kingdom of: <ul style="list-style-type: none"><li>• the Bank of England;</li><li>• the Central Bank of Ireland;</li><li>• the Central Bank of a member State of the European Union;</li><li>• a person who has permission under part 4 of the Financial Services and Markets Act 2000 to accept deposits; or</li><li>• a building society within the meaning of the Building Societies Act 1986 which has adopted the power to provide money transmission services and has not assumed any restriction on the extent of that power; and</li></ul> (b) a branch outside the United Kingdom of: <ul style="list-style-type: none"><li>• a bank within the meaning of paragraph (a) above;</li><li>• a bank which is a subsidiary or parent company of such bank; or</li><li>• a credit institution (as defined in EEC Directive number 77/780) established in a member state of the European Union, and duly authorised by the relevant supervisory authority in that member state; or</li><li>• a bank on the Island of Guernsey that is registered as a Deposit Taker under the Protection of Depositors (Bailiwick of Guernsey Law 1994; or</li><li>• a bank on the Island of Jersey (including a registered person under the Banking Business (Jersey) Law 1991); or</li><li>• a bank on the Isle of Man (including a bank which is licensed under the Banking Act 1998).</li></ul>

Client	a person in respect of whom there is no Insolvency Appointment at the relevant time;
Client Bank Account	an account with a Bank in the name of the Firm separate from other accounts of the Firm which may be either a general account or an account designated by the name of a specific Client or by a number or letters allocated to that account and which, in all cases, includes the word 'client' in its title;
Client Money	money of any currency (whether in the form of cash, cheque, draft or electronic transfer or otherwise ) belonging to a third party and may include (but is not limited to) third party money provided other than in consideration for the acquisition of an asset of the estate; funds held by the insolvency practitioner before or after their appointment as an office holder; or monies coming into the hands of an insolvency practitioner which are the property of persons or entities for which the insolvency practitioner is acting other than in the capacity as office holder. Client Money may include money which the Firm holds for or receives from a Client which is not Estate Money and which is not immediately due and payable on demand to the Firm for its own account. Fees paid in advance for professional work agreed to be performed and clearly identifiable as such are not Client Money for the purposes of these regulations.
Estate Account	an account with a Bank in respect of a person or entity over which the Individual Member holds an Insolvency Appointment and shall include the Insolvency Services Account;
Estate Money	all money representing or deriving from the realisation of an asset, trading receipt or other income of the estate received by the office holder in their capacity as such. Estate Money is held for the prevailing statutory purposes of the office holder's appointment.
European Union	includes the European Economic Area where any provision relates to a matter to which the European Economic Area Agreement relates;
Firm	a partnership, limited liability partnership, incorporated body (including unlimited companies) or sole practitioner (referred to here as firm) which carries on the business or practice of insolvency administration in the United Kingdom (excluding the Channel Islands and the Isle of Man) and of which a partner, director, the sole proprietor or a manager or an appointment taking IP is authorised by the IPA to act as an insolvency practitioner within the meaning provided by Section 388 of the Insolvency Act 1986
Individual Member	an individual admitted as an Ordinary Member or as a Fellow of the Association pursuant to Article 9 of the Associations' Articles or who becomes a Retired Member
Insolvency Appointment	any such office, appointment or position (whether or not referred to as such) as may be held by an Insolvency Practitioner within the meaning of Part XIII of the Insolvency Act, an Approved Intermediary within the meaning of Part VIIA of the Insolvency Act, and any other similar office or position or appointment as a professional adviser concerning the realization, recovery, reorganization, reconstruction, settlement or distribution of the assets, liabilities or affairs of any individual corporation or other person or body of persons
Insolvency	a person who is authorised by the IPA to act as an Insolvency

Practitioner	Practitioner within the meaning of Section 388 Insolvency Act 1986 or equivalent legislation, or the holder of a non-appointment taking authorisation by the IPA or an Individual Member who is otherwise responsible for Estate Monies
Mixed Monies	monies received (whether in the form of cash, cheque, draft or electronic transfer or otherwise) or held by a Firm or Principal which comprises or includes Clients' Money and money due to the Firm.
Principal	a person who is a sole practitioner, a partner in a Firm which is a partnership, a member of a Firm which is a limited liability partnership a director of a Firm which is a body corporate, or a person with equivalent control over the Firm.

- 3.2 References in these Regulations to any statutory provision shall include any statutory modification or re-enactment thereof.
- 3.3 These Regulations apply to all accounts in which Client Money is held whether pre or post appointment or in a general client account or in a designated client account.
- 3.4 An Insolvency Practitioner shall take reasonable steps (taking into account the level of control they have over their Firm) to ensure that if a Firm is authorised by the Financial Conduct Authority (FCA), any monies received or held by the Firm which are investment business clients' money as defined by the FCA Handbook are dealt with in accordance with that handbook, which shall in those circumstances take precedence over the requirements of these regulations.

#### 4. Client Identification

- 4.1 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that before accepting receipt of any Client Money their Firm must verify the identity of the Client (for guidance see Explanatory Note 13.1 below) and conduct appropriate due diligence on the origin of the Client Money in accordance with the IPA's AML Guidance to Members available on the IPA Website at: [Anti-Money Laundering | Insolvency Practitioners Association \(insolvency-practitioners.org.uk\)](https://www.insolvency-practitioners.org.uk).

#### 5. Opening a Client Bank Account

- 5.1 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that;
- 5.1.1 if their Firm will receive or hold Clients Money or Mixed Monies or money which under Regulation 7.1 their Firm is required to pay into a Client Bank Account, their Firm has open one or more Client Bank Accounts for that purpose. A Firm may maintain one or more Client Bank Accounts as appropriate.
- 5.1.2 all money which is Clients Money is held in a Client Bank Account.
- 5.2 An Insolvency Practitioner must take reasonable steps (taking into account

the level of control they have over their Firm) to ensure that; on opening a Client Bank Account their Firm holds or shall obtain from the Bank concerned a 'Bank Trust letter' which confirms that the following conditions apply to the Client Bank Account:

- 5.2.1 that all money standing to the credit of that account is held by the Firm as Client Money and that the Bank is not entitled to combine the account (or the monies in the account) with any other account or to exercise any right to set-off or counterclaim against the monies in that account in respect of any sum owed to the Bank on any other account and
  - 5.2.2 that any interest payable in respect of sums credited to the account shall be credited to the account; and
  - 5.2.3 that the bank describes the account in its records to make it clear that the money in the account does not belong to the Firm.
- 5.3 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that;
- 5.3.1 if the Firm does not hold a "Bank Trust letter" in respect of any Client Bank Account the Firm shall give written Notice to the Bank concerned setting out the conditions stated in Regulations 5.2.1 to 5.2.3 and require the Bank to acknowledge in writing that it accepts the terms of the Notice.
  - 5.3.2 if in respect of a Client Bank Account in the UK or Ireland the bank has not provided the 'Bank Trust Letter' required under Regulation 5.2 or the acknowledgment required under Regulation 5.3.1 within 20 business days of the Firm requesting it, the Firm must:
    - (i) withdraw all money from that account;
    - (ii) close that account;
    - (iii) deposit the money in another Client Bank Account (if necessary with another bank), and
    - (iv) as a last resort, return the money to the Client.

## 6. Use of a Client Account

- 6.1 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that;
- 6.1.1 a Client Bank Account is only used for receiving Client Monies and/or making lawful and legitimate payments which relate to the Firm's professional services for a Client,
  - 6.1.2 their Firm obtains and holds sufficient information to ensure that the Client Bank Account is used only for lawful and legitimate purposes and bona fide transactions.
  - 6.1.3 they, their Firm, its Principals and/or other Insolvency Practitioners do not use a Client Bank Account to provide banking facilities to Clients or third parties.

## 7. Payment into a Client Bank Account

- 7.1 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that;
  - 7.1.1 Client Money received by a Firm as cash, cheque, draft or electronic transfer (or otherwise) shall, unless otherwise expressly directed by the Client, be paid forthwith into a Client Bank Account,
  - 7.1.2 Every other receipt of monies by a Firm or in favour of the Firm or of any Principal or Insolvency Practitioner at that Firm and which comprises or includes (in whole or in part) Client Money shall be paid forthwith into a Client Bank Account.
- 7.2 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that a Firm shall not pay any money into a Client Bank Account, unless;
  - 7.2.1 such payment by the Firm is not incompatible with these Regulations; or
  - 7.2.2 the money is the Firm's own money and it is required to be so paid for the purpose of opening or maintaining the account and the amount is the minimum required for that purpose; or
  - 7.2.3 it is so paid in order to restore in whole or in part any money paid out of the account in contravention of these Regulations.
- 7.3 Regulation 7.2 shall not be deemed to have been breached solely because money was wrongly paid into a Client Bank Account in the mistaken belief that the payment was required by these Regulations, provided that immediately upon discovering the error the money wrongly paid into the Client Bank Account is withdrawn and paid into the correct account.
- 7.4 When Client Money of any one Client in excess of £10,000 has been or will be held by the Firm for more than 30 days, the Client Money shall be paid into a specific Client Bank Account designated by the name of the Client or by a number or letters allocated to that account, unless the Client directs otherwise.
- 7.5 Subject to Regulations 7.7 and 8.1 if the aggregate amount of Client Money held or received by a Firm in respect of any one Client at any one time is such as would (if deposited in an interest bearing account at a rate no less than that from time to time posted publicly by the relevant Bank for small deposits and subject to the minimum period of notice of withdrawals), result in or be likely to result in material interest being received thereon such sum shall be placed in an interest bearing Client Bank Account.
- 7.6 Subject to Regulations 7.7 and 8.1 all interest accruing to the sums placed in an interest-bearing account (in accordance with Regulation 7.5 or otherwise) shall be accounted for to the Client concerned.
- 7.7 Regulations 7.5 and 7.6 shall not apply to Client Money held by a Firm as stakeholder.

- 7.8 In addition to payments in, permitted by Regulation 7.2.1, the special nature of insolvency practice requires that the following money may be paid into a general Client Bank Account of the Firm:
- 7.8.1 cheques and drafts accountable to Estate Accounts but where the payee is incorrectly designated;
  - 7.8.2 money received by a Firm the legal entitlement to which is uncertain;
  - 7.8.3 money received in respect of an Insolvency Appointment but subject to conditions which prevent its being paid into an Estate Account;
  - 7.8.4 money received in respect of an Insolvency Appointment but where the appropriate Estate Account has been closed or has not been opened.
  - 7.8.5 money received in respect of unclaimed dividends where a creditor has not been traced after reasonable enquiries have been made (for guidance see Explanatory Note 13.6 below).
- 7.9 All money paid into a general Client Bank Account pursuant to Regulation 7.8 shall be paid out or transferred to the appropriate Estate Account as soon as practicable.

## 8. Payment of Interest on Client Money

- 8.1 Regulations 7.5 and 7.6 shall not affect any agreement in writing, whenever made, between a Firm and a Client as to the payment of interest or money in lieu thereof on Client Money held or received by the Firm for that Client.
- 8.2 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that their Firm complies with any of the material terms of an agreement of the kind referred to in Regulation 8.1
- 8.3 For the purposes of Regulations 7.5 to 7.7, 8.1 and 8.2 Client Money held by a Firm for two or more Clients acting together in one or more transaction(s) shall be treated as though held for a single Client.

## 9. Withdrawals from a Client Bank Account

- 9.1 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that any money in a Client Bank Account which is not Client Money shall be withdrawn from that account as soon as practicable.
- 9.2 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that Money shall not be withdrawn from a Client Bank Account unless it is:
  - 9.2.1 money, not being Client Money, paid into a Client Bank Account for the purpose of opening or maintaining the account;
  - 9.2.2 money paid into a Client Bank Account in contravention of these



Regulations or which would have been in contravention but for Regulation 7.3 or 7.8;

- 9.2.3 money required to be withdrawn under Regulation 9.1;
  - 9.2.4 money which remains (or would remain) in a Client Bank Account after all Clients whose money has been credited to that account have been paid in full all sums due to them from that account;
  - 9.2.5 money which has become transferable to an Estate Account following the start of an Insolvency Appointment;
  - 9.2.6 money properly required for a payment to or on behalf of a Client;
  - 9.2.7 money which may be properly withdrawn for payment (in whole or in part) of a debt due to the Firm from a Client otherwise than in respect of fees or commissions earned by the Firm;
  - 9.2.8 subject to Regulation 9.4, money which may be properly withdrawn for payment (in whole or in part) of fees payable to the Firm by the Client and specified in a statement delivered to the Client showing the details of the work undertaken;
  - 9.2.9 money which may be properly withdrawn on a Client's prior authority or in accordance with any contract between the Firm and the Client;
  - 9.2.10 money which may properly be transferred into another Client Bank Account.
- 9.3 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that Money withdrawn under Regulation 9.2.5 to 9.2.10 shall not exceed the total of the money held for the time being on account of the Client concerned.
- 9.4 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that Money shall not be withdrawn from a Client Bank Account for payment (in whole or in part) of fees payable by the Client to the Firm unless:
- 9.4.1 the precise amount thereof has been agreed by the Client or has been finally determined by a court or arbitrator; or
  - 9.4.2 the fees have been accurately calculated in accordance with a formula agreed in writing by the Client on the basis of which the amount thereof can be determined; or
  - 9.4.3 thirty days have elapsed since the date of delivery to the Client of the statement referred to in Regulation 9.2.8 and the Client has not questioned the amount therein specified.
- 9.5 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that Money which may be withdrawn from a Client Bank Account in accordance with Regulation 9.2.7 or 9.2.8 by way of payment from the Client to the Firm shall be withdrawn as soon as practicable after the Firm becomes entitled to withdraw it under that Regulation.
- 9.6 An Insolvency Practitioner must take reasonable steps (taking into

account the level of control they have over their Firm) to ensure that:

- 9.6.1 any withdrawal from a Client Bank Account in respect of fees arising from or in connection with their insolvency appointment (actual or proposed) may only be made with a written authority signed by that Insolvency Practitioner. (See Explanatory Note 13.3 & 4 below.)
- 9.6.2 the Firm's procedures require the signed written approval of the proposed or appointed Insolvency Practitioner (or a successor office holder) to authorise withdrawal from a Client Bank Account of any Estate Monies (or money held on trust for the estate of an entity which proposes to enter or has entered a formal insolvency procedure), which for any reason are in the Client Bank Account.

## 10. Records and Reconciliation

- 10.1 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure that:
  - 10.1.1. their Firm shall at all times maintain records so as to show clearly all Client Money it has received and the details of any other money dealt with by it through a Client Bank Account, clearly distinguishing the money of each Client from the money of other Clients and from the Firm's money.
  - 10.1.2 Each Client Bank Account shall be reconciled against the balances shown in each Client's ledger not less frequently than monthly and records shall be kept of such reconciliations.
  - 10.1.3 Records kept in accordance with Regulations 10.1.1 and 10.1.2 shall be preserved for at least six years from the date of the last transaction recorded therein.

## 11. The Responsibility of A Principal or Appointment Taking Insolvency Practitioner who is not a Principal

- 11.1 An Insolvency Practitioner responsible for Estate Monies and/or Client Monies is liable to disciplinary action for any breach of these Regulations in relation to those monies committed by a Firm at or from which they operate unless they prove that they have taken reasonable steps (taking into account the level of control they have over their Firm) to ensure the Firm's compliance with these Regulations.
- 11.2 An Insolvency Practitioner shall:
  - 11.2.1 on request confirm to the Insolvency Practitioners Association that their Firm's procedures meet the requirements of these regulations and/or provide a written explanation of the steps taken to ensure compliance and the areas in which the Firm's procedures do not comply with these Regulations;
  - 11.2.2 on request supply such evidence as the Insolvency Practitioners Association and/or the Regulation & Conduct



Committee may require to evidence such confirmation.

- 11.3 An Insolvency Practitioner must take reasonable steps (taking into account the level of control they have over their Firm) to ensure their Firm conducts a review at least annually, to consider whether its procedures are adequate to enable it:
  - 11.3.1. to comply with these Regulations;
  - 11.3.2. to carry out reconciliations in accordance with Regulation 10.1.1 to 10.1.3.

## 12. The Insolvency Practitioner who is not a Principal

- 12.1 An Insolvency Practitioner who is not a Principal (as defined in these Regulations) may have a reduced ability to control or influence matters within the Firm.
- 12.2 An Insolvency Practitioner should notify the IPA of any non-compliance with these Regulations.
- 12.3 An Insolvency Practitioner who is not a Principal (or, if they were to accept a proposed role at a Firm would not be a Principal) and who is unable to satisfy themselves that the Firm is (or would be) unable to comply (or would comply) with these Regulations will need to consider whether they should resign from the Firm (or decline the offer of the proposed role).

## 13. Explanatory Notes

- 13.1 Guidance on suitable procedures to verify a Clients' identity can be found in the IPA anti-money laundering guide to members, available [here](#): In accordance with Regulation 30(2) [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017 \(legislation.gov.uk\)](#). Insolvency Practitioners should ensure that their Firms verify a Client's identity as soon as practicable after first contact and in any event before a professional relationship is first established (which will be before any Client Money may be first received).
- 13.2 Guidance on reporting suspicions of money laundering or terrorist financing can be found in the IPA anti-money laundering guide to members available [here](#).
- 13.3 Regulation 9 of these Regulations sets out the various circumstances in which money can be withdrawn from a Client Bank Account. It requires such withdrawals to be authorised by an Insolvency Practitioner or another person acting under that Insolvency Practitioner's written delegated authority, which should expressly state any restrictions on its use.
- 13.4 In deciding to whom such authority may be delegated, the Insolvency Practitioner should consider the trust that is being placed in the individual delegatee and their ability to carry out the delegated function with due care and integrity. An Insolvency Practitioner is presumed to

be a suitable person to receive such delegated authority.

- 13.5 Insolvency Practitioners are responsible (taking into account the level of control they have over their Firm) for their Firm's compliance with the Clients' Money Regulations, regardless of any delegation that may have been made. Regulation 11 requires the Insolvency Practitioner to review the Firm's compliance with the regulations, including the operation of any delegated powers.
- 13.6 Reasonable enquiries to trace a Client or creditor of an insolvent should be proportionate to the sums involved and include but are not limited to: writing to the Client or creditor at their last known physical or electronic address, conducting searches at Companies House or the electoral register, advertising in a local newspaper and employing tracing agents.

This guidance was approved by the IPA Board 27 September 2023

### IPA Client Money Guidance

1. To harmonise regulation as much as possible, the Association has adopted Regulations based on those adopted by the Institute of Chartered Accountants in England and Wales. Those Regulations, however, cover many other areas of professional practice than insolvency practice; and the Regulations adopted by the Association have accordingly been adapted to reflect the particular needs of Insolvency Practitioners.
2. For convenience only, the Regulations have been drafted in terms of the duties imposed on Firms. Disciplinary proceedings can, however, be brought against Individual Members under Regulation 11.1. Attention is drawn to the defence in that Regulation.
3. Regulations controlling the use of Client Bank Accounts are necessary to preserve their integrity, so that third party funds are segregated from those of the Firm, readily identified and protected in the event of the Firm's financial failure.
4. Most money handled by Insolvency Practitioners will not fall into the definition of Client Money, since it will be in respect of an established Insolvency Appointment. The handling of such money is in many cases closely regulated by statute; and in addition, Members are reminded of the terms of Statement of Insolvency Practice 11 "The Handling of Funds in Formal Insolvency Appointments". The Regulations deal rather with the handling of money prior to a formal Insolvency Appointment or where there is no such appointment.
5. Money held by a Firm as stakeholder is governed by the Regulations but the payment of interest provisions do not apply (Regulation 7.7).
6. Unless the Firm agrees otherwise in writing with a Client (Regulation 8.1) a Client Bank Account must be an interest-bearing account if 'material interest' would be likely to accrue within the meaning of Regulation 5.6. Any interest earned must in the absence of such agreement be accounted for to the Client in accordance with Regulation 7.6. 'Material interest' shall be deemed to be likely to accrue if the sum of money is or is likely to be held for at least the number of weeks shown in the left hand column of the following table and the minimum balance in the Client Bank Account (or credited to the Client in the case of an account comprising the money of two or more Clients) equals or exceeds the corresponding sum in the right hand column of the Table:

	Number of Weeks	Minimum Balance
8		£500
4		£1,000
2		£5,000
1		£10,000

*The above is merely a guide to the interpretation of 'material interest'. The obligation of the Individual Member is to take reasonable steps to ensure that the Client does not suffer material loss if money remains on bank accounts bearing low or no interest. There may be circumstances, for example, where money should be placed on overnight deposit.*