

**CLIENT FUNDS ON
DEPOSIT RECEIPT**

Deposit Receipts have traditionally been popular in solicitors' practices as a convenient method of accounting for any interest due to clients in respect of monies held on their behalf. Deposit Receipts enable the solicitor to give a clear account of the interest received on client funds held.

There are however, certain disadvantages associated with Deposit Receipts which appear to outweigh their benefits. These matters are considered as follows:

(a) Simple Interest -v- Compound Interest

Interest is only paid on a Deposit Receipt when it is uplifted. The interest which is then paid is Simple Interest - not Compound. Consequently, if a Deposit Receipt is held over a period of one year, the benefit of compounding interest will be lost unless the Deposit Receipt is uplifted as frequently as the normal crediting of interest by the Bank.

(b) Possible negligence in accounting for interest on Deposit Receipts.

Solicitors are advised that clients may feel aggrieved if funds held on deposit receipt on their behalf have not been uplifted for interest purposes at regular intervals, thus depriving them of the compounding effect of the interest credited. In such situations, a client may feel that his solicitor has acted negligently and seek appropriate compensation. Solicitors are reminded to present the deposit receipts for encashment at intervals corresponding with those on which the banks credit interest.

(c) Accounting problems associated with Deposit Receipts

The Solicitors Accounts Regulations require solicitors to account for all clients monies held. This requires Deposit Receipts to be accounted for as an integral part of the clients ledger. With most bookkeeping systems in operation in this country, Deposit Receipts are purchased by means of cheques drawn on the clients bank account. In accounting for such cheques, the clients ledger balances are often reduced by the cheques so drawn. If this happens, the clients ledger account does not truly reflect the indebtedness to the client. As the solicitor is obliged by the Solicitors Accounts Regulations to incorporate Deposit Receipts as an integral part of the clients ledger, solicitors should maintain a Deposit Receipt Register to enable them to satisfy this requirement. The experience of the Accountants in the Society is that the larger the number of Deposit Receipts in a practice, the more cumbersome they can become and the more difficult to exercise full accounting control over them.

(d) Deposit Account -v-Deposit Receipts

The operation of a clients Deposit Account in preference to individual Deposit Receipts has the distinct advantage that the solicitor has the benefit of a premium



rate of interest arising from the quantum of funds held. This premium compensates the solicitor to some degree for the extra administration costs involved in handling clients monies including the annual return of clients interest to the Revenue Commissioners.

Where a clients Deposit Account is operated, it is not difficult to determine the amount of interest due to a particular client. The banks will assist with this calculation if requested.

(e) Joint Deposit Receipts

The use of Deposit Receipts which is obviously most justified is where money is placed on joint deposit in the names of two solicitors. The usual example is where a solicitor's client is allowed into possession of property on putting the money on joint deposit. Clearly, this is the best and most convenient method of putting money in a joint account.

While the Solicitors Accounts Regulations specifically exclude joint deposit receipts from the definition of clients funds, it is good accounting practice to maintain a memorandum account reflecting all joint deposit receipts held.

(f) Conclusion

It is recommended that all solicitors who hold Deposit Receipts should review their appropriateness in the light of the foregoing. In any event, it should be borne in mind that the Deposit Receipts should be uplifted as frequently as interest is credited by the bank on a normal deposit account.

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