Stay SRA-Compliant with Ease: Clio's Updated Client Accounting Tools

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The Solicitors Regulation Authority (SRA) takes client money handling seriously—and so should you. But here's the thing: many firms are still managing funds at the client level instead of the matter level. On paper, that might not sound like a big issue. In practice, the SRA Accounts Rules require that client funds must be properly allocated to each matter, and their auditors will be looking to confirm this.

Managing client funds at the matter level is important not just in order to tick regulatory boxes. It's also the best way to protect your firm and your clients, not to mention to give you peace of mind. The problem is that traditional accounting systems make matter-level accuracy tedious and time-consuming.

Fortunately, Clio's updated client accounting features ensure easy matter-level compliance. Designed with the needs of UK firms in mind, this upgrade takes the headache out of client account management, delivering SRA compliance without gruelling late-night admin sessions.

This post will tell you everything you need to know about how Clio covers all your compliance needs.

What the SRA requires: Rule 8 explained

Rule 8 of the SRA Accounts Rules tells firms how to keep their books in order. Let's put the legal jargon aside and look at what the SRA wants in plain English.

Your records need to be accurate, contemporaneous, and chronological:

- **Accurate:** Every entry must record the transaction precisely, with no guesses, no shortcuts, and no "we'll tidy that up at the end of the month."
- **Contemporaneous:** Entries should be made at the same exact time the money moves. Don't leave it until days (or weeks) later when you finally have a moment.
- **Chronological:** Transactions must be logged in the same order they happen. This creates a timeline capturing cause, effect and sequence.

You should organise your records as follows:

Client ledger entries

- On the *client side* of the ledger, record all client money transactions and include:

- The client's name
- A clear description of the matter it relates to
- On the business account ledger, record:
- All non-client money receipts and payments
- Any bills of costs, including transactions through the firm's accounts

Liability summary:

- Keep a running list of outstanding balances on client ledger accounts showing liabilities owed to clients and third parties.

Cash account maintenance:

- Your cash account should have a running total of all transactions going through client accounts.

The most important part is that these records must be tracked *by matter*, not just by client. Failing to make this distinction leads many firms to slip into non-compliance.

Say Mr Evans has multiple matters on the go, for example a property sale, a probate issue, and a dispute. You can't just lump all their money into one big Mr Evans pot. Each matter must have its separate accounting trail. If you fail to do this, the SRA will take the view that you're mixing funds and obscuring the true picture.

Remember, the SRA doesn't merely want to know that your firm is handling client money responsibly. It wants to see, line by line, matter by matter, exactly where your client funds went.

Why client-level accounting isn't enough

Client-level accounting gives you one record for each client, with all their transactions bundled in the same place. If you didn't look too closely, you might even be tempted. Especially if you are a busy manager trying to juggle operations, finance and compliance, it could feel like a way to keep things simple. But this would also completely go against what the SRA wants to see under Rule 8.1.

The thing is that client-level accounting blurs the lines between different matters. This is a simple shortcoming, but with potentially serious consequences. If you have a client who's buying a house, updating their will, and handling a dispute, lumping all those funds together makes it impossible to see what's what. And with no clear audit trail, regulators and auditors are not going to be impressed.

From the SRA's point of view, if you fail to separate money at the matter level, they can't know for sure that every transaction is accurate, chronological, and supported by a clear narrative. For example, your books might show that Mrs Smith has £12,000 in her

account, but they won't make it clear that £9,000 is from her property sale and £3,000 to cover the probate work. In the eyes of the SRA, this is not just an administrative lack of clarity—it's also a compliance failure.

Making the mistake of using client-level accounting can get you in trouble in the following ways:

- **Failed audits:** If you don't have matter-level breakdowns, you're not going to satisfy the auditor.
- **Compliance breaches and fines:** The SRA has no tolerance for mishandling client money. Even where you've made an honest mistake, you can expect heavy penalties.
- **Reputational harm:** In law, your reputation is your most valuable asset. If word gets round that you've been mismanaging client funds, the reputational damage can be serious and very hard to recover from.

The lesson here is that client-level accounting might save you a few minutes today, but could cost you more than you can afford down the line. Rule 8 leaves no room for doubt: if you can't show matter-by-matter transparency, you're not compliant.

What matter-level client accounting looks like in practice

Imagine the difference between a single drawer with everything stuffed in it and a collection of neatly labelled files. The tidy collection of files is what matter-level accounting looks like. Instead of everything being lumped together under a client's name, each matter gets its own dedicated ledger. This ensures there is a clear separation of matters with no overlap.

Here's how matter-level client accounting works in practice:

- **A unique ledger per matter:** Each matter has its own ledger, setting out its entire financial history.
- **Every transaction tagged to a matter:** Each payment in or out is linked to its matter and given a narrative explaining what it's for. For example: "Deposit received for sale of property."
- **Easy reporting and reconciliation:** When you've got a ledger for each matter, balancing the books becomes simpler and audits are refreshingly straightforward.

Matter-level accounting in practice

Say Mr Jones comes to your office one afternoon for help with both selling a property and drafting a will. If you were to keep client-level records, all his transactions would be tossed in the same basket, making it hard to figure out which transaction belongs to

which matter. But by keeping matter-level records, you ensure that each matter is tracked separately.

- **Property sale matter:** Covering items like the incoming deposit, legal fee transfers, and completion funds.
- **Will drafting matter:** Covering items like the retainer received, and the various fee disbursements.

This approach makes your life easier. When Mr Jones wants an update, you can tell him exactly where he stands on each matter. And when the SRA comes knocking, you'll have a clear and transparent flow of funds to show them for every matter.

How Clio helps you stay compliant

Here's the good news: matter-level accounting doesn't have to mean lots of extra late nights with your head buried in endless spreadsheets. Clio's updated client accounting features are built with SRA compliance in mind, giving you the reassurance that the right checks and balances are baked into your day-to-day workflows.

With Clio, this is what you get:

- **Matter-linked deposits & withdrawals:** Every penny is clearly linked to the specific case it's tied to.
- **Detailed narratives:** Give the story behind each transaction.
- **Client requests:** Allowing you to easily request matter-specific funds from clients.
- **Ledger & client account reports:** You get proper reports that perfectly comply with SRA requirements.

The big win here is that Clio builds compliance into all your workflows, so you no longer have to constantly worry about it. This means less stress for your finance and compliance officers, and peace of mind for you.

The bigger picture: Protecting your firm's reputation

Compliance is essential, but there's so much more than that. Matter-level accounting creates the trust that you need for every successful client relationship. When clients hand you their money, they don't just want to know you're a good lawyer, they want to know that their money is in safe hands. When you can show them at any time where their money is and what it's being used for, they will know they've made the right choice.

And with matter-level accounting, you'll no longer get the jitters when the SRA auditors come knocking. Having the confidence that your books are always squeaky clean, matter by matter, is a whole different experience from last-minute scrambling through spreadsheets trying desperately to get everything in order. Good records establish that your firm is organised, transparent and professional, giving you an enduring stamp of credibility in the real world.

Compliance made simple

Matter-level client accounting just isn't something that's nice to have. It's an SRA requirement, and if you ignore it, the auditors won't be pleased.

But staying compliant isn't something you need to constantly stress about. Clio's accounting features make compliance simple by building it into your everyday workflows, so you can easily track deposits, withdrawals, and narratives by matter.

And Clio produces accurate and transparent reports for you that will keep the auditors happy and off your back.

Ready to see how it works?

Book a demo today to see Clio's client accounting features in action.

About Clio

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