Trust accounts

Introduction

Clients often have to provide money to a legal practitioner to cover disbursements for a legal matter or to cover a settlement, such as a property settlement. This money is usually held, by the legal practitioner, in a trust account. The money in a trust account can only be used with the permission of the client.

Trust accounts

Trust accounts are special bank accounts that have specific rules that apply to their operation. These rules are documented in the Legal Practice Act 1996. Under this Act there are Practice Rules 1998 which include Trust Account Practice Rules. These rules document how trust accounts are to be managed.

Legal practitioner’s obligations

The Trust Account Practice Rules outline the obligations of legal practitioners. The Rules outline the accounting records and other records that need to be kept in respect to the transactions that take place with trust accounts.

Although you do not need to understand the detailed requirements of the Act you should be aware that the legal practitioner responsible for a matter is the only person who is allowed to handle the trust account money or provide a statement of account to the client.

Another obligation that must be met is the need to acknowledge the receipt of all trust account monies. A copy of each receipt and acknowledgment is kept in order to help ensure that the movement of trust account monies can be tracked.

Legal Administration Assistant’s obligations

It is important that you are aware of the tasks that you may be asked to perform. You should also be aware that you cannot request or perform any function in relation to a trust account without the specific authorisation of the legal practitioner responsible for the trust account.

You may be required to perform a number of tasks in relation to trust accounts including the following:

♦ Ensure trust account monies received through the mail or in person are directed to the person responsible for the acknowledgment of trust account monies
♦ File the copies of receipts and acknowledgments
♦ Bank money
♦ Complete deposit forms
♦ Consult the accounting system to determine the balance of a trust account
♦ Produce a statement of account for the legal practitioner to provide to the client.

Whenever you are asked to perform a task in relation to trust accounts ensure that you understand the process that you should follow.