HAVE YOUR SAY...
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Income may pique SRA's interest

The increasing interest rates that law firms can now achieve on client account have gone under the radar a bit over the last few months.

But why are some firms not getting as much of this increased income as they should be? First, their own inertia; but second, because most banks, unsurprisingly, are not trying to pass these interest rate increases on to their law firm clients.

While some of my banking contacts may view that as a bit harsh, law firms perhaps have more responsibilities in this area than they realise. To remind some firms, the interest is not all theirs – they have a responsibility to 'account for a fair sum' to clients in interest payable over to them. Or at least make it clear in their engagement letters to clients the amount, thresholds, or parameters when they do or do not receive interest.

I would not pretend that we are going back to the 'good' or the 'bad old days' (however you look at it) when, in some cases, a law firm was just a provider of a legal service that made no profits from trading but simply from the interest it received on client account. I truly believe that the absence of any significant interest for over a decade has made law firms much more sustainable as trading entities. Therefore, receiving this additional income on top of normal profits is very welcome, especially in uncertain times.

I am also surprised this has not been flagged by the SRA in conjunction with their continuing focus on residual balances held within firms. In many respects residual balances are indicative of firms that are not closing their client files properly at the end of cases and transactions, and therefore of some (best) practices that need to be improved. Best practices that reduce the risk to the practice, I hasten to add.

Any lack of attention paid by firms to residual balances still on the clients' ledger may now be seen by the SRA as attributable to lack of motivation linked to the increased interest being received. Hence, I believe such balances will come more into focus.

So, positives and reminders of areas to keep under review in equal measure – neither element should be ignored.

Peter Noyce
Partner, Menzies, London

Sitting pretty in the library?

Last week I paid my first visit of the year to the Law Society Library. On walking towards the far end, I became aware of an assemblage of chairs, sofas and small round tables, which momentarily led me to conclude that I had wandered into a hotel of some 'bookish' description. On 'coming to' I realised that this was not so. By great good fortune, the said assemblage was, and remained, unoccupied for the duration of my visit.

On making enquiry, I was given to understand that the aforesaid assemblage had been recently decreed by a person or persons unknown – possibly with connections to the furniture trade? It was further intimated that refreshments, in the form of beverages – hopefully not crisps – were to be made available to those patronising the assemblage in the demonstrably misguided belief that their presence would not prove an undue incumbrance to the poor 'saps' who had hitherto made use of the facility in the bizarre belief that it was intended to aid legal study.

How this misapprehension arose is anyone's guess. Having consulted one of those textbook things, which give rise to the now misleading appellation, 'Library', I retired in good order. On further enquiry, I was given to understand that no plans exist for the installation of piped music or wall-mounted TV. It is, after all, a library.

Alexander McCulloch
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Putting crypto protections in place

Those advising crypto-businesses looking to provide services to UK customers will have been reviewing HM Treasury's consultation document (*Future financial services regulatory regime for cryptoassets*) closely over the last couple of weeks. The consultation represents a significant step in the government's plan to bring cryptoasset

activity within existing financial services frameworks, applying standards expected in relation to other financial products and regulated activities. Previously, the focus has been on the regulation of stablecoins and financial promotions. So, while further work and engagement is needed, this clarity around the proposed approach to the regulatory framework to be applied to other cryptoassets will be welcomed by those in the industry.

It has been a turbulent year for the crypto sector, with many high-profile collapses. The government will need to be cautious not to 'over-correct' in its regulatory response, which could risk stifling innovation in the sector. Ultimately, however, if regulations strike the right balance then they should enhance both consumer confidence through protections and institutional investor confidence by providing further legitimacy and credibility to the sector. The fact that the availability of Financial Services Compensation Scheme protection for consumers with claims against failed Financial Conduct Authority-authorised cryptoasset custodians is even under consideration, is particularly notable.

Globally, the UK is one of the key barometers for regulatory standards, so we can expect the consultation to be of interest internationally. Particularly, perhaps, in relation to the proposed regulation of crypto lending and borrowing activities (which are currently not expressly dealt with by the EU's proposed Markets in Crypto-Assets (MiCA) Regulation).

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Judging war crimes

There is of course another good reason that Joshua Rozenberg did not mention (*Gazette*, 17 February) for convening a tribunal limited to considering only the invasion of Ukraine and nothing further. That reason is, that if the case were taken before the ICC it would become painfully obvious that Tony Blair and George Bush should be standing in the dock alongside Putin for committing identical war crimes in 2003. And whose example indeed may well have encouraged Putin to believe that he could get away with it.

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