

Government to receive client account interest – MoJ proposals

On 7 January, the MoJ launched [a consultation](#) on a proposed scheme. Firms would be required to use certain types of client account. 75% of the total interest generated on pooled client accounts, and 50% of the interest generated on individual client accounts would be sent to the government.

The consultation ends on 9 February 2026.

The consultation concerns how to implement the scheme, not whether to do so. The decision to go ahead has been taken following a previous consultation. The consultation states: “We do not propose designating the scheme’s income for specific access to justice projects, or endowing it to grant-making bodies, as is the case in some other jurisdictions.” Instead, it is proposed to become part of general MoJ funding.

The proposals are based on research conducted on 604 legal service providers by the MoJ in 2024 which found that:

- 33 percent of providers surveyed always remitted all interest from pooled client accounts 53 percent partially or sometimes, and 23 percent (not mutually exclusive) used interest to cover costs.
- 55 percent set a de minimis threshold above which they returned interest to clients (mode of £20).
- Providers reported a general sense that clients for the most part did not expect to receive any interest back, often due to short-term holding of funds.
- 92 percent of providers responded that they were not reliant on interest on client accounts for the sustainability of their business. Also, 94 percent said losing the interest would have little/no impact on their firm.
- 89 percent of providers had not made and/or were not planning to make changes to their use of client interest in response to higher interest rates; and
- 4 percent of providers used interest for pro bono/charitable activities.

We know that some members have diversified their income streams and will be affected by these proposals, whereas others rarely hold client money.

Legal aid firms are encouraged to respond to the consultation especially consultation questions 24 and 25.

24. Does your firm conduct legal aid work?

25. If yes to the previous question: a. What proportion of your firm’s turnover is derived from legal aid work? b. Would the proposed scheme impact your provision of legal aid services, and to what extent?