

Ceasing a practice

A checklist

This checklist will help you if you are planning to wind up your practice. There are many things to consider and it is helpful to start with a guide to the steps you have to take. The checklist is intended as a starting point and should be adapted to your own firm's circumstances.

This guide does not look at the more strategic considerations as to whether you should merge or sell your practice, or how to value it. Nor does it look at the specific steps for selling or merging your practice.

Please give us 28 days' notice of plans to cease your practice.

Preparation

Once you have made the decision to wind up your practice, the first thing you should do is put a plan together.

1. Review your practice – identify the key elements:

Your clients and the nature of their business.

How your firm is set up – traditional, LLP or incorporated. The latter two can be complex, for example, there must be at least one individual appointed as manager with a valid practising certificate in force until the client account is completely dealt with. We recommend you seek early advice from your accountant.

Your bank arrangements – contact your bank.
Your staff, premises and suppliers.
Your file arrangements.

2. Create a timeline in terms of:

Key audiences – clients, staff, professional advisers (bank manager, accountant).
Regulatory requirements.
Contracts – notice periods.
Time needed to review files and accounts.

Work in Progress (WIP)

Identify WIP by review of deadlines diary.

Ideally, make arrangements for all urgent/current work to be concluded before the practice ceases.

Where this is not possible contact your client urgently requesting that they make arrangements with a new solicitor and mandate the files across.

Fees and outlays for work in progress – there are two options:

1. Agree the work in progress element with the practice unit taking over the file to ensure you have an arrangement in place which identifies as to how much is due to you once the fee is eventually paid by the client and how matters will be dealt with should the client fail to pay the fee.

2. Agree with the client an interim fee and raise an invoice prior to cessation and arrange for this to be settled prior to transfer of the file.

Legal aid/SLAB (see [page 5](#)) – care should be taken in relation to the transfer of legal aid certificates and the arrangements in place for any payment due to you for WIP and outlays incurred. In the case of Advice and Assistance, generally these certificates cannot be transferred. Accounts need to be made up to the date of cessation.

You must not carry out legal work after the date of cessation.

Files

Before reviewing your files, bear in mind the following:

Your [terms of business](#) letter – what have you said to your clients about what you are going to do with the file.

How your files are stored – paper/online case management.

Ensure that files that need to be retained, whether digital or paper copy, are in a manageable and retrievable format.

Steps you need to take:

In your review, include all current files, current files with no ledger balances, wills, deeds and business investment files (where relevant, review your letters of obligation at the same time).

Make a plan to contact your clients and arrange for files to be passed back to the client or to be mandated to another solicitor.

Sort remaining files whether they are to be archived or destroyed.

Arrange to inventory and confidentially store all client files and papers not passed back to client or destroyed. (**TIP** organise and store in destroy date order). Ensure compliance with GDPR and AML obligations. Data protection registration requires to be retained until all papers are destroyed (again, check your obligations in your Terms of Engagement letter and ensure clients have contact details should they wish to retrieve them at a later point).

Wills and deeds – ensure that all remaining wills and deeds are inventoried and retained securely. **TIP** These papers may have some value to another firm of solicitors and therefore could be used to offset some of your other expenses.

Business investment files – contact and return to client. If your client wants to transfer the files (documents of title) to a new solicitor, make them aware that they should only pass to practices which are licensed to receive investment files or who can deal with them by referral to a third party. If you are authorised to conduct mainstream investment business by the FCA, you should follow FCA rules and guidance about ceasing.

Retain a record of where all your files are sent. We will ask you about this when you complete your PUI4 (Notice of Cessation of a Practice Unit). See also Law Society [guidance on file retention](#).

Financial Accounting Matters

Collection of fees and outlays

Accounts and fee notes should be drawn up in respect of all files and the amounts due collected as the files are distributed.

This process is subject to your accountant's advice on the procedures and dates for the finalisation of your business accounts.

Fees issued to clients must be for the legal work undertaken up to the cessation date and not beyond as the practice will have ceased to trade. Fees can still be rendered to clients after the cessation date but must strictly be for legal work carried out prior to, or up to the cessation date.

Accounting regulations (Rule B6)

Date of cessation

Although you might plan to cease your practice unit on a given date, be aware that while the practice unit continues to hold or receive client funds, the cessation of the practice may be affected until all client balances have been fully disbursed or transferred out of the ceased practice unit's Client Bank Account.

Accounts Certificate

You must submit a final Accounts Certificate upon cessation, irrespective of whether a client bank account is held, and once all client balances have been disbursed from the accounting records and Client Bank Account. The final Accounts Certificate would expect to be completed as at the date of cessation and be submitted to the Financial Compliance Department within one month of the cessation date.

If the ceased practice is unable to submit the final Accounts Certificate at the date of cessation due to still holding some client funds (such as uncashed cheques, or awaiting final details to allow disbursement of balances, etc.) the Financial Compliance Department will correspond with the ceased practice until the final Accounts Certificate (being at the final date that client balances are no longer held) and final client accounting can be produced.

Please note that failure to disburse all remaining client funds timeously following cessation may lead to regulatory action.

Distribution of client balances

To arrive at the position where you no longer hold client funds you should consider the following steps:

- Prepare a full listing of all client balances, including invested funds.

- Review debit balances to determine whether they represent:

 - Outlays and fees as part of ongoing cases.

 - Outlays and fees which are recoverable.

 - Outlays and fees which are not recoverable.

A list of the client balances immediately prior to passing them over should be prepared and retained. It should clearly state to whom the balances were passed and on what date.

A copy of the list of client balances immediately prior to them being passed over should be given to the practitioner(s) who is/are receiving the balances.

Client credit balances

The actual funds held for clients should be passed over to another solicitors' practice unit's Client Bank Account by way of a cheque

or bank transfer together with the list of client credit balances and the full accounting information for each client. This must be done just prior to, or on the date of cessation.

Invested funds balances

The invested funds balances require to be uplifted prior to the cessation date and held in the practice unit's main Client Bank Account so that these sums can be included in the full balance of client funds being passed over, together with the accounting information for each client.

Client debit balances

If the balances represent unrecoverable outlays and/or fees then you should write them off, bringing the client ledgers to a nil balance. Ensure that you make the appropriate adjustments to your VAT ledger.

If the balances represent recoverable fees and/or outlays, where the transaction has concluded, you may wish to retain this balance. It is acceptable for you to recover fees, which have been rendered prior to cessation, and outlays, which have been met by your practice prior to cessation, after cessation.

Alternatively, you may wish to pass these balances to the practice taking over your credit balances. These balances however will represent sums due to you and you should keep records and reach an agreement with the practice unit to which same are transferred as to how and when such sums are to be refunded to you. Again, the recovery of these balances from the other practice unit after cessation is acceptable.

Any sums recovered that represent fees can be paid directly into the practice unit's Firm Bank Account, not the Client Bank Account, as they do not represent client funds. Any unpaid outlays that have still to be paid must be paid out to the relevant party (or transferred over) on the same day as received.

Client bank account

After disbursing all funds to the clients, the only funds remaining in the client bank account should represent the surplus. That is practice unit's funds and can be transferred over to the Firm Bank Account. Once this stage has been reached, you are in a position to submit a Final Accounts Certificate to cessation. It would be appropriate to close the client bank account at this point.

Accounting Records

Accounting records should be retained for six years from the date of the last entry. You should retain a record of where and by whom the records are retained. (See section on Other Business Considerations/Case management).

A ceasing Practice Unit must take adequate steps at the earliest opportunity to ensure that no client funds remain held by the ceased practice unit beyond the cessation date.

Please contact the Financial Compliance Department for any further guidance regarding the above financial accounting matters: fincomp@lawscot.org.uk / 0131 476 8127 / 0131 287 3971

Staff

Apply proper redundancy procedures.

Formally notify staff of the termination of their employment taking account of their notice period and agree the last date of their employment. You may wish to direct them to seek their own legal advice regarding the terms of the letter and direct them to ACAS or Citizens Advice.

Ensure that all final salary, holiday pay and redundancy payments are properly calculated (including any payments in lieu of notice) and details of how payment will be made are confirmed in writing to staff. **TIP** If you are having difficulty meeting these payments, consider contacting the Government's Insolvency Services.

Consider who you would want to retain longer to assist with wind-up process e.g. cashier to pay out client balances, secretary to organise and store files.

Ensure that all staff are provided with details of any pension arrangements made by the firm during their employment, former employees should also be alerted to the closure of the practice where they are part of any legacy scheme operated by the firm.

If solicitors and accredited paralegals in your firm are moving to new employers, they must notify the Law Society of the new employer.

Let us know if you employ trainees and we will assist in finding a new training firm if possible.

Once you have surrendered your practicing certificate there are a number of membership options (see [member section](#) of the website).

Professional Indemnity Insurance

As you are winding up your practice, you must have Master Policy insurance cover.

Contact [Lockton](#), the brokers to the Master Policy arrange for your practice to be put into 'run-off' from the date of cessation.

Pay any premium arising.

Check with Lockton if there would be an excess due in the event of any claim.

Advise an address that claims should be intimated to. **TIP** Consider providing authority to Locktons for the Society to intimate any claims arising in the event that you are unavailable at that address.

Correspondence

Mail

We recommend redirecting your mail (both postal and digital) for a period of six months (speak to all mailing suppliers, e.g. Royal Mail, DX, email suppliers).

If the work has gone to another firm, contact them and make an arrangement for them to handle your mail. Alternatively redirect mail to your home address.

Online presence

Website

We recommend that you take steps to close down your website:

In the months preceding closure, put a message on your website indicating the firm's closure. Arrange with the hosting company, the termination of your contract and a date for website to be switched off (leave an error message indicating closure). Retain domain name of website for a couple of years to prevent fraud.

Business social media profile

Each platform (LinkedIn, Twitter, Facebook) will have its own process for deleting accounts. Schedule deletion prior to closure date.

Complaints

If there are ongoing complaints against you or your firm, contact the Scottish Legal Complaints Commission or us (as appropriate) to ensure that arrangements are in place to enable these matters to be dealt with and concluded as quickly as possible.

You will remain subject to regulation as set out in the Solicitors' (Scotland) Act 1980 (as long as you remain on the Roll of Solicitors even if you don't hold a practising certificate).

Contact and Notifications

Draw up a list of who you need to inform of your closure, including those who you need to formally notify. These will include some or all of the following:

- Staff (see [page 4](#)).
- Clients.
- Other stakeholders – surveyors, financial advisers etc.
- Suppliers.

Law Society of Scotland

Complete and return to us:

[*Law Society's Notice of Cessation form \(PUI4\)*](#)

– required by us a minimum of 28 days prior to cessation.

[*Final Accounts Certificate*](#)

[*Final Incidental Financial Business Compliance Certificate*](#) (if relevant) for the period from the date of the last certificate to the date of cessation.

Scottish Legal Aid Board (SLAB)

Notify SLAB and include the details of any solicitors in the firm registered with SLAB, whether for criminal or civil legal aid work. Accounts should be submitted, for work carried out to the date of cessation. Care should be taken in relation to the recovery of outlays.

Registers of Scotland

Advise Registers of Scotland that from the date of cessation, all deeds and correspondence should be forwarded to the acquiring practice unit or the party nominated to deal with this work.

HM Revenue and Customs

Speak to your accountants, particularly in relation to the timing of your final cessation tax return.

Other Business Considerations

There are many other considerations when closing a business. The list below is not definitive but will include some of things that you will have to plan for.

Property

Ensure properties are completely cleared and checked and all signage removed before being vacated.

If leased – give sufficient notice of intention to terminate the lease so as to minimise penalties.

Office equipment

If leased – give sufficient notice of intention to terminate contracts so as to minimise penalties.

Insurance

Cancel policies at the appropriate time.

Arrange to securely store insurance documentation, including employer and public liability policies, annual run-off cover documentation, pension policies, annuities, etc.

Utilities

Give notice and arrange final bill.

Telephone, fax and email

Disconnect phone and email services at appropriate time and arrange appropriate redirect messaging.

Work mobile phones

Ensure that all work mobile phones are secured and cancelled with data erasure.

Computers

Ensure hard drives are erased/destroyed before being disposed of.

Case management/accounting systems

Speak to your provider and understand options. If stored in a cloud environment, can the data be extracted to spreadsheets or a local copy transferred to your pc/laptop?

All other suppliers

Cleaners, printers, DX, external IT contractors, etc – give notice of contract termination.

Software licences

Identify all licences and cancel at the appropriate time.

Remaining assets

Arrange for sale or disposal.

What You Should Keep a Record of

If you are not handing the practice over to a new firm, here is a reminder of the files and documents that you will need to retain either digitally or physically archived.

Archive physical files

Digital files

Details of where your files have been sent at point of cessation

Insurance documentation

Accounting records