



Understanding Service Charge Client Accounts

As a leaseholder, you'll encounter the term "service charge client account" in relation to the management of your property. This leaflet explains what a service charge client account is, why it's essential, and why no interest is paid on it.

What is a Service Charge Client Account?

A service charge client account is a designated bank account used exclusively to manage the service charge funds collected from leaseholders. These funds are used to cover the maintenance, repairs, and general upkeep of the building and communal areas. The account is specifically designed to ensure your money is safeguarded and only used for its intended purpose.

Key Features of a Service Charge Client Account:

1. **Separate from Company Funds:** The funds are kept entirely separate from the managing agent's or landlord's personal or business accounts. This separation ensures transparency and protects your contributions.
2. **Regulated by Law:** Under the Landlord and Tenant Act 1987, service charge funds must be held in trust. This legal requirement provides additional security for leaseholders.
3. **Auditable:** The account is subject to regular reviews and audits to ensure compliance with legal and regulatory requirements.

Why is there no interest on the account?

Service charge client accounts are typically held in non-interest-bearing accounts for the following reasons:

1. **Banking Restrictions:** Many banks do not provide interest on accounts held in trust or designated as client accounts. These accounts are designed to prioritize security and compliance over earning interest.

2. **Legal and Administrative Complexity:** Calculating, allocating, and distributing any potential interest among leaseholders can be legally and administratively burdensome, often outweighing any financial benefit.
3. **Focus on Safeguarding Funds:** The primary goal of a service charge client account is to ensure the funds are held securely and are readily available for necessary property management tasks. Adding interest-related processes could complicate this priority.

Ensuring Your Money is Protected

The safeguards in place for service charge client accounts are designed to give leaseholders peace of mind. By adhering to strict legal and regulatory standards, these accounts ensure your contributions are protected and used appropriately for the benefit of your property.

Have Questions?

If you have further questions about your service charge client account or how your funds are managed, please contact us. We are committed to transparency and are here to help you understand every aspect of your property's management.