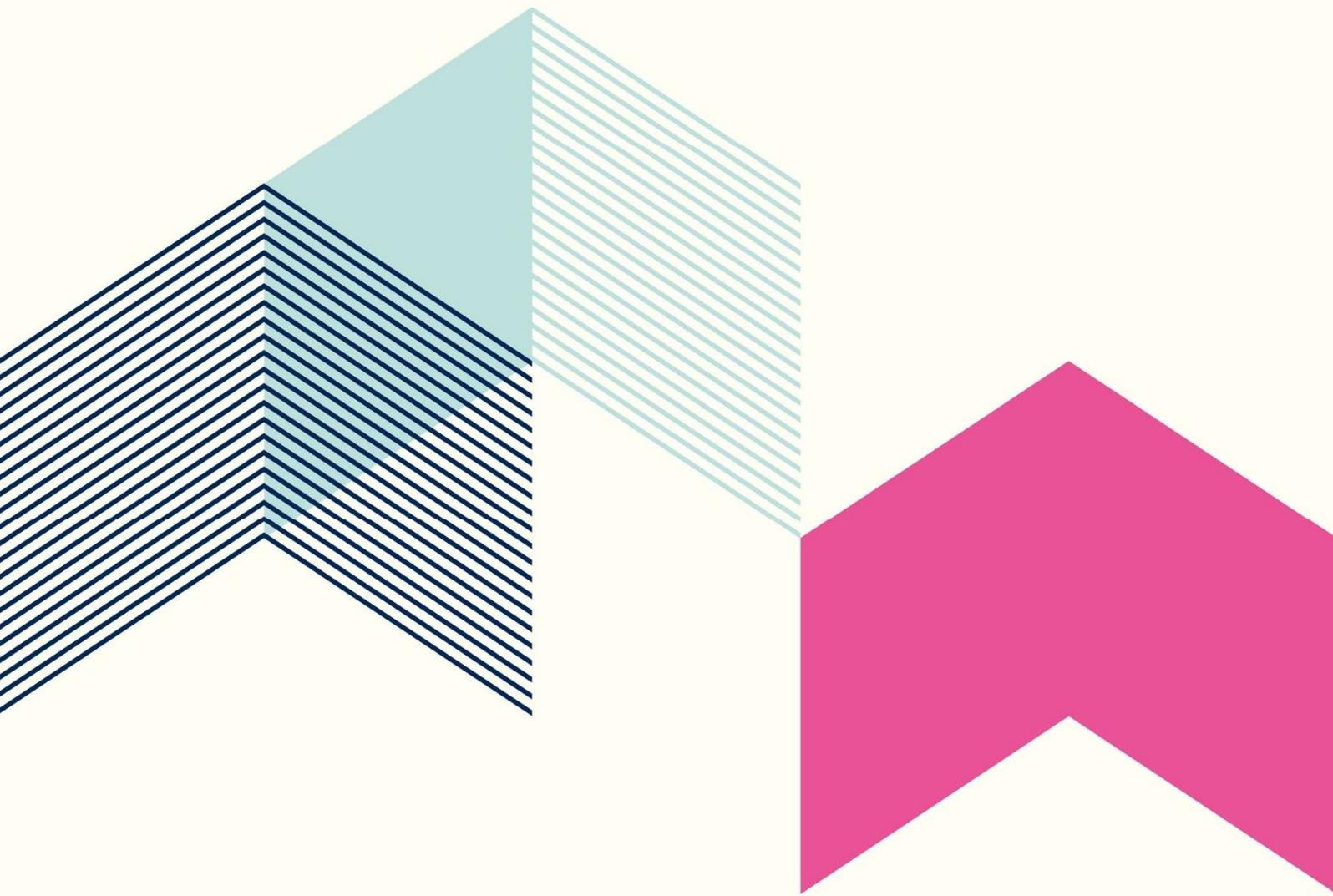




The Access to Justice
Foundation

Interest on Lawyers' Client Accounts Scheme Consultation Response

February 2026



1. Background and evidence

1. The Access to Justice Foundation is a UK wide fundraising grant maker whose mission is to increase resources for free legal advice for the people and communities who need it the most. We receive funding from a range of sources including from the legal profession and the Ministry of Justice (MoJ), which we distribute in grants, to charities providing free legal advice. The chronic under funding of social welfare advice provision has led us to consider new and innovative ways of funding free legal advice.
2. In this context we have partnered on a two-year research project funded by the Nuffield Foundation delivered by the Centre for Socio Legal Studies at Oxford University¹. This project looks at a range of Additional Funding Models (AFMs) for free legal advice, including Interest on Lawyer's Client Accounts (ILCA) Schemes, also known as Interest on Lawyer Trust Accounts (IOLTA) Schemes. As far as we are aware this is the first time that robust academic research has taken place in the UK on this subject.
3. The AFM research project is currently evaluating several international ILCA schemes to understand the potential barriers and opportunities for implementing an ILCA scheme in England and Wales. It will also consider the likely impact of introducing different funding mechanisms balancing the interests of law firms, legal aid practices, and clients/ consumers.
4. The AFM research project runs to April 2027. The research team continue to publish data and evidence on an ongoing basis, their latest submission being their evidence submitted to the Access to Justice Inquiry². The research team will also be responding to this consultation. This, and the additional evidence yet to come out of the AFM research project, will be important for the MoJ to consider as it evaluates the options available.
5. The AFM research project is critical to the debate on ILCA schemes in the UK and whilst we understand the pressing need for funding, it is crucial to make evidence-based decisions and so we would recommend waiting for the outcome of this research before proceeding further.
6. MoJ officials have been members of, and have contributed to, the AFM research project stakeholder group since its inception. The stakeholder group also includes legal regulators, professional bodies, academics and representatives from the advice sector.
7. The MoJ is rightly seeking views from law firms who hold client money on the likely impact of this proposal on them. Law firms, their networks, and

¹ [Creating a Mixed Funding Model for Free Legal Advice](#)

² committees.parliament.uk/writtenevidence/149107/default/

professional bodies are far better placed than us to comment on the detailed implications of what is being proposed and so we will not comment on the details or potential impact of the proposed model.

8. More exploration or demonstrated awareness of the impact of the unintended consequences of introducing an ILCA scheme is needed, particularly on how access to justice would be impacted by the adoption of such a scheme.
9. Even if ILCA scheme funds were to be directed to increase access to justice, there could be unintended consequences, for example firms losing out on interest, increasing client fees to unaffordable levels, or reducing pro bono activity. The impact of this needs to be examined.
10. The MoJ anticipates that

“The proposal is expected to open up a crucial source of funding to support and enhance the delivery of services in our justice system”

although it does not provide details of how this is to be achieved, or what levels of funds may be realised. These details would need to be articulated and consulted on before the development and implementation of any ILCA scheme.

11. We will focus our response on two areas (i) the proposed use of the funds (ii) the proposed mechanism for distribution.

2. Use of funds

12. The MoJ’s position on the proposed use of funds is:

“At this stage, 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. This is because core justice services in England and Wales require sustained investment across multiple areas. Given this context, earmarking ILCA income for narrow purposes to begin with could limit its beneficial impact. Instead, the funds can be directed to the areas of greatest need within the justice system”

13. We agree that funds should be directed to areas of greatest need. To achieve this, internationally based ILCA schemes ringfence funds for

specific purposes to ensure a focused and impactful approach. We urge the MoJ to take a similar approach to avoid funds being absorbed without any tangible impact or benefit to the public.

14. ILCA schemes internationally fund a range of activities that vary across jurisdiction. These include grants to organisations giving free legal advice, public legal education programmes, open access law libraries, widening participation initiatives for law students, and professional development programmes. In some jurisdictions a significant proportion of funds are mandated to be given, or voluntarily assigned, to legal aid programmes.
15. It is worth noting that there is at least one targeted voluntary ILCA scheme already in place in England and Wales run by A&O Shearman for the benefit of London Legal Support Trust since 2005.
16. A significant level of funds is raised through international ILCA schemes. Since 1981, IOLTA schemes in the United States have generated over \$4 billion. In 2020, IOLTA grants nationwide totalled over \$175 million³. IOLTA is a significant source of funding for programs that provide civil legal services to those living in poverty, with over 90% of grants awarded by IOLTA programs (\$168 million in 2020) supporting legal aid offices and pro bono programs.
17. The consultation document does not make clear the anticipated level of funding generated through the introduction of an ILCA scheme in England and Wales. The 2024 Law Society's Financial Benchmarking Survey found that total net income from interest rose over 1,000% to £27.5 million compared to £2.6 million in 2022⁴, highlighting the issues an ILCA scheme could encounter around income fluctuation.
18. We are not aware of any scheme in existence which applies ILCA funds to fund the core business of government. All 78 international schemes the AFM research project is considering fund access to justice work in some way, whether that's through a contribution to the legal aid budget, grant funding not for profit legal work, funding legal education or training, or supporting the legal profession in some other way.
19. By not designating the use of ILCA funds the MoJ's proposal contradicts the international norm where funds from existing schemes are largely used to deliver and improve access to justice⁵. These schemes have demonstrated successfully delivering a measurable impact in improving justice outcomes, including through:

³ [American Bar Association IOLTA Overview](#)

⁴ [Financial Benchmarking Survey 2024 results | Communities - The Law Society](#)

⁵ committees.parliament.uk/writtenevidence/149107/default/

- **Bringing legal advice and support services to communities in need:** In France, CARPA de Paris provides funding to the Solidarity Bus, bringing lawyers, social workers, and other support services to underserved areas of the city to provide free legal advice. The Solidarity Bus has won several awards and inspired similar activities in other countries.
- **Funding legal aid:** The Law Foundation of Ontario funds Legal Aid Ontario. In the last three years, the foundation provided annual legal aid grants of \$146.3 million (2022), \$325.4 million (2023), and \$306.4 million (2024).
- **Public access legal support:** The Access to Justice Foundation in Arkansas, United States, provides funding earned from client interest to the Courthouse Kiosk programme. The kiosks are installed at courthouses, public libraries, and other public areas. They help members of the public access legal forms, apply for legal aid, and learn about courts and the law.
- **Funding professional legal education:** In South Africa, the Legal Practitioners' Fidelity Fund (LPFF) operates a tuition bursary for law students and legal professionals completing a postgraduate degree. LPFF fees and interest earned on lawyer client accounts (at a 5% rate set in 2019) help fund this bursary programme.
- **Reimbursing victims of lawyer theft:** In New Zealand, the Lawyers' Fidelity Fund uses interest earned on client accounts and professional fees to reimburse clients for monetary losses from lawyer theft, not negligence or other types of professional misconduct, with claims for reimbursement limited to \$100,000.
- **Public legal education:** The Indiana Bar Foundation uses legal trust accounts' interest to fund Mock Trials, civics sessions, Kids Election, and other school-based civics education programmes that use active and inquiry based learning and mock legal and electoral processes to teach students about law and democracy.
- **Funding legal needs research:** The Law and Justice Foundation of New South Wales in Australia uses client account interest to fund research on legal needs, including the Legal Australia-Wide Survey, the country's first comprehensive national legal needs survey.

20. ILCA schemes can be restricted from or mandated to fund certain types of activity. In internal examples of ILCA schemes these mandates are found in statutes, professional association rules, judicial orders, or in the

bylaws of the independent foundations charged with grant making⁶. For example:

- The Law Foundation of Ontario is statutorily required to send 75% of its earnings after operating expenses to Legal Aid Ontario, the main provider of civil legal aid in the province. The remaining 25% of grants are provided to projects such as the HIV Legal Network, a legal advice and policy programme.
- The Supreme Court in Louisiana has issued an order that prohibits client interest funds to be used for any purpose besides providing legal services to the indigent and mentally ill, public legal education, or research on how to improve the administration of justice. If any other programme is funded, it must benefit the public and state legal system and be approved by the Supreme Court of Louisiana.
- The Legal Foundation of Washington uses racial equity and evidence-based indicators of success to make awards.
- The Law Foundation of British Columbia is statutorily mandated to fund legal education, legal research, legal aid, law reform, and law libraries for the benefit of persons in this Canadian province, only.
- The Law Society of Saskatchewan has chosen to prohibit individuals and commercial businesses from applying for its grants, instead solely awarding funding to nonprofit organisations.
- The Law Foundation of Ontario is required to pay 75% of net income from IOLTA directly to Legal Aid Ontario. Income levels fluctuate in line with interest rates, but this resulted in payments of \$146.3million in 2022 and \$306.4million in 2024.

21. We would urge the MoJ to reconsider its plan for the use of the funds and to engage with stakeholders and researchers on how best to address the crisis in access to justice funding.

3. Mechanism for distributing funds

22. Administration of an ILCA scheme and distribution of funds raised are distinct activities, requiring a different set of skills and resources. Internationally it is highly unusual for schemes to be both administered and distributed via central government.

23. The bodies who administer ILCA schemes across the world differ from scheme to scheme, but in the AFM research project sample of 76 there is

⁶ committees.parliament.uk/writtenevidence/149107/default/

a tendency for the function of receiving and administering funds to be carried out by organisations such as a not for profit foundation (36), professional lawyer association/ regulator such as a Bar Association or the Law Society (27), and, less frequently, to an arm of the Supreme Court (7) or specially created administrative board (3)⁷.

24. There are several potential drawbacks with a government run scheme:

- (i) Income levels fluctuate as interest rates change. This means ILCA funds cannot be relied upon to fund core services as the income generated by the scheme may not be enough year on year. This is less of a problem for independent foundations as they can fund one off projects and develop additional stabilisation funding to ensure continuity of approach.
- (ii) There's a risk that if the MoJ budget is boosted by ILCA funds that this would lead to a reduction in funds from Treasury. Ultimately this could lead to no overall boost for justice funding or even a reduction in public funding for justice.
- (iii) Public and professional support for such a scheme is likely to be lower if there is no tangible impact on access to justice.

25. Conversely, there are several benefits of the independent foundation model:

- Funding which is not tied to a political cycle is able to take the long-term approach which is needed to bring about sustainable services and positive, measurable change.
- Charitable foundations are overseen by an independent board of trustees and regulated by the Charity Commission and accountable to publicly articulated aims and objectives against which their activities are measured.

26. The Access to Justice Foundation has a proven track record in this area, having been established in 2008 as the recipient vehicle for income derived from pro bono costs orders. We have distributed funds in partnership with and on behalf of the MoJ for the last ten years, with a new grant announced in December 2025 which continues this partnership to March 2029.

27. As a niche and expert funder, the Access to Justice Foundation has the expertise and experience to distribute funds in an impactful way in partnership with service delivery organisations and other funders. We are the prescribed charity pursuant to the Legal Services Act 2007 to receive

⁷ committees.parliament.uk/writtenevidence/149107/default/

income derived both from pro bono costs orders and undistributed damages from opt out collective actions cases in the Competition Appeal Tribunal.

28. The independent foundation model is the most popular model internationally with therefore the strongest evidence base for success.

4. Why any funds should be ringfenced to improve access to justice

29. Over 66% of adults in England and Wales face one or more significant legal problems annually⁸, with legal issues disproportionately affecting people in poverty, disabled people, and ethnic minorities due to systemic barriers and discrimination. Over 14 million people in the UK live below the poverty line⁹, facing compounding legal challenges around housing, debt, and welfare. Notably, employed and self-employed people, including homeowners who previously paid for legal services, now increasingly access free legal advice due to affordability issues¹⁰.

30. Legal problems cluster and interlink, averaging 4.86 issues per person seeking advice¹¹. One problem often triggers others: employment issues lead to debt, risking housing and affecting benefits. With digital-first processes, increasing procedural requirements, and multiple agencies involved, self-resolution becomes increasingly difficult.

31. Lives in modern society are 'law thick' and legal advice is the best available mitigation for poverty¹². Unresolved legal problems drive financial insecurity through eviction, benefit loss, debt escalation, dismissal, family breakdown, and mental health deterioration increasing reliance on emergency services, healthcare, policing, and social care. Unrepresented litigants prolong court proceedings, adding to backlogs. Evidence of impact includes:

- The link between poverty and children entering care cost an estimated £1.4billion in public funds (2015-2020)¹³.
- Health Justice Partnerships generate significant financial returns to users, government, and wider society as well as producing non-

⁸ [2024 Individual Legal Needs Survey - The Legal Services Board](#)

⁹ [UK Poverty 2025: The essential guide to understanding poverty in the UK | Joseph Rowntree Foundation](#)

¹⁰ [The-value-of-justice-for-all-a-report-for-the-Access-to-Justice-Foundation-and-the-Bar-Council-from-Pragmatix-Advisory.pdf](#)

¹¹ [The-value-of-justice-for-all-a-report-for-the-Access-to-Justice-Foundation-and-the-Bar-Council-from-Pragmatix-Advisory.pdf](#)

¹² ['Overwhelmed by the general demand for advice': a picture of the not-for-profit legal advice sector in the 2020s](#)

¹³ [Child poverty and children entering care in England, 2015–20: a longitudinal ecological study at the local area level - The Lancet Public Health](#)

financial benefits such as reduced poverty risk and improved mental wellbeing¹⁴. One study reported a ROI of £15 to service users per £1 of funder investment, with an average financial gain per participant of £2,689¹⁵.

- Social landlords providing debt advice to tenants in debt arrears recoup £122 per £100 invested, with half of participants avoiding court or eviction¹⁶.
- Unresolved disputes involving small businesses cost the economy an estimated £40 billion annually¹⁷.

32. The Value of Justice for All report¹⁸ demonstrates that the Treasury could save up to £12 billion over ten years by investing in free legal advice. For every £1 spent in 2023, government saved £2.71. With civil court days costing over £3,500, investing in advice also reduces justice system costs.

33. Advising 100,000 clients could lead to 38,900 more people entering the workforce, generating approximately £81 million in income tax and National Insurance contributions¹⁹. Long-term benefits include fewer people in insecure housing, improved health, and reduced benefit reliance.

34. The gap between legal need and service capacity is structural and growing. The Access to Justice Foundation currently provides just under £45million in funding to 119 organisations serving over 260,000 people²⁰ a year. Funded partners report over 40% increased requests for help in five years, with one reporting 119% growth²¹. Drivers include the cost-of-living crisis, stagnant resources, increasingly complex cases, Covid impacts, Universal Credit and benefit cuts, legislative changes, and rising mental health issues.

35. Most people in England and Wales lack access to local legal aid providers in social welfare law: housing, immigration, benefits, education, and community care²². LASPO removed legal aid entitlement for

¹⁴ [Frontiers | Health economics of health justice partnerships: A rapid review of the economic returns to society of promoting access to legal advice](#)

¹⁵ [Impact of co-located welfare advice in healthcare settings: prospective quasi-experimental controlled study | The British Journal of Psychiatry | Cambridge Core](#)

¹⁶ [Does Debt Advice Pay_A Business Case for Social Landlords_Final Report](#)

¹⁷ [The legal needs of small businesses - The Legal Services Board](#)

¹⁸ [The-value-of-justice-for-all-a-report-for-the-Access-to-Justice-Foundation-and-the-Bar-Council-from-Pragmatix-Advisory.pdf](#)

¹⁹ [The-value-of-justice-for-all-a-report-for-the-Access-to-Justice-Foundation-and-the-Bar-Council-from-Pragmatix-Advisory.pdf](#)

²⁰ [Our impact | The Access to Justice Foundation](#)

²¹ Internal funded partner survey, The Access to Justice Foundation, August 2025

²² [Legal aid deserts | The Law Society](#)

approximately 62% of previously eligible people²³. Eligibility fell from 80% in 1980 to around 20% post-LASPO²⁴. Since 2014 there has been a 53% reduction in the number of Law Centres²⁵ and a 37% reduction in the number of firms providing legal aid services²⁶.

36. Free legal advice services have diversified funding streams, utilising public funding (including legal aid), local government, philanthropic funding, and trusts and foundations. Excluding government income, grants account for around 6% of remaining income for specialist providers (24% for law centres, 20% for providers with income under £10 million)²⁷.
37. However, all funding streams have become severely limited. Legal aid spending fell by £728 million in real terms (2012-13 to 2022-23)²⁸. English local authority funding was cut by almost 50% (2010/11 to 2017/18)²⁹, with Welsh local authorities seeing 12% cuts over the same period³⁰.
38. There is a serious funding shortfall for frontline organisations, driven by reduced local authority funding and pressures on statutory budgets. Organisations face closures or significant cuts when discretionary local funding reduces or disappears. This results in heavy reliance on trusts and foundations, with some organisations dependent on grant funding for roughly half their income³¹.
39. The amount of funding awarded to legal advice causes from trusts and foundations in the UK fell dramatically from £818.7million in 2020 to £69.5million in 2025³². Just 39 funders are responsible for 95% of grant funding available and 83% of grants awarded to legal advice charities across the UK³³. Grant funding remains intermittent and short-term, with only 26% of grants to social welfare advice in London running for longer than one year³⁴. Funding often remains designated for specific purposes and projects, restricting organisations' ability to deliver sustainable,

²³ [Access to justice and legal aid : comparative perspectives on unmet legal need : Free Download, Borrow, and Streaming : Internet Archive](#)

²⁴ [Bach Commission Report: The Right to Justice - House of Lords Library](#)

²⁵ [Written questions and answers - Written questions, answers and statements - UK Parliament](#)

²⁶ [Provider Offices Starting Legal aid Work Microsoft Power BI – GOV.UK via Legal aid statistics England and Wales bulletin Jan to Mar 2025 - GOV.UK](#)

²⁷ [Legal advice sector profile report](#)

²⁸ [Government's management of legal aid - NAO press release](#)

²⁹ [LGA Briefing National Audit Office report into the financial sustainability of local authorities | Local Government Association](#)

³⁰ [190418-Austerity-Report-FINAL-1.pdf](#)

³¹ [No-Access-to-Justice-Report-2025.pdf](#)

³² [360Giving GrantNav - Search](#)

³³ [Legal advice sector profile report](#)

³⁴ [2024.11.12_Final Advice Mapping report_LF.pdf](#)

reliable services, address regional gaps, and adequately meet user needs³⁵.

40. Over a 17-month period (March 2022 to July 2023), The Access to Justice Foundation received 560 applications from 350 organisations with funding requests totalling £109million, but funding was only available to make 182 grants totalling just under £42million³⁶. These requests often represent only what is needed to keep services operating at current capacity.
41. Meanwhile, rising costs, complex systems, and policy shifts will continue to create new legal challenges³⁷, meaning even stable services will continue feeling pressure to respond to the increasing volume and complexity of legal problems.
42. While structural, social, and economic challenges remain, demand for legal advice will continue to grow. Sustainable funding is required to maintain service provision, invest in early intervention, and retain skilled staff. Without such investment, unmet legal need will continue to drive avoidable social, economic, and justice system costs.

5. Equalities impact

43. By not expressly ringfencing funding for access to free legal advice and support, a significant opportunity to improve the lives of people with protected characteristics is being lost.
44. Marginalised communities disproportionately experience lack of access to justice and are most in need: people experiencing poverty, those with disabilities, and racial and ethnic minorities³⁸. These are the people least able to pay for specialist legal advice, yet most likely to need it for complex, life-altering issues.
45. Communities accessing free legal advice services include those experiencing poverty (83%), people with disabilities (76%), people with insecure housing (63%), and people who are digitally excluded (45%)³⁹.
46. Directing ILCA funds to increase access to justice for those currently excluded through their protected characteristics would advance equality of opportunity. Free legal advice services target their services towards

³⁵ [Evidence Review: Why restrict grants? - IVAR](#)

³⁶ ['Overwhelmed by the general demand for advice': a picture of the not-for-profit legal advice sector in the 2020s](#)

³⁷ [The Living Standards Outlook 2025 • Resolution Foundation](#)

³⁸ [Ethnicity and Socioeconomic Status as Sources of Vulnerability in the Legal Services Market](#)

³⁹ Internal funded partner survey, The Access to Justice Foundation, August 2025

marginalised communities, expanding their ability to participate in and achieve justice:

- **Identifying and resolving legal issues sooner:** Free legal advice agencies proactively reach out to communities with unmet legal needs through food banks, GP surgeries, schools, and online platforms, frequently leading local service coordination⁴⁰.

Central England Law Centre uses their legal knowledge to activate rights in their communities, forming close partnerships with community-focused services to ensure issues are addressed early. Funding from The Access to Justice Foundation supports their work to ensure over 10,000 people a year are guarded against eviction, protected from unfair dismissal, and helped into safety⁴¹.

- **Directing services to underserved communities:** Free legal advice services deliver services to communities in need as and when required. When the Windrush Compensation Scheme was introduced, free legal advice providers pivoted services and supported claims that generated compensation awards up to 7 times better than those pursuing compensation without legal support⁴².

The Access to Justice Foundation has funded Disability Rights UK, an organisation run by disabled people for disabled people, offering free legal services and working to influence change for stronger rights, improved accessibility, better benefits, and greater economic and social opportunities⁴³.

- **Empowering women and girls affected by abuse:** One in eight women in England and Wales has experienced domestic abuse, sexual assault, or stalking in the last year⁴⁴. Abuse affects the ability to work, financial security, and housing stability⁴⁵. Free legal advice provides vital support to women and girls who have experienced abuse.

⁴⁰ [Publications Library | Coordinated Community Support](#)

⁴¹ [Central England Law Centre](#)

⁴² files.justice.org.uk/wp-content/uploads/2025/06/27165314/Windrush-Compensation-Scheme-Report-2025.pdf

⁴³ [Home Page | Disability Rights UK](#)

⁴⁴ [Home - Office for National Statistics](#)

⁴⁵ [Freedom from Violence and Abuse: a cross-government strategy to build a safer society for women and girls Volume 1 Strategy](#)

The Women's Centre Cornwall empowers women and girls affected by abuse to make informed choices, understand their rights, and rebuild confidence⁴⁶. The Access to Justice Foundation funds their work to train practitioners in early screening of legal issues and establish partnerships with legal firms and advice agencies.

- **Securing at work stability:** Unemployment in England and Wales is running near its highest level in several years and long-term unemployment is rising⁴⁷ weakening household incomes and consumer demand while increasing pressure on public finances and welfare support. Almost all employment law issues are excluded from Legal Aid funding meaning individuals are increasingly forced to represent themselves at employment tribunals leading to potentially unjust outcome, as well as longer proceedings times.

Working Families uses funding from The Access to Justice Foundation to develop advice services for working parents and carers, increasing early intervention through their helpline, online resources, and outreach clinics⁴⁸. Funding also supports the development of self-learning tools to improve accessibility and ensure those facing complex or intersecting issues receive tailored, in-depth guidance.

- 47.** By directing ILCA funds to meet the legal needs of underserved and marginalised communities, the MoJ would create meaningful change by delivering a justice system that works for more people in society.

6. Our Recommendations

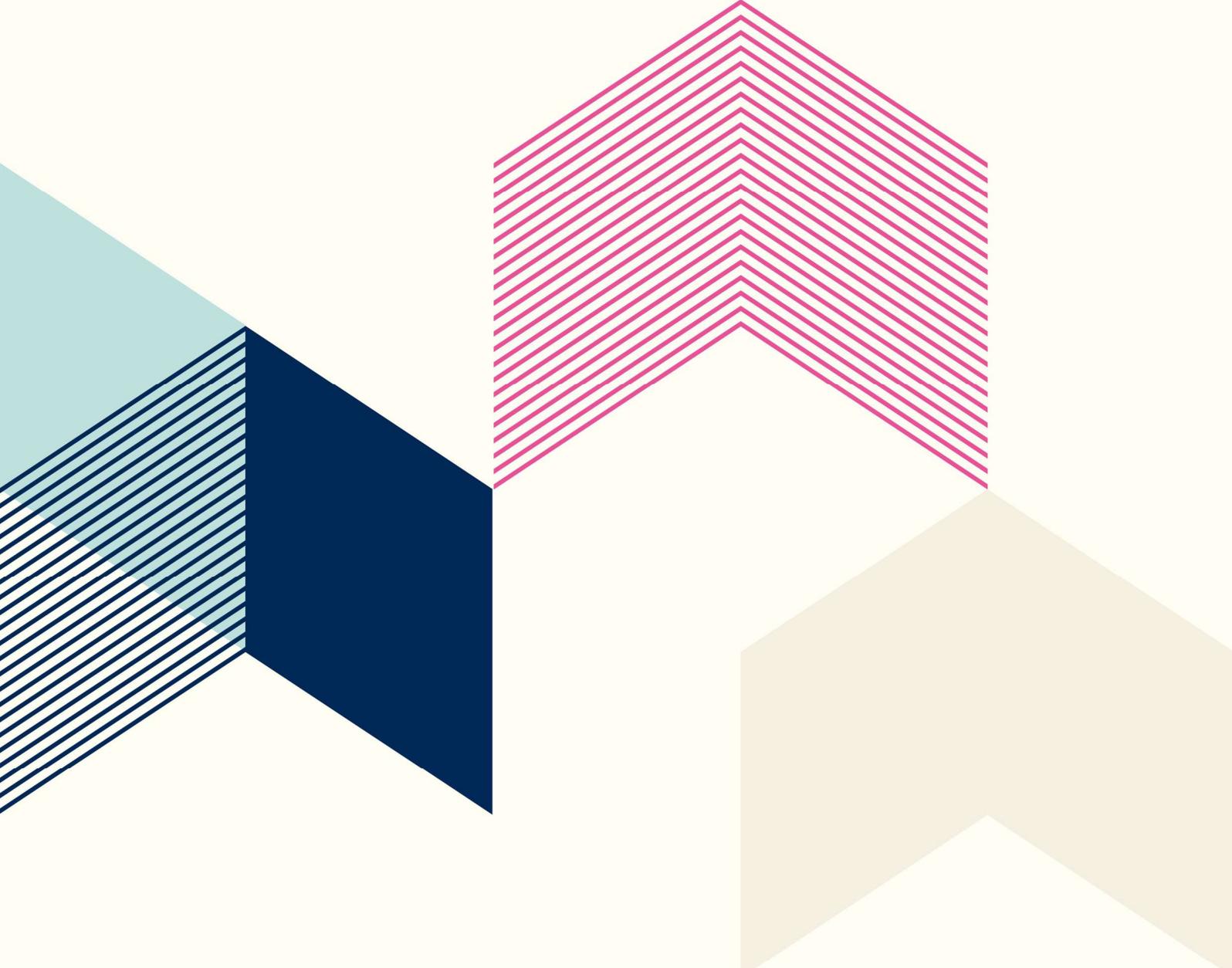
1. To take an evidence led approach and await the outcome of the Additional Funding Model research currently being carried out by the Centre for Socio Legal Studies at Oxford University and to continue to engage with the research team as that work develops.
2. To consider the value and benefit of ringfencing funds from any scheme to fund access to free legal advice and support.

⁴⁶ [The Women's Centre Cornwall](#)

⁴⁷ [Home - Office for National Statistics](#)

⁴⁸ [Working Families - Changing the way we live and work](#)

3. If MoJ do decide to pursue such a scheme, that they consider the Access to Justice Foundation as the vehicle for distributing any funds.
4. MoJ to carry out a more extensive consultation and collaboration with stakeholders who may be impacted by such a scheme (including The Access to Justice Foundation) to explore potential impacts.



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The Access to Justice Foundation is a company limited by guarantee (No. 6714178) and is a charity registered in England and Wales (No. 1126147) and in Scotland (No. SC048584). Its registered office is The Access to Justice Foundation, 7 Bell Yard London WC2A 2JR