

AdviceUK submission to Ministry of Justice consultation on the Interest on Lawyers' Client Accounts Scheme

March 2026

1. Advice UK is the membership body for the independent advice sector in England, Wales, and Scotland. Our network of almost 700 independent advice services supports millions each year with welfare benefits, debt, housing, immigration, and where available, specialist legal advice.
2. The advice sector is a crucial part of our public services infrastructure. Access to early, high-quality advice prevents crises from developing and saves money in the long term. It can help avoid people becoming homeless, losing benefits they are entitled to, or falling into poverty. It can help to settle disputes early, avoiding pressure in the courts and tribunals. Independent modelling commissioned by the Access to Justice Foundation (ATJF) has shown that every £1 invested in free, specialist advice saves £2.71 in public costs.
3. Increasingly, advice is expected to underpin flagship government policies. New Neighbourhood Health Centres are expected to integrate debt and money advice with NHS services. Best Start family hubs will give parents and carers access to advice on areas such as housing, alongside family support. These policies will only be successful if there is a thriving, well-resourced advice sector to facilitate them.
4. However, the advice sector is in crisis. Demand has risen sharply: in 2024, 90 percent of agencies reported higher caseloads; over half were not confident they could meet demand; nearly two-thirds anticipated cutting services within a year without new funding; and 88 percent reported difficulties recruiting or retaining advisers. Only 11 percent were extremely confident they could continue operating beyond the next year.
5. Our 2025 Member Survey showed that funding is the biggest challenge facing the advice sector. Agencies report that funding is fragmented, short-term, and often doesn't cover core costs. Members reported that charitable trusts and foundations are now their single biggest source of funding, far above national or local government. If the advice sector is going to be able to continue its vital work, it is essential that government and the sector work together to unlock new sources of funding which can support sustainable growth and development and enable advice agencies to meet the demand of their clients.
6. To give examples from our members, Nishkam Civic Association, based in

Birmingham, reports that in the city, demand for advice far outstrips provision, with waiting times so long that many people give up seeking help until crisis point. To cope, Nishkam has reduced their service remit to within one mile of the centre, being forced to turn vulnerable people away despite clear need. Cuts in funding, staff shortages, language barriers, digital exclusion, and increasingly complex cases have all reduced capacity, shifting services from prevention to crisis response.

7. Another member, Island Advice Centre, who work in London, highlight similar pressures; noting a 20 percent cut in local authority funding alongside the closure of other grant streams. They stress that early, high-quality advice prevents escalation into courts and tribunals by addressing intertwined issues such as welfare benefits, housing, and debt, while lack of advice leaves people at risk of poverty, bailiff action, homelessness, and disconnection from essential services.
8. Agnes Smith Advice Centre in Oxford has also highlighted that demand exceeds supply in its area, with all advice services overstretched. Key barriers include insufficient funding to sustain service delivery, a shortage of trained and experienced staff, and limited premises to accommodate growing need.
9. The potential funding generated through an Interest on Lawyers' Client Accounts (ILCA) scheme represents a significant opportunity for the sector. In the coming years, it could provide millions of pounds in much-needed resources for organisations delivering life-changing support and legal advice, as similar schemes do in many other countries, where funds are ringfenced to provide access to justice.
10. Without this additional and diversified funding stream, the sector will continue to face acute financial pressures. This risks undermining the effectiveness of many government interventions. These interventions rely, implicitly or explicitly, on people knowing their rights, the available support, and the law to resolve their challenges. When investment in advice services is lacking, people cannot address issues early and easily. As a result, problems compound and escalate unnecessarily to courts and tribunals.
11. We urge the Ministry of Justice to ringfence ILCA funds for free legal advice. This area delivers the greatest impact on people's lives and advances the Government's and the MOJ's wider policy objectives most effectively. We and our members can only support the introduction of an ILCA scheme if all, of the funds are ringfenced to provide access to justice for those in need.
12. In line with most international models, we think ILCA funds should be distributed through independent charitable organisations with strong links to frontline delivery organisations, rather than being distributed by central

government. This approach would help promote longer-term grant-making, which is essential to the sustainability and stability of the free legal advice sector and remains a key constraint on its viability. It would also help insulate funding for free legal advice from the uncertainties created by political cycles, reducing the instability that advice services too often experience and enabling organisations to plan, invest, and deliver services more effectively over the long term.

13. Our response focuses on the proposed use of the funds.

Question 5

We propose that the scheme retains a higher proportion of interest generated on pooled client accounts (75–100 percent), and a lower rate of 50 percent of interest on individual client accounts. Do you have any comments on these rates?

We believe that the maximum possible proportion of interest generated should be retained by the scheme, reflecting the acute and growing need within the free legal advice sector. The funding created through this mechanism has the potential to be transformative, not only in strengthening the capacity and sustainability of frontline advice services, but also in preventing problems from escalating into more complex and costly matters within the MOJ's remit, including to courts and tribunals.

Question 24

24. Does your firm conduct legal aid work?

At AdviceUK, we support access to justice with 81 members engaged in legal aid work. But access to justice begins with the wider advice sector, not just legal aid. Most people do not see their issues as strictly legal. Instead, they experience debt, housing insecurity, or family crises and seek help from advice agencies that may not provide legal advice. Our members are often the first contact for people seeking justice, guiding or referring them to the right support. True access to justice means connecting people to all the support they need, not just legal aid. The funding distributed under an ILCA scheme should be ringfenced and distributed to organisations delivering broad legal advice on a range of issues.

Question 25.b

Would the proposed scheme impact your provision of legal aid services, and to what extent?

As currently proposed, the scheme would not deliver the full positive impact on the provision of legal advice by our members that could be achieved if the funds were ringfenced and distributed through charitable organisations with strong links to frontline delivery.

If the scheme were redesigned on this basis, our members would be significantly better placed to meet rising demand and sustain service delivery, thereby reducing the number of cases that unnecessarily escalate to courts and tribunals. It would also provide greater financial stability for these organisations, enabling longer-term planning and investment in capacity.

Question 28

We propose that the Ministry of Justice initially administers the scheme. Do you think there is a more suitable organisation to take on this role in future, and why?

Yes, we think ILCA funds should be distributed through independent charitable organisations with strong links to frontline delivery organisations, rather than directly by the MOJ. This approach would help promote longer-term grant-making, which is essential to the sustainability and stability of the free legal advice sector and remains a key constraint on its viability. It would also help insulate funding for free legal advice from the uncertainties created by political cycles, reducing the instability that advice services too often experience, and enabling organisations to plan, invest, and deliver services more effectively over the long term.