Architects Registration Board

Managing Finances Appropriately

Supporting guidance for the Architects Code of Conduct and Practice

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Introduction

The Architects Registration Board (ARB) has developed this guidance to support architects in complying with their professional obligations under the Architects Code of Conduct. Under Standard 4 of the Code (Professional practice) all architects must carry out their work effectively, exercising skill and diligence.

The Code explains that architects will meet this Standard when they manage their professional finances properly, and this guidance sets out the key expectations and practical steps architects should take to meet their professional obligations in relation to financial management.

This guidance is not mandatory, but any architect departing from it must be prepared to justify why they did so, after using their professional judgment.

This guidance does not restate that law or seek to provide financial advice. Architects should seek advice from financial and legal professionals where required.

Handling client money

Architects are not prohibited from handling client money, but doing so carries legal, regulatory and reputational risks. Architects should carefully consider whether they need to do so and, if they do, ensure that it is managed transparently, lawfully, and in the client's best interests.

Client money should be held separately and distinguished clearly from business or personal funds. It should be used only for the purpose agreed with the client in writing, and any unused money must be returned to the client. Accurate written records and receipts should be maintained.

Architects who choose to hold client money should seek appropriate professional advice — for example, from an accountant or solicitor — to ensure they meet all relevant obligations, including those related to financial regulation, taxation and anti-money laundering procedures. In some circumstances, handling client money may fall within the scope of regulated financial activity and require compliance with specific legal frameworks, including those overseen by the Financial Conduct Authority (FCA). It is an architect's responsibility to understand and comply with such requirements.

Managing insolvency risks

Financial instability and insolvency represent important risks to architects and their clients. Fluctuations in the economic climate can leave architects' practices particularly vulnerable to insolvency, but there are steps architects can take to mitigate those risks.

Whether or not they are primarily liable for the financial management of the practice, architects have a professional responsibility to ensure that the practice meets its responsibilities towards clients and HM Revenue & Customs.

Architects should remain vigilant for warning signs about the financial health of their practice. Unpaid fees, loss of clients, rising debts, a failure to pay or receive wages or the inability to meet tax obligations should lead architects to consider whether professional financial advice is necessary. Seeking early advice will reduce the risk of insolvency.

Example: Facing cashflow problems, an architect seeks early advice, restructures payments, and maintains service to clients without abandoning projects.

If a practice goes into liquidation or administration, then any architect acting as a director should notify ARB of the circumstances which led to the insolvency within 28 days. They should also contact existing or previous clients affected, to provide them with the necessary information. The contact should be made through the insolvency practitioner, whom the director should personally inform of the need to fulfil this requirement.

A director of a practice must work with the insolvency practitioner to comply with legal requirements. Continuing to trade while insolvent, or failing to minimise losses to creditors, can amount to wrongful trading and may lead to personal liability.

Becoming insolvent or facing financial difficulties will not in themselves result in disciplinary action. Regulatory action will be taken by ARB only where there is evidence that an architect has acted without integrity, or with a wilful disregard of their financial responsibilities.

Responsibilities as a company director

An architect acting as the director of a company should understand their duties before undertaking the role. These responsibilities include (but are not limited to):

- acting in the company's best interests and prioritising creditors if insolvent
- avoiding conflicts of interest (see separate guidance note '*Managing Conflicts of Interest*')
- ensuring that company accounts and returns are accurate and up to date
- ensuring that the company complies with its tax, employment and regulatory

Additional resources

Being a company director

The Insolvency Service

Directors' duties upon insolvency

Money Laundering Regulations risk-assessment

Architects can contact ARB for advice on meeting professional standards professionalstandards@arb.org.uk