



INTERIOR DESIGNERS – PITFALLS OF HOLDING CLIENT MONIES !

BACKGROUND

- Our experience is that many of our Interior Design clients have, at some point, been provided with additional '**monies**' on account from a Client for the purpose of buying FF&E on a project.
- This brings some practical problems for 'start up' or inexperienced Interior designers i.e.
 - **HOW BEST** to handle these monies correctly, and
 - **HOW** to ensure that the right amount is returned to the Client at the end of the project
- There are also some positive outcomes to having these additional FF&E '**client monies**' on hand
 1. there are handling or management fees that can be charged for managing the purchase of FF&E on behalf of the Client i.e. this is an additional 'service' for Clients !
 2. there are already monies available to immediately pay for any invoiced fees i.e. NO bad debts
- However it is absolutely critical (from an accounting perspective) that **ALL** of the transactions related to the handling (or management) of '**client monies**' are properly managed in Quickbooks or Xero e.g.
 - there needs to be a record of the monies being '**paid in**' and '**paid out**' of the bank account for each Client – **the monies are in a business bank account so need to be properly recorded !**
 - it needs to be absolutely clear whether the monies being spent for FF&E in this way are VATable (or not) – **see Agent or Principal arrangements**
 - there needs to be a record of the '**unspent**' monies that remain '**owing**' monies to Clients – **which ensures each Client knows how much remains 'on account' for them OR that remaining monies can be repaid !**

AVOID THE PITFALLS !

- In order to avoid the '**pitfalls**' - our 'practical' suggestions for our Interior Designer clients include the following:
 1. putting these monies into a separately denominated '**Client**' bank account, or separate bank account(s) where more than one Client
 2. move funds into the main business account to '**pay**' for each FF&E purchase
 3. move funds into the main business account to '**pay**' for your own Design, FF&E handling and other fees etc.
 4. move any further new monies from the client into the specific '**Client**' bank account
 5. identify the transactions by Client to ensure that an ongoing balance of amounts '**owing**' to each Client can be clearly maintained



- Some other, mainly practical, suggestions to avoid problems or disputes at a later date with Clients, HMRC (or with us over the accounting) include
 - AVOID **'mixing'** general amounts of **'client monies'** with YOUR own business MONIES
 - AVOID making payments from your own MONIES & being 'OUT OF POCKET' – when you already have monies **'on account'** for the Client
 - AVOID DISPUTES with clients through a lack of CLARITY on amounts **'owing'** to them at any point in time
 - AVOID delaying payment of your own invoices for your services i.e. ensure you are paid immediately from the monies **'on account'**

If you are about to manage some 'client monies' on behalf of a Client for the purpose of FF&E purchases, or you already have 'client monies' and are struggling to keep up to date with managing this activity – then feel free to contact the SAKURA Team for more assistance and support !

Contact us on 0207 952 1230 or at damian@sakurabusiness.co.uk