QLD LEGAL FINANCE

QUICK ANSWER · TRUST ACCOUNTING

Dormant trust balances — *when does an old balance become a problem?*

Why balances go stale, what the twelve-month mark actually triggers, and the statutory return that falls due on 1 June.

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A trust balance does not become acceptable merely because nothing has happened to it.

Queensland Law Society describes dormant balances as funds held in trust where the balance has not changed for more than 12 months. QLS encourages practices to review those balances regularly and take appropriate steps to disburse them.

The issue is not simply age. It is whether the practice can explain why the money is still held, who is entitled to it, what action remains outstanding and whether the delay is still justifiable.

> **QLF PERSPECTIVE**
> Dormant balances are a management exception. A balance should not remain in trust simply because nobody has taken ownership of the next step.

1. Treat 12 months as a review trigger

QLS identifies a balance as dormant where there has been no change for more than 12 months.

That does not mean the money suddenly becomes non-compliant on day 366 — but twelve months is not merely a review trigger. It is the period in section 713 of the Act, so a balance held for someone the practice cannot find, which has passed twelve months at 1 April, may already sit inside the statutory timetable set out below. It means the practice should be able to explain why the balance remains, what is being done about it, and whether a return is now due.

> **GOOD CONTROL**
> Run a dormant or stagnant-balance report regularly rather than waiting for the annual external examination.

2. Start with entitlement, not age

For each dormant balance, establish:

- who the money is held for;
- what matter it relates to;
- why the money was originally received;
- whether the matter is still open;
- whether the original purpose remains relevant;
- whether the beneficiary can be contacted;
- what event is preventing payment or distribution.

> **DIRECTOR QUESTION**
> If this balance is still here next month, what is the reason?

3. Do not confuse an open matter with a justified balance

A matter can remain open for legitimate reasons while the trust balance itself no longer needs to be held.

The relevant question is whether the money is still required for the purpose for which it was received.

If that purpose has fallen away or the matter has concluded, the balance should be reviewed promptly for payment or other appropriate treatment.

> **RED FLAG**
> The matter is still open, so nobody has asked whether the trust money is still required.

4. Small balances deserve the same ownership as large ones

Small residual balances are easy to ignore because they do not look material individually.

Operationally, that can create a long tail of old client money across the trust ledger.

QLS notes that available trust money should be accounted to the rightful beneficiary with as little delay as possible. Small balances representing overpayments, unused filing fees, stamp duty, registration fees or similar amounts should not be left indefinitely.

> **QLF PERSPECTIVE**
> A $35 balance can be harder to resolve after three years than a $35,000 balance after three weeks.

5. Give every dormant balance an owner and next action

A dormant-balance report becomes useful only when it drives action.

For each item, record:

- client and matter;
- amount;
- date of last trust movement;
- reason still held;
- person responsible;
- last action taken;
- next action;
- target review or resolution date.

> **RED FLAG**
> The same dormant balance appears on every report with no change in commentary.

6. Escalate balances where entitlement is unclear

Sometimes the difficulty is not locating the client. It is determining who is legally entitled to the money.

In those cases, the finance function should keep the item visible and provide the factual accounting history, but the legal practice should determine the appropriate legal treatment.

> **GOOD CONTROL**
> Separate the accounting question — 'what do the records show?' — from the legal question — 'who is entitled to the money?'

7. Do not let dormant balances become invisible during system changes or staff turnover

Old balances are particularly vulnerable when:

- the matter owner leaves;
- files are archived;
- the practice changes trust software;
- responsibility moves between finance staff;
- historical notes sit only in email.

Dormant balances should therefore remain part of the practice's formal exception reporting rather than relying on someone remembering the history.

> **QLF PERSPECTIVE**
> A balance should outlive staff memory only if the record itself explains what is happening.

The endpoint: the return to the Public Trustee

There is a statutory destination for trust money the practice cannot return, and it carries dates rather than judgement. Under section 258(1)(c) and section 713 of the Act, if on **1 April** in any year the practice holds trust money for a person who has been absolutely entitled to it for the preceding twelve months and who is not known to, or cannot be found by, the practice — or where the practice has been unable for two years to determine who is entitled and considers proceedings would be needed to decide it — the practice must lodge a return with the Public Trustee by **1 June** in that year.

The return is signed by a principal or legal practitioner director and sets out the money held, the person it is held for, any lien the practice claims and why it is still held. The maximum penalty is 50 penalty units. The Public Trustee may apply to the Supreme Court for a transfer order, and money transferred goes to the unclaimed moneys fund under the *Public Trustee Act 1978*.

TWO DATES, NOT ONE

The test is applied at 1 April; the return is due by 1 June. A balance that has been unreturnable for a year is not merely untidy — it may already sit inside a statutory timetable that closes in the same weeks as the external examination.

The dormant-balance review

STEP	REVIEW
☐ 1. Identify	Run the dormant/stagnant-balance report
☐ 2. Confirm	Verify the amount, matter and last transaction date
☐ 3. Explain	Record why the money is still held
☐ 4. Allocate ownership	Name the person responsible for resolving it
☐ 5. Act	Contact the beneficiary, resolve the matter issue or obtain legal direction
☐ 6. Escalate	Raise unclear entitlement or other legal issues promptly
☐ 7. Close	Pay, transfer or otherwise deal with the money appropriately and retain the record

What should the principal see?

Dormant balances should appear as a concise exception report rather than a raw ledger dump.

- amount;
- age;
- reason still held;
- last action;
- next action;
- owner;
- target date.

DIRECTOR QUESTION

Which dormant balance has been unchanged the longest, and what is the concrete next step to resolve it?

Where QLD Legal Finance fits

QLD Legal Finance can produce and maintain dormant-balance reports, trace the accounting history, identify unresolved items, record follow-up activity and keep old balances visible through the monthly trust-control process.

Where entitlement or legal treatment is uncertain, the decision remains with the law practice.

The objective is that no trust balance becomes old simply because it has become familiar.

Important information

This guide is general information only and is not legal advice.

Law practices should refer to the Legal Profession Act 2007 (Qld), the Legal Profession Regulation 2017 (Qld) and current Queensland Law Society guidance when reviewing dormant trust balances and determining how trust money should be dealt with.

Queensland Law Society currently describes dormant balances as trust balances that have not changed for more than 12 months.

The review sequence in this guide is a QLD Legal Finance operational control framework. It is not a separate statutory checklist issued by Queensland Law Society.

Where the beneficiary cannot be located or legal entitlement to the money is uncertain, appropriate legal or Queensland Law Society guidance should be obtained.

QLD Legal Finance supports Queensland law practices with trust accounting, financial control and advisory services. It is not affiliated with or endorsed by Queensland Law Society.

Source basis

Prepared by reference to Queensland Law Society, Trust Accounting Guide — Trust Money and Trust Accounts, Version 12, April 2024, including the section dealing with dormant trust balances.

WHERE THIS CAME FROM

This guide is part of the QLD Legal Finance resource library — practical material written for the people who run Queensland law practices, not for other accountants. If something here raises a question about your own firm, write to **enquiries@qldlf.com.au** or call **07 3261 2833**. A director will answer personally.

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