

Boost the Bottom Line

Accepting Credit and Debit Cards Pays Dividends for Law Firms

BY AMY PORTER

The ongoing recession has all law firms concerned about their fiscal health – and legal administrators worldwide are looking for ways to boost their firms' bottom lines. Fortunately, one simple process is guaranteed to make you and your firms more successful by attracting clients, increasing cash flow, and reducing collection efforts.

Credit and debit card acceptance is an essential practice management tool that is often overlooked as a means to increase revenue. Today, many clients and prospective clients prefer the convenience of paying with credit or debit cards as opposed to checks. Why turn away a prospective client who wants to use your law firm's services and has the means to pay promptly?

CASH FLOW 101

Once considered taboo, acceptance of credit cards for payment is allowing a growing number of law firms to benefit from immediate cash flow and to eliminate "the check is in the mail" syndrome. Clients turn to your firm for help with legal matters. However, it's not your firm's responsibility to extend credit to clients, and that is exactly what happens every time an invoice goes unpaid. Let MasterCard and Visa manage your clients' credit lines and worry about collections, while you save your time and energy for operating, managing, and growing the firm's practice.

PAYMENT PRE-AUTHORIZATIONS

Avoid the hassle of chasing down delinquent payments by providing a credit pre-authorization form with all letters of engagement. Several types of pre-authorization forms exist for accepting clients' credit or debit card payments. One option is for a payment plan or recurring charge billed to the client's credit or debit card for a set amount on a weekly or monthly basis. You can also arrange to automatically bill any past due balance over 30, 60, or 90 days to the client's credit card on file.

One California law firm reduced its outstanding collections from 25 percent to less than 5 percent when it began including a pre-authorization form with all new paperwork that went into the client file and a credit authorization form with each invoice giving the firm permission to charge the client's credit card on record.

Similar to the pre-authorization form, a credit authorization form gives your law firm permission to charge a client's credit or debit card for a certain amount. Avoid late and no-pay pay clients entirely by including a credit card authorization with all invoices.



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Even a small change such as adding the option to enter a credit card number and signature on your current invoices will help to reduce late payments.

PAYMENT INCENTIVES

Many firms offer incentives for timely payments and benefit from substantially reduced collections files. For example, a 15 attorney firm in Austin, Texas, offers 10 percent discounts to clients who pay within 10 days of receiving their invoices. The thought process is simple: The firm would rather have 90 percent of its money in 10 days than 100 percent in 60, 90, or even 120 days. What matters most is that the cash flows into firm in a timely manner so that all of the firm's bills – including staff salaries – are paid on time.

Similarly, a firm in Oklahoma City offers 25 percent discounts when clients pay within 10 days. The law firm adjusted its budgets to accommodate such large discounts and made sure to keep its pricing competitive. The method is clearly a powerful incentive; in fact, many of the firm's clients now insist on paying their bills right away.

In both of the aforementioned situations, the ability to accept credit cards creates an efficient way to implement and streamline these programs.

WEB SITES AS PAYMENT CENTERS

Law firms should consider adding payment portals to their Web sites. By simply adding a "Pay Bill" link, your firm can offer clients a convenient and fast way for them to pay you at any time.

One firm in Montana added a "Pay Bill" link to its Web site. In subsequent invoices and letters, the firm communicated to clients that they could go online at any time and simply click a button to pay for their legal services immediately. The firm also includes a link in a monthly e-mail to each client.

The cost of adding a payment center to a Web site is minimal, and compared to the costs incurred to utilize a third-party billing provider or collections agency it is a veritable bargain. (To see an example of a simple yet successful bill payment link, visit www.teaselaw.com.)

PROCEED WITH CAUTION

If your firm is considering or is already taking advantage of credit card payment options, ensure you have the proper procedures in place to handle such transactions. This includes compliance with trust account guidelines, proper documentation for chargeback prevention, and basic security procedures to protect cardholder information.

One of the most common concerns with credit card acceptance is the risk of a chargeback, which occurs when the cardholder files a dispute with his or her credit card issuing bank. To successfully defend an unfounded dispute, your law firm must prove two things: that the work was performed and that the client gave his or her permission to charge the credit card to pay for that work.

Proving that your law firm's services were provided is often the easiest part. Clearly documenting and tracking every minute of work performed is a standard part of performing the business of law.

Surprisingly, where law firms often fall short is in obtaining a client signature for a credit card transaction. One large law firm was recently involved in a \$25,000 chargeback case. The firm's leaders believed the chargeback was initiated simply because the client was unhappy with the outcome of the case. The firm quickly produced documentation that legal services were provided and that the work was performed. However, it lost the chargeback dispute because a signature

authorizing the firm to charge the credit card was never obtained.

The engagement letter was agreed to, and the fee arrangement was in place. In fact every important piece of paper was signed *except* for the credit authorization form that specifically states the firm could charge the client's credit card. If the firm had been able to show the bank a legitimate authorization, it could have easily won the chargeback case.

CARDHOLDER SECURITY

In addition to documentation, you must have a procedure in place to handle and store client credit card information. All card information should be kept under lock and key, with access provided to authorized staff members only. Card information should never be shared electronically, including via e-mail.

Common sense should dictate when client information may be at risk. You should give credit card data the same level of confidentiality

afforded to other sensitive client information. (For more detail on card security, visit the PCI Security Standards Council Web site at www.pcisecuritystandards.org.)

THE BOTTOM LINE

Incorporating credit card acceptance into your law firm's payment process enables clients to pay their bills promptly and frees your firm from much of the responsibility of collections. The beneficial results include increased cash flow and reduced receivables. Let Visa and MasterCard focus on collecting payments, while you and your staff focus on the business of running the firm. ✱

about the author

Amy Porter is the Founder and Chief Executive Officer of Affiniscape Merchant Solutions, the exclusive provider of the Law Firm Merchant Account, professional payment solution for attorneys and their clients. For more information, visit www.LawFirmMerchantAccount.com.

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