

centerbase.com

Centerbase CloudBased Law Firm Management & Growth Platform

Online Client Payments: A Law Firm's Guide to Compliance

Kyle Ostrowski · Friday, April 14th, 2023

Almost [nine in ten Americans use some form of digital payment](#). It's no wonder, then, that law firm clients expect to be able to make payments online. Not only does this make handling bills easier and faster for your clients, but it's also good for your law firm's cash flow. Online payments close the gap between the time a client is billed to when that client makes good on payment.

In this article, we'll cover how your law firm can accept online payments while remaining compliant with applicable law and ethical guidelines. We'll also note some of the best features to look for in your payment solution software.

Do clients expect online payment options?

Yes! Clients expect law firms to deliver a memorable [client experience](#), which includes making payments quick and easy by offering a variety of [payment options](#). Clients want the flexibility of making payments via credit cards, e-checks, and digital transfer services like ACH. In fact, [a recent study found that 40% of clients would never hire a lawyer who didn't take credit or debit cards](#).

This variety of payment options is also good for your firm and its bottom line. By offering several convenient payment methods, law firms incentivize their clients to pay invoices faster and completely. When you expand your firm's acceptable methods of payment, you'll likely find that you spend less time waiting for checks in the mail, less time hounding clients for late payments, and more time on billable work.

Is accepting online payments complicated?

Accepting online payments isn't complicated, but it does require planning and a little help from technology. It's not inherently risky for your law firm to accept online payment. Nearly every jurisdiction in the United States has given the green light for law firms to accept credit card

payments for legal fees and expenses. But, as with all [legal fees](#), your firm must comply with applicable legal requirements and ethical responsibilities.

In broad strokes, your firm must comply with the rules requiring the separation of client and third-party funds from your law firm's operating funds. What is the best way to do this? Use [payment software developed for attorneys with this exact ethical issue in mind](#). Without it, your firm might not be compliant.

While your law firm accepting online payment isn't dicey, using a non-legal payment solution is. These software options often fail to properly handle law firm transactions according to the trust accounting principle noted above as well as [Interest on Lawyers' Trust Accounts \(IOLTA\) guidelines](#). The result can be noncompliance, which is bad for everyone — including your law firm's reputation. The right technology ensures that your law firm has separate operating and trust accounts and ensures that processing fees are deducted from your operating account only.

If you set yourself up correctly, your firm will never have to worry about an inadvertent ethics violation and can focus on delivering exceptional client work.

What makes online payments compliant or noncompliant? What can I do in my firm to ensure compliance?

With the various rules and regulations regarding legal payment, fee collection comes with a host of unique considerations, especially when accepting credit card payments. The right legal payment processing platform will do the behind-the-scenes work for your law firm, ensuring that all online payments accepted comply with the ABA Model Rules of Professional Conduct and IOLTA guidelines.

When picking a payment solution, we recommend looking for the following four features to ensure compliance and improve ease of use.

1. Manage multiple trusts/retainers under a single matter

Not only do clients expect to be able to pay online, but they also expect that your firm will manage their multiple trusts and retainers. Rather than falling short of their expectations, with [the proper tools](#), you can easily manage multiple trusts and retainers under one or many matters and even track them at the client level.

By having the power to track both your firm and client finances in one central place, you can keep an eye on money moving in and out of your firm with complete faith in your firm's compliance.

2. Separate earned revenue and unearned revenue

Under most state laws, law firms must keep earned revenue and unearned revenue separate. The right payment tool recognizes when payment revenue is unearned (that is, applied to a trust replenishment) and when it is earned (applied to a billing entry) and deposits it accordingly.

You need a [legal technology platform](#) that can take an invoice payment and split it between two accounts, keeping your firm in compliance, saving your accounting team time, avoiding mistakes, and raising your collection realization rate. Avoid tools that require you to have either a [trust account](#) or an operating account and then require a bookkeeper to determine whether and how to apply and move the funds. That's asking for human error and compliance woes.

3. Easily manage your IOLTA accounts

You need an efficient way to track multiple IOLTA accounts. With a robust legal platform, you can automatically assign accounts for each client trust so that you can track the flow of money, giving you visibility into where your firm and trust money meet at all times.

4. Apply available funds to pay off client bills automatically

Instead of waiting for that check to arrive in the mail, you can sweep through accounts to find matters with accounts receivable balances and available funds. With this information, your firm can quickly create bill payments and then write checks from your IOLTA account to an operating account. This way, you're always efficiently applying your client's money (and making them happy).

This entry was posted on Friday, April 14th, 2023 at 7:12 pm and is filed under [Compliance & Security](#). You can follow any responses to this entry through the [Comments \(RSS\)](#) feed. Both comments and pings are currently closed.