

The “Art” of Getting Paid:

What is Your Law Firm’s Collection Rate?

By: Claude E. Ducloux, Esq.

After logging many long and hard hours on a client’s case, it is now time to get paid for the work! However, statistics show that many attorneys struggle with collections. If billing is the lifeblood of the practice, consider these tips to improve the firm’s collection rate.

Business and professional practices expect that some percentage of their billed services will not be paid. Any lawyer who says, “I have a collection rate of 100%” is either lying, or simply works for his mom. Businesses actually accommodate for “bad debt” in annual budgeting. From my experience in serving on corporate boards, I often see a figure of 5%-10% as an expected range of lost earnings. Knowing this, I often review my own year-end billings. Fortunately, despite a diverse practice, I have been able to maintain a 97% collection rate. However, in order to achieve and maintain this percentage, I have had to learn a few hard and important lessons along the way.

Let’s start with the basic premise. There are two important questions a lawyer should ask themselves:

1. How can I ensure that all or most of my bills get paid?
2. What behaviors, habits, skills and processes will maximize my collections?

Historical ways in which lawyers try to maximize collections have included demanding “cash up front” in flat-fee situations, getting a huge retainer sufficient to cover the expected bill, and restricting a practice to predictable clients or controllable tasks. Unfortunately, these restrictive methods, as well as using obsolete or rigid billing practices, can be contrary to a growth-oriented private practice. They can also result in diverting good, prospective clients to firms which provide more payment options and flexibility. So what can a law firm do to improve the firm’s collection rate?

Interviewing the client: Few lawyers are ever trained to carefully, thoughtfully, and intelligently listen to the client. A thorough interview should result in reasonable

expectations by both the client AND the lawyer, using these steps:

1. Determine if the client’s needs and expectations can ever be realistically satisfied.
2. If so, give the client a roadmap of what the most important next step will be, and the decisions which may arise thereafter.
3. Ensure that the client understands the cost, and the law firm’s expectation of payment. This includes discussing frankly how the client plans to pay and whether the client can afford the firm’s services.
4. The lawyer should exercise his/her own good judgment as to whether this client is credible and a good risk. (Sadly, it is hard to teach this. But if the client’s stories do not make sense, and the lawyer is not the first attorney to attempt to help this person, alarm bells should be ringing.)

When the interview ends, and the engagement letter is signed, both sides should be comfortable and confident in the integrity of the other party. Now, the lawyer and the client are a team.

Communication during the case: Vigorously updating the client throughout the life of the case, and controlling the narrative of events as they progress, is crucial. One of the biggest complaints made against lawyers is “my lawyer won’t return my call.” Failure to communicate properly can not only get a lawyer in trouble with the bar, but can affect the client’s willingness to pay the legal bill. Instill client confidence, while upholding the duty to communicate, by sending frequent, even if short, messages and updates to the client.



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Effective Billing:

1. Carefully craft the bill itself. Use words and explanations that the client can understand. Keep in mind that billing for frivolous things like office supplies can make clients angry, offended, and more likely not to pay the bill on time.
2. Save time entries daily. If a good and basic daily billing system is in place, it should not take a lawyer more than 5 minutes per day to complete. Get into a good habit of saving time entries on a daily basis so that nothing is mistakenly left off of a legal bill.
3. Have a fixed billing schedule. All too often clients complain of receiving bills 90 days or more after the work was completed. That delay astronomically increases the client’s reticence to pay the bill. It can send the message: “If you can go 90 days without billing me, clearly you don’t need the money.” So, in order to communicate to the client that prompt payment is expected, get the bill out timely. A recommended best practice is to send out the bill on the first business day of every month. The previous month’s activities will be recalled more readily by the client so they will be more likely to pay it.
4. Make it easy to get paid! Nothing has supercharged my own collections more than providing the client the hyperlink and opportunity to pay immediately with a credit card. This is especially helpful to small firms that may need this professional capability.

There is an “art” to getting paid and these tips can help save a lawyer from the undesirable task of chasing outstanding bills. With proper client screening, open communication and effective billing practices in place, a firm can achieve and maintain an enviable collection rate.

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