Why Your Law Firm Needs an Online Payment System

What to Know Before Implementing One

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Advances in payment technology have given consumers and businesses more options than ever when it comes to making and accepting payments. As a result, consumers have come to expect the convenience of having more options across all types of business transactions, including paying for professional services. It’s not just clients that have shifted their behaviors, however. More and more, law firms are adopting better technology to meet increasing client expectations.

Many law firms will physically swipe credit cards in their offices, but simply accepting credit cards in your firm is no longer enough to meet the demands of your clients. Consumers today are used to having everything they could want at their fingertips—search engines, on-demand television and movies, and yes, the ability to view and pay their bills remotely from any electronic device.

According to a recent study conducted by Fiserv, a global financial technology company, the speed and security of payment options are key factors that drive consumer decision-making, and satisfaction is a key outcome of having these needs met.¹

The benefits aren’t all one-sided. By implementing electronic payment systems, law firms stand to gain in terms of efficiency and increased cash flow. It’s worth noting, however, that law firms operate within very strict legal industry rules and regulations, and not all payment solutions will be suitable for firms in every jurisdiction.

In this guide, we’ll look at:

- How expectations have changed among clients.
- How electronic payments can help benefit law firms.
- What challenges firms should be aware of.

An increase in online services across all industries and sectors has shaped consumer expectations and behaviors. According to the Bank of America, in 2016, 62% of Americans did most of their banking online, up from 51% in 2015. Americans aged 35–49 (70%) and 18–34 (68%) are also more likely to use mobile and online banking.

What does this mean for you and your firm? If you don’t update your billing and payment practices to meet these expectations, you risk losing potential clients (and maybe even your existing ones) to attorneys who can.

**Speed**

We live in an age where your clients are thinking of money in real-time terms. Few consumers take the time to actually sit down and reconcile their checking accounts—favoring instead up-to-date records that they can access instantly from their smartphone. It’s easy for them to forget about checks that haven’t been processed, which can cause overdrafts or even compromise their ability to pay you. In other words, if a client owes you a retainer of $1,000, they don’t want to pay you that money only to have it sit in their bank account for days, if not weeks, waiting for you to cash their check.

Credit card processing occurs within one or two days from the time of payment, which means that clients get a much faster record of payment that they can monitor from their credit card account at any time.

**Convenience**

Your clients want to pay you as quickly and easily as possible. Writing a check takes time. Making a trip to your office takes time. Tracking your address and mailing an envelope also takes time. It all adds up, and even minor tasks can be an inconvenience, especially if clients are dealing with the stress and uncertainty of their legal problems.

A major benefit to collecting online payments is the ability to share electronic invoices, which clients can receive and pay instantly. For example, when working with a practice management system, such as Clio, you can send electronic invoices and trust requests via email or through a secure client portal. Once received, clients can use their credit card to make a secure payment immediately from any device, including their smartphone—making for a simple, seamless payment experience.

**Paperless lifestyles**

Whether they have environmental concerns or they’re sick of receiving mail, more clients prefer to receive electronic bills over paper ones. According to Fiserv, 53% of respondents were “interested” or “very interested” in receiving electronic bills instead of paper ones. Additionally, 66% showed more satisfaction with businesses who offered electronic bills, and 36% were less likely to switch to a competitor.

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Secure billing

Not only do your clients want online payment options because of the associated convenience, they want to pay online because they see it as a more secure option. A 2016 TSYS study found that 74% of US consumers prioritize security and fraud protection over rewards when selecting new credit card services, and 42% ranked credit card transactions as the safest option for electronic purchases—more than any other payment method.4

Clients are concerned not only with how they pay, but also with how they receive their bills. Mailboxes that have any degree of public access can easily be compromised by theft, creating problems even if there is no payment data included in a particular letter or package.

By making the switch to electronic bills and payments, your clients will know that any potentially sensitive data will be delivered directly to their inbox and not into the hands of thieves or scammers. LawPay, for example, undergoes regular auditing to ensure it maintains compliance with Level 1 PCI standards, which include secure 256-bit encryption for all transactions. Additionally, all transaction information gets sent and received almost instantly, notifying clients that their money was securely deposited in its intended location and not “lost in the mail.”

Access to legal services

If nothing else, clients appreciate having multiple billing options. According to TSYS, “Consumers have become accustomed to using multiple channels in which to conduct their financial business, and they expect to be able to use them interchangeably.”5 This is corroborated by Fiserv, which found that 90% of households use more than one payment option, and 71% say that having multiple payment options increases their satisfaction with businesses.6

But while payment options may be a luxury to some, they can be a necessity to others. The fact of the matter is most people don’t realize they’ll need a lawyer until they actually do—and then they really need one. And, people who don’t plan to hire a lawyer probably aren’t saving money to pay for one either. Being able to use their credit card to retain legal services when they need them gives them the ability to solve their most pressing problems, rather than having to deal with even greater consequences later.

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Why you’ll love taking online payments

Clients aren’t the only ones who benefit from electronic transactions. There are many ways in which law firms also benefit. Not only do electronic payments help foster better satisfaction between lawyers and their clients—which helps increase the potential for referrals and repeat business—more and more, legal staff have also come to expect the tools that help them be more efficient and productive in their day.

Get paid faster
Giving clients the option to pay online can dramatically increase how quickly you get paid. How much faster? According to the 2016 Legal Trends Report, attorneys who accept online payments get paid 11 days, or 35%, faster than those using traditional payment methods. A faster turnaround on payments and a higher response rate means less follow-up and more time to work billable hours. Getting paid faster also increases your firm’s cash flow, giving you more on-hand resources to work with.

Be more organized
Collecting electronic payments opens doors to working in a more digitized working environment, where information is processed and tracked in a detailed and transparent manner. Depositing checks at the bank and reconciling payments to their invoices are tasks that may not seem like much on their own, but they add up and ultimately take away valuable time that could be dedicated to other work.

When working with a system like Clio, all of your billing information is captured in one place. Each staff member can log time directly into Clio from their web browser or from their mobile app, while ensuring every entry gets linked to an associated matter and client. This means that at any time, you can review individual matters and clients to see what work has been performed and what amounts are owed. You can also track these billables against larger monthly and annual goals to get a better sense of how your business is doing.

With Clio Payments, powered by LawPay, any payments collected electronically are deposited into your bank account while automatically updating your billing and account records in Clio. Not only do you get a more instant deposit of funds, you can also track payment data over time to get a better sense of cash flow trends for more accurate financial planning.

Eliminate risk
If you don’t accept credit cards in your practice, you take on a huge amount of financial risk. Law firms aren’t in the business of performing credit or background checks on potential clients, which means that law firms often have very little understanding of a client’s ability to pay their fees.

If a client fails to pay their invoice on time, you are left with no choice but to effectively extend a line of credit until they finally do pay you. It’s a situation that carries its own risk, especially if there’s a chance that the client won’t pay at all. When you accept credit card payments, however, any risk of not being paid gets shifted to credit card companies, which are able to put more resources into evaluating how much credit to extend and how to evaluate their risks. In the meantime, you can spend less time worrying about getting paid, and more time serving clients.

Better practice management
Working in a digital environment gives your firm the ability to work with seamless billing workflows, keeping all of your firm’s data in one central location. Clio also offers advanced features such as matter budgets and fee allocation reports—powerful tools that help ensure firms operate efficiently and profitably.
Not all payment systems are created equal

The legal industry is unique in that there are strict rules and regulations that govern how lawyers can accept credit card payments. While there are a number of payment processing services available, law firms need a payment solution that will ensure they remain compliant.

Trust accounting regulations
Using generic, non-legal payment solutions can put law firms at significant risk. While generic payment solutions may correctly deposit money into both operating or trust accounts, they often fail to properly protect trust accounts, especially IOLTA accounts, from wrongful debiting. This can occur when payment processors debit transaction fees directly from a trust account instead of from the firm’s operating account, or in the event of a chargeback.

Consequences of improper account management
Lawyers who mishandle their trust accounts face consequences beyond the financial headaches of making sure money is put back in place. Trust accounting violations can result in a number of serious professional consequences, including the possibility of a malpractice or ethics claim, suspension, or in the most severe cases, disbarment.

Trust a proven solution
The advantage of working with legal-specific software is that it keeps law firms compliant with industry rules and regulations, specifically where it comes to trust accounting. When using Clio, law firms can distinguish operating funds from money held in trust. Firms can also create both electronic bills and trust requests using Clio Payments, so that money can be easily deposited into each type of account.

Clio Payments is powered by LawPay, a legal payment solution developed with input from state bar associations and their ethics committees to ensure all processes comply with legal industry rules. For example, any money deposited to or withdrawn from a trust account will be paid in full through the transaction.
Get sensitive data out of your office

When you accept payments of any type, you also accept responsibility for protecting any sensitive information associated with those payments. Whether this means bank account information on the bottom of a check or credit card numbers, protecting this data in-house can be a huge undertaking. If you accept credit cards through a secure online system, however, you can keep payment information out of your office, and place it in the hands of a trusted payment partner with the security credentials and experience necessary to keep that information safe.

Is electronic billing and payment processing right for your firm?

Centralized billing and payment processing through Clio’s practice management software and seamless LawPay integration could help you save time and money for your firm. Consolidated workflows, automated tasks, and searchable information that all firm staff can access from anywhere means less time spent doing non-billable administrative work and more time dedicated to working with clients.

Learn more about Clio’s practice management software—and the benefits of online transactions via LawPay—for free. Try Clio for free or schedule a demo today.
About Amy Mann

Amy is a writer and MarCom Manager for LawPay. She lives with her two dogs in Austin, TX, and tries to see every movie in theaters.

About LawPay

As the experts in legal payments, LawPay helps lawyers get paid without having to sacrifice valuable time. LawPay built their easy-to-use technology around lawyers’ specific needs, providing you with a simple payment management solution that correctly separates earned and unearned fees and protects your IOLTA account. From the minute you sign up, LawPay’s knowledgeable support team works to ensure your success. Additionally, their technology exceeds PCI Data Security Standards, which means your sensitive data is completely protected. LawPay is recommended by 46 state bars, trusted by 40,000 law firms, and is the only payment solution offered through the ABA Advantage program.

LawPay is Level 1 PCI certified

Companies with a PCI Compliance Level 1 certification process over six million Visa and/or Mastercard transactions per year. To hold this certification, companies must pass an annual on-site review from an external auditor and pass a network scan by an approved scanning vendor.

About Clio

Clio is the most comprehensive cloud-based practice management platform for the legal industry. With the help of the cloud, Clio eases the process of time tracking, billing, administration, and collaboration for law firms of all sizes. Based in Vancouver, B.C., and with a European office in Dublin, Clio is used by legal professionals in over 50 countries.

Try it for free or schedule a demo today!