



## Committee on Professional Ethics

Opinion #423 - 11/6/75 (91-75)

Topic: Merger of law firm and  
collection agency

Digest: Not proper for law firm or  
professional corporation  
to engage in the business  
of collection agency.

Code: DR 3-103; 3-101(A); 5-107(C)  
EC 3-8; 5-23

### QUESTION

May a professional corporation formed to engage in the practice of law merge with a corporation engaged in business as a collection agency?

### OPINION

We, of course, express no views with respect to the legal right of a professional corporation to engage in other businesses including the business of acting as a collection agency nor do we express any view with respect to the legality of such a merger. It is clear, however, that such an activity would be improper under the Code. See DR 3-101(A); 3-103; 5-107(C); EC 3-8; 5-23.

N.Y. State 206 (1971) outlined in considerable detail the necessity of separating from the practice of law other occupations such as that of collection agency. It referred to "the risk of having the other occupation used improperly as a feeder for legal practice". It stated "to avoid this every precaution should be taken to separate the other profession or business from the legal practice". ABA 225 (1941) stated:

"We are of the opinion that a practicing lawyer cannot participate in the collection activities or the management of an agency which solicits the collection of claims. If a lawyer is to participate in such activities he must withdraw from the practice of law, and refrain from holding himself out as a lawyer."

See also, Drinker, Legal Ethics, 168, 169 (1953) and N.Y. County 238 (1926). The relationship of a lawyer to a collection agency is considered in several aspects in N.Y. State 371 (1974). The same result as reached here in finding the relationship improper was reached in Illinois State Bar 181 (1959).

-----