

# Popular Threads on Solosez

## Accepting Credit Cards? Any Problems With Chargebacks?

A colleague of mine (another solo) would like to start accepting credit cards from his clients, but he is concerned about the risks involved with chargebacks.

Do any of you have any advice or recommendations?

Any horror stories?

John J. Pedone, Massachusetts

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This has been discussed several times; my thoughts are certainly in the archives, but, in summary:

I would be very concerned about charge backs, particularly if it is going into my trust account. I'm not sure you can contract away the problem; and even if you can, giving the CC company the right to take \$ out of my checking account gives me the willies.

I'd tell client to get a cash advance from CC and give me the money. No chargebacks, no processing fees, and then it's the clients problem, not mine.

Ronald A. Jones, Florida

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We have been accepting credit cards for a few years now without any problems however, we do not have them go directly into trust account. As we generally only accept them on payment of outstanding bills or flat rate fees they do not have to go into the trust account. However in the rare circumstances when the funds need to go into the trust account we simply transfer them there once they are received in the account we have set up solely for credit card payments.

Cheryl E. Heffernan, Hamden, Connecticut

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The issue of taking credit cards has been extensively discussed on this list. The two issues that I recall having emerged had nothing to do with chargebacks, however.

The two issues were:

If a client has a credit card, he or she can undoubtedly get cash on that



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credit card account. Why should the lawyer accept the card (and the percentage that must be paid). Why doesn't the client just go down to the ATM or utilize the card's checks and pay that way?

The second issue related to using credit cards for retainers. The question became, does the use of the credit card to establish what is essentially a "cash account" comport with the agreement with the credit card company.

Credit card companies make considerable money on the interest on cash advances/loans. They get very little when the card is used simply to make a purchase. Charging against the card to create a retainer account is kind of an end-run around the card's loan service. It is my understanding that the card can be used ONLY for goods or services, not to establish a credit balance with a vendor.

If you want to see more extensive discussion of the credit card issue, you can undoubtedly find it in the archives.

Jo Fray, Massachusetts

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Hmmmm- so many companies now allow you to set up auto bill pay with credit cards. Seems like this option might work for attorneys (most likely with corporate clients). Maybe offering a 5% discount to companies that agree to use the service.

The only two concerns I would see are: - As a consumer, I'd like to see the invoice before approving a charge to my credit card (though then, don't sign up for the service) - Generally, I use a retainer so it would be going to trust most of the time.

I suppose a way around the first problem is to send out invoices and make the auto pay 10 days later with big letters on the invoice saying essentially "if you have any problems with this bill, please notify us before XXX date"

I could also see two ways around that second problem: - use a "security deposit" instead of pulling payment from trust so that the money is paying the bill instead of refilling a deduction from trust - don't require a security deposit so long as the company is using the auto pay system (I think many clients would choose this option for that very reason w/out the discount).

Thoughts?

Cindy Jones

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What does it cost you?

Meyer Silber, New York

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Transactions average 2%. The fee is less if we swipe the card than if it a phone in charge. I.E.: client faxes us authorization to call in charge on card. Also debit card transactions are less then credit card transactions. Client like to do the charge over getting cash advances because their costs are less and they don't have to come in to do it as well.

Cheryl E. Heffernan

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Even though it could be a problem, it is my understanding that Attorneys who use CC actually have very little problem with chargebacks.

The more immediate problem is does your local ethics allow you to charge the % the CC charges you to your client or does that come out of your fee? Not that big a deal I guess, but you need to address it.

Years ago when we did CCs we would draw the entire amount and deposit it into Trust; then take the earned fees less the service charge % out of trust, but credit the client the entire amount drawn. FWIW

Randy B. Birch Heber City/Salt Lake City, Utah

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You might want to check out deals with your present bank. If you don't need a swiper, then you can get even better deals. My bank charges \$7 per month, and I have the codes programmed into a touchtone phone. I've used this set up for 9 years without a hitch. I've had one chargeback in that time, and that was for a laser printer that I sold on the Internet. I called the guy and he didn't realize he bought it from a law office. Compare that with the number of bounced checks I've received, and you'll see why the 2% discount rate is really a bargain.

I don't buy the "if they have a credit card, then they have the cash" line. It may be true, but that's not the perception. Additionally, they may have cash for one bill, and need the CC for subsequent bills. Plus, if you ever sign people over a fax machine, it's nice to start up a case and get paid the same day, not waiting for a check.

If you're worried about chargebacks, keep a few extra dollars in your account and overbalance the account.

David L. Leon, Dallas, Texas

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I want to accept credit cards for my law firm but my business volume is not sufficient at the moment to purchase or rent any equipment from the various merchant account companies. I was thinking about trying Paypal but I heard their customer service is nonexistent and I do not have a web site yet. Then I inquired in to credit card processing by telephone but many of the service providers charge high processing fees and it seems cumbersome. So right now, I am looking at online credit card processing services. I was told by one online credit card processing provider that the

transactions are processed through a secure website via log on and it eliminates the need of any additional equipment. All you have to do is type in a customer's credit card info. The rates were decent and there is a \$20 monthly fee.

Does anyone have any experiences with online credit card processing that they would like to share?

Eugene Stilianopoulos

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Check with your own personal bank to compare rates. My bank is \$7 per month, plus 2-3% of the transaction. I use the telephone authorization, and there is no contract.

David L. Leon

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