

Accepting Credit Cards - More Business?

A May 2010 discussion on SoloSez, the email listserv for general practice, solo and small firm lawyers

I have gone back and re-read some emails regarding "the cheapest way to accept credit cards" and some questions came to mind..... Has implementing a way to accept credit card payments resulted in a noticeable impact on obtaining clients? Are there clients that would not have hired you if you did not have that option for them? Also, are there any trends you've seen in regards to what type of client/practice area this method of payment has been a substantial benefit in retaining business?

Thank you for any thoughts or comments.

I am still setting up, and so don't have personal experience to share on this question. However, I met with the WA Bar practice management guru recently, and he highly recommends taking credit cards. You get paid, it's a convenience to clients. Something else he pointed out--clients often like it because they have miles or cashback associated with their cards, and so *want* to use them to gain greater perks, rather than paying by check. I know I like to use my credit cards for the cashback (I always pay the balance in full). So, it made sense to me!

However, I can't remember who posted it, but someone posted here that her liability carrier made her get rid of her credit card acceptance b/c she did bankruptcy???? Am I remembering correctly? Not entirely sure.

Lisa M. von Biela, Washington

To answer your question simply Michael, YES. I have found it is easier to accept money from clients, and they are more likely to hire you if they can put up the money and then pay it off later (it works for flat screens and other large purchases). I have also found it easier to accept settlement payments from the other side - - just call them up and say, would you like to make this month's payment on a credit card? My law clerk can do it, and it streamlines everything. Much easier than "the check is in the mail" routine.

Chris Vaughn-Martel, Massachusetts

That because it is idiotic to take bankruptcy fees from a client's credit card. The client's case could be dismissed because of the use of the credit card and you bet a malpractice claim will arise.

Ducchi T. Quan, Virginia

Makes sense. Perhaps this person only practiced bankruptcy. I'd sure hate to practice BK + other areas and have them take away my ability to accept cards for non-BK business!

Lisa M. von Biela

What about Paypal? I've been toying with the idea of putting a "PayNow" button on my website where existing clients can go to make a payment using Paypal. They can set up Paypal to pull money from either their bank account or credit card.

Is anyone using Paypal?

Lorna Henry-Atinda, Texas

Others will warn against Paypal for reasons I'm unsure of. However, I find accepting credit cards comes in very handy when a client pulls the "I don't have any money right now but will in a month." Then pay me now by credit card and pay your credit card bill in a month. (smiling sweetly)

Gina Madsen, Nevada

I'm using PayPal for the Web site I just launched (www.SendTammyToLawSchool.com, which, as it happens, aims to help raise money for me to attend law school). PayPal works well and is relatively straightforward to set up, even if you want to have more advanced features like having PayPal notify a special page on your Web site when the payment is completed. My site does this, and uses the notification to trigger marking the donation as completed in the database, sending a thank-you e-mail, and so forth.

The big disadvantage of PayPal is that they take a 4.9% cut of any credit card payments made. If you get lots of credit card payments, a merchant account may be cheaper, but PayPal's not a bad way to go for lower volume operations.

As a recovering Web developer (in addition to my current paralegal work), I'd be happy to offer more specific comments about PayPal integration if there's interest.

Warmly,

Tammy Cravit (standard disclaimer: paralegal, not a licensed attorney)

I am in the process of getting it set up (and have been for some time...). I have had a few clients make partial payments (and in a couple of cases, stiff me for the rest) who offered to pay by credit card at the consultation.

I have taken some payments by PayPal, as well, but you need to make sure you watch the trust account rules.

I don't know that I've lost any clients for not taking cards, but I have had several propose it.

Rick Rutledge, Jr., North Carolina

I have taken credit cards twice since I began practice - I stopped when my bank charged \$25 a month plus a fee on each transaction.

Two years ago, I began doing business with an online company called Flagship Merchant Services. There was only an \$8 / month charge if you didn't use the service for a month, plus a 1.69% fee if you swiped a card and (I think 3.69% fee if you didn't swipe it - i.e., took the card over the phone.)

I have been VERY pleased with the service except once - when it took almost a full week to get paid. You receive an email immediately when the charge goes through - but the money doesn't appear in your checking account until a day or two or three later. I have learned, however, that a day or three later isn't bad compared to "I will get you a check this Friday."

You can find Flagship online.

Reta McKannan, Alabama

People warn against PayPal because it is not friendly to sellers; I've read of sellers who have seen their accounts get hit for returns months afterward - without any opportunity to dispute. Gregory Zbylut, California

I started taking credit cards last July when I was doing family law & a few BKs. At that time the bank made me write into the agreement that no credit card payments would be taken from BK clients. Within months I decided to go 100% into practicing BK & have been paying the monthly lease of the machine as it sits collecting dust because it was a 1 year contract.

Sonja Jorgensen, Utah

Thanks to everybody for your input! I'm going to start exploring some of the options discussed and take it from there.... you've been a help.

Michael E. Swain, Massachusetts

I didn't take credit cards for about a year and half when I started my practice. After I started taking CCs, I have found that some people who were hesitant because of the cost would sign up because I offered CC processing. People are funny about money. They nickle and dime when it's cash but drop a few grand on a CC, they don't think twice about.

I wrote 2 posts about it recently on the SOS site:

<http://www.startingoutsolo.com/law-office-management/how-to-charge-credit-cards-in-your-law-practice/>

<http://www.startingoutsolo.com/law-office-management/using-paypal-in-your-law-practice/>

Gabriel Cheong

Hello Sezzers- I posted this last year when the same subject came up. I have received permission from COTE (Jennifer Rose) to post this.

If you receive unearned client funds they must be deposited DIRECTLY to an Approved Trust Account Depository (ATAD). The bank where you have your TRUST/IOLTA account is an ATAD and that is where the funds should be IMMEDIATELY deposited.

Pay Pal is not an ATAD and does not deposit directly to your trust (or your operating) account; the funds are transferred from your Pay Pal account thus a violation of proper trust account management.

Many attorneys deposit to their operating account and then transfer to the trust account. Again- a violation: if they are client funds they must go to the trust account ONLY. Writing a check from your operating to the trust while you are waiting for the deposit is, as Rick mentioned, akin to loaning the client monies...a no no. As Courtney notes: You MUST be aware of co-mingling issues....and avoid them at all costs.

When you transfer from Pay Pal to the trust you may also have to make up the difference of the discount and transaction fees by calculating the proper amount and writing a check from your operating account for deposit to the trust. You would also have to do these calculations if you, yourself deposit directly to trust. Why would you chose to go through all of this and risk a miscalculation to your trust account?

Most State Bars and the ABA advise that you cannot charge the client for these fees. They are considered a cost of doing business however you can also write these costs off on your taxes. In these tough economic times people are holding onto their cash and accepting a credit card may be their only way to pay for needed legal services. That cost of doing business is small in comparison to losing a client who doesn't have the cash.

A note regarding chargebacks: most cc processors will automatically debit your account and send you a snail mail notice which you receive a few days later. It is CRITICAL that your processor have a program in place that does not automatically debit your account and permits you to 'defend' the transaction.

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The even more serious issue with PayPal is that they have been known to freeze an entire account, for an indeterminate amount of time, on the basis of a single, unsupported, allegation of a fraudulent transaction. So lets say you had three clients pay you via your PayPal account on the same day, and you had \$3,000 in the account. But Client A talks to her brother after consulting with you. Brother is not a lawyer, but he pretends to be one in front of the TV, and he convinces Client A that she doesn't really need to pay a lawyer to handle this problem. She can do it herself, and hey, he'll help! Oh, but she already paid you. No a problem! Just send an Email to PayPal and claim that you didn't authorize the \$1,000 transaction.

When PayPal gets the Email, BEFORE conducting an investigation, PayPal has been known to freeze the entire \$3,000 account balance or, even worse, go ahead and refund the disputed \$1,000 and freeze the remaining \$2,000 "pending completion of an investigation" - which they will get around to completing whenever they feel like it. I know of one case in which the "investigation" of a bogus fraud claim took six months.

Aaron Rittmaster, Kansas