

## *The Increasingly Important but Dreaded Collection of Client Accounts*



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Collecting accounts is a crucial part of practice management and an essential part of the client relationship. As interest rates continue at their current level and even possibly increase, the role of collections takes on an ever-increasing importance.

A central part of collecting is to overcome any stalls and objections a client may bring up during your conversation.

Sir Richard Branson perhaps addressed the importance of collections when he said:

*"Never take your eyes off the cash flow because it's the lifeblood of business."*

The following are essential components of any collections policy:

1. **Contact the client**
  - It is critical, and it must be **timely** - the first email should be sent at 45 days (a copy of the account(s) in question should be attached) and the first call at 60 days;
  - It must be **frequent** - no response to telephone calls then email, no response to email, follow up with a couriered letter, etc.;
  - Early in the day, early in the week, early in the month.
2. **Reminder statements** should be part of the process and go out monthly. Any stoppage by the lawyer needs to be approved personally by the Managing Partner or a partner in charge of firm finances.
3. **The lawyer must be part of the solution, not the problem**, so they should not hinder the collection effort. The Managing Partner should approve all exceptions to the firm's collection process.
4. **Remove obstacles to payment** - take credit card payments; take debit cards; take automated debits (pre-authorized payments) to clients' bank accounts; take wire transfers; accept three post-dated cheques (anything over more than three payments frequently results in failed collection).
5. Accounts not collected in (pick the time frame, e.g., 180 days, should be conditionally written off from **lawyer productivity and compensation** numbers. Accounting can remind lawyers of this at 4 and five months. The firm should still

pursue payment, but this keeps the assets clean.

6. **There should be a known script for your collection calls** so lawyers know what is being said to the clients - see examples that follow.
7. The best way to avoid slow-paying clients is to **address the payment process upfront** -
  - o Use an engagement letter that spells out payment terms;
  - o Get a retainer;
  - o Don't do more work if the last matters handled have not been paid for yet;
  - o Make pre-authorized payments from the trust account if money flows through trust accounts or the client's credit card or debit to their bank account; and
  - o Track the client's retainer balance on the face of each account rendered.
8. And remember, people respond/act differently if they think you are monitoring them and have the records to back up the follow-up versus some hit-or-miss follow-up.

### Collection Calls - Sample Script

#### 1st collection call - at 60 days:

**Collections Clerk:** Good Morning, Good Afternoon, This is \_\_\_\_\_ from [Firm Name]; how are you today?

Client: indicates how they are

**Collections Clerk:** That is nice to hear. I'm calling to follow up on an outstanding account that your company has with our firm. I'm ensuring you have received your invoice and everything is satisfactory.

If **No**, we offer to check with the lawyer to ensure the client's bill has left the firm and let the lawyer know the client's issue or issues. We confirm the client's mailing information to ensure our system has the proper contact information. If not, we will update the contact information in our system and check with the lawyer to ensure **we can resend the invoice and diarize another call in one week.**

If **No**, that they have received but are not happy with the account, we advise that we will contact the Billing lawyer and have them follow up directly with the client. The staff should diarize to follow up in one week with the lawyer.

If **yes**, we proceed to discuss the following:

**Company Accounts** - Can you confirm that the invoice has been approved and is in for processing? If not - ask when we can expect the payment to be processed.

**Personal Accounts** - Can you confirm when we can expect your payment? For your convenience, we accept Visa and MasterCard. I will happily settle your account today and forward you a receipt by email.

**Collections Clerk:** Thank you very much for your time; please do not hesitate to contact me with any questions or concerns regarding your account.

### 2nd Collection Call - at 75 days and after that:

**Collections Clerk:** Hi there, It's \_\_\_\_\_ calling you back from [Firm Name]. I am following up on our previous conversation on xx dates, and we have yet to receive the payment for the invoice dated [Date]. I'm wondering if there is a problem in having this invoice processed. I would be happy to assist you in any way that would be helpful regarding this matter.

If **No**, we offer to check with the lawyer to ensure the client's bill has left the firm/ and or let the lawyer know the client's issue or issues. We perform the same checks as in the first call.

If **yes**, we proceed to discuss the following:

**Company Accounts** - Can you confirm that the invoice has been approved and is in for processing? If not - ask when we can expect the payment to be processed.

**Personal Accounts** - Can you confirm when we can expect your payment? For your convenience, we accept Visa and MasterCard, and I would be happy to settle your account today and forward you a receipt in the mail.

**Collections Clerk:** Thank you very much for your time today. Please do not hesitate to contact me with any questions or concerns regarding your account.

### 3rd Collection Call at 90 days: (identical wording as call at 75 days)

**Next Step:** Collection staff to contact the Managing Partner within 110 days if the amount remains outstanding. Contact with the Lawyer can occur at any point along the process if deemed necessary by the staff.

It is easy for firms and partners to become fixated on the bottom line (especially in these inflationary times). Still, Michael Dell, founder and CEO of Dell Technologies, drew a perfect analogy when he is quoted as saying,

*“We were always focused on our profit and loss statement. But cash flow was not a regularly discussed topic. It was as if we were driving along, watching only the speedometer, when in fact, we were running out of gas.”*

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**Who is Stephen Mabey?**

Stephen Mabey is a CPA, CA, and Applied Strategies, Inc.'s Managing Director. His credentials include the following:

- Fellow of the College of Law Practice Management (one of 19 Canadians);
- Author of *Leading and Managing a Sustainable Law Firm: Tactics and Strategies for a Rapidly Changing Profession*, and *Key Performance Indicators An Introductory Guide* (Amazon);
- Over 25 years in a senior management role with Stewart McKelvey, a 220-lawyer, six-office Atlantic Canadian law firm;
- Over 14 years providing advice and counsel to small to mid-size law firms on a broad range of issues;
- A panelist and facilitator of the Managing Partner Information Exchange ("MPIE") at the annual Managing Partner Forum Leadership Conference held in Atlanta, Georgia, each May;
- Runs a group mailing list that circulates articles, directly and indirectly, impacting law firms.

Stephen has advised law firms on a wide range of law firm issues, including - strategic action planning, leadership, understudy (succession) planning, business development, capitalization of partnerships, partnership agreements, lawyer & staff engagement, marketing, key performance indicators, competitive intelligence, finance, mergers, practice transitioning, compensation arrangements, organizational structures, and partnership arrangements.

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