

Should you outsource your debt collections – Part 2

My previous post on this issue explored the advantages of outsourcing your debt collection tasks. In this post, we will look at the advantages of handling these matters in-house. From cost savings to management of the process, there are numerous reasons why handling your own debt collection may be the best option for your practice.

In-house advantages

No payment to an outside law firm. Outsourcing your debt collections comes with a cost. Some firms can charge as much as 50% of the collected debt. Let's say that you have a client with a \$10,000 outstanding balance and you contract with The Law Office of XYZ to collect it on behalf of your practice. If the law firm is successful in obtaining payment, they will keep \$5000 for their fee. Granted, you are getting half of the owed debt, but you could have possibly gotten all of it had you handled the matter in-house.

When you handle your own debt collection, you are able to keep the entire collected amount, instead of giving a percentage or fixed fee to someone else's law practice. Depending on the amount of outstanding debt to be addressed, this could add up to significant revenues for your firm.

Controlling the process. Debt collection has gotten a bad rap over the years. While there are countless collection firms out there that operate in a completely appropriate and professional manner, there are far too many that employ less than desirable tactics to get results. From the use of deceptive practices to threats of harm, an outsourced debt collector may take actions that you do not condone. When you handle your own debt collection, you can ensure that the process is in line with state and federal laws. You determine what tactics to use and how far to go with collection

practices. For attorneys who want their debt collections handled to their specific standards, in-house is the only way to a complete guarantee.

Maintaining client relationships. Nothing severs a business relationship like a debt dispute, but this does not have to be the case. If you are attempting to collect debt from a longstanding client who may have fallen on hard times, or a client who routinely brings in lucrative referrals, you may not want to completely sever that business relationship. As I discussed in the previous section, another law firm may not handle this client in a manner that preserves your professional relationship. They may employ tactics that greatly disturb the client and reflect badly on your practice, potentially causing the client to take his business, along with his lucrative referrals elsewhere. By handling the collection process in-house, you may be able to come up with an amicable solution that recoups your debt, while maintaining the client relationship.

Outsourcing your debt collection activities is a serious decision deserving of serious consideration. Take some time to consider what make sense for your practice before jumping in head first.

About Erika Winston:

Erika Winston is a freelance writer with a passion for law. Through her business, The Legal Writing Studio, she helps legal professionals deliver effective written messages. Erika is a regular contributor to [TimeSolv](#) and a variety of other publications.