

# Should you outsource your debt collections – Part 1

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For many attorneys, debt collection is one of the most undesirable aspects of running a law practice. Not only is it time consuming and costly, it can also place a strain on client relationships. Some lawyers even refuse to employ debt collection procedures against clients. When dealing with this dilemma, you may have considered outsourcing your collection activities to an outside law firm. In this two-part series, we will look at the pros and cons of this decision, so you can determine the best course of action for your law office.

## Advantages of outsourcing

**Time savings.** If you or your staff members are handling debt collection matters, the time spent on these actions could be better spent on billable tasks. Debt collection often requires hours of consistent effort, making telephone calls, speaking with the debtor, preparing documents, filing pleadings in court and court appearances. All of this effort may be taking valuable time away from your current and potential paying clients. Take a moment to weigh how much time your firm is spending on these tasks against the success of your efforts. If the result does not justify the effort, outsourcing may give some valuable time back to your law office.

**A safe bet.** Many debt collection law firms offer their services on a contingency fee basis, where they take their fees from the funds they collect for your firm. So, you are only paying if results are obtained. Unlike in-house collections, where hours of effort may result in minimal returns, outsourcing may result in a financial gain with little effort on your part. Now, it's important to note that you may be paying the debt collection firm

up to 50% of the recovered debt, but if you feel like something is better than nothing, this may be the best option for your practice.

**Old debts.** Debts become harder to collect as time goes by. Experts say that you only have about a 50% chance of collecting a six-month old debt, and the odds get worse from there. Debt collector law firms are experts in this area of law, just as you are an expert in your practice area. They have experience with collection tactics and an in-depth understanding of timing limitations. Would you advise a corporate transaction client to handle their own contracts or a murder defendant to try his own case? Then, why not trust your debt collections to a law firm that specializes in this area?

Outsourcing can be an effective way to collect outstanding debts and bring in some valuable revenue. But, there are also some downsides. The second part of this post will explore the advantages of handling debt collection matters in-house, so you can consider both sides of outsourcing before deciding what's best for your firm.

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#### **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.*