The Ultimate Guide to Law Firm Billing Best Practices

Written by Louise Donnery

Billing is critical to the success of your law firm. And yet, legal billing, including billing clients and chasing down payments, can be one of the most repetitive, dreaded, and time-consuming parts of any solicitor's day. By implementing law firm billing software, you can significantly reduce manual work, streamline your billing process, and improve your firm's overall efficiency.

From tips for creating practical legal billing guidelines to improving billing productivity and getting paid faster, read on for what you need to know about law firm billing.

From tips for creating effective legal billing guidelines to ways to improve billing productivity and get paid faster, read on for what you need to know about law firm billing.

See for yourself how the Clio can streamline billing for your law firm. **Book a demo.**

Book a Clio demo

Law firm and solicitor billing stats

According to the *Legal Trends Report*, globally, solicitors record only 2.6 billable hours per day on average, with the rest of their day going towards various non-billable tasks. These tasks often include billing-related activities like preparing and sending invoices, processing payments, etc. While the amount of time dedicated to non-billable work is less than ideal, it also presents an opportunity: Law firms that can streamline their billing process can free up time to spend on helping clients and logging more billable hours. A robust law firm billing software solution can automate many of these administrative tasks, enabling solicitors to focus on client matters and increase their billable hours.

From the *Legal Trends Report*, firms that invest more in software and marketing have utilisation rates above the industry average of 37%, which amounts to just under three billable hours per day, and they also earn much higher profit margins.

The law firm billing process

In many cases, the law firm billing process looks something like this:

1. The firm brings on a new client and opens its case

2. Billable time and disbursement fees/expenses are logged throughout the case
3. At the end of each month (or at the end of the case, if it's a shorter case), bills and expenses for each client and case are put into a draft bill
4. Solicitors add notes, adjust costs as needed, and approve the bill
5. A final version of the bill is created and sent to clients for payment
6. Clients pay via whatever payment methods are accepted at the firm
7. The accounting team sends follow-up reminders regarding late payments.

While it seems pretty straightforward, there's plenty of room for bottlenecks and wasted costs. For example, solicitors taking too long to approve bills or adding too many edits can delay bill sending. By adopting law firm billing software, you can automate invoice generation, track payment statuses, and send reminders automatically, reducing errors and delays in your law firm billing process.

Your law firm's billing policy

Having a straightforward, standardised law firm billing policy is essential to saving your law firm valuable time and money. It gives staff something to refer to and keeps everyone in sync. A clear law firm billing policy also helps ensure compliance with industry standards and enhances client trust by setting transparent expectations.

If you're writing a policy for the first time, you'll want to consider:

- How does your firm bill clients?
- Where do you see the most errors?
- Which stages of the process are causing the biggest bottlenecks?

With that in mind, follow these steps to write an effective billing policy:

1. Provide a template and guidelines for staff

Your standardised template and process should include:

- When to send invoices.
- How long should legal billing descriptions be?
- What expenses must be included on bills versus what should be written off?
- Any standard introductory communications on bills, if needed.

Investing early in a transparent and accessible billing and expense process will save you time later. Using law firm billing software, you can create and manage templates that ensure consistency and accuracy across all client invoices.

2. Write out the flow of your law firm's billing process

Become an expert in the lifecycle of your bills. You should be able to quickly answer the following questions about your firm's billing process:

- Which solicitors on a case need to review a bill?
- In which order?
- Are bills mailed or sent electronically?
- Who should one inform when sending a bill out?

Write out your entire process from start to finish, so there's no confusion, even if you're a solo practice. This understanding helps support your bottom line and helps you better understand your clients, giving you momentum to invest in the client-centred experience. Mapping out your law firm billing process also makes it easier to identify opportunities for automation and improvement, especially when using law firm billing software.

3. Set requirements for invoice review

It's helpful to ask solicitors to use a specific system, such as your legal practice management software, to conduct reviews electronically (you can easily keep track of this in Clio). This helps speed up the process and leaves less room for error—you can even use automation software. Check out our blog post on streamlining your law firm invoice process for further guidance. Automated workflows in law firm billing software can route invoices for approval, track changes, and maintain an audit trail for compliance.

4. Integrate the finance team with your billing process

Ensure your accountant or finance team knows when your firm is sending bills to clients, what still needs to be collected, and what's being written off. Communication gaps can confuse and delay the payment process. Automated workflows in law firm billing software can route invoices for approval, track changes, and maintain an audit trail for compliance.

5. Include a standard process for disputes and collections

Don't leave unpaid bills languishing for months. The longer you wait, the less likely your clients will pay, so have a straightforward collections process. Identify who needs to follow up on unpaid bills and when. Have a standard but personalised reminder email or letter you can easily send to clients. Repeating the same phrasing is okay, but the tone and message should feel friendly, calm, and kind. Paying for legal services is stressful enough; it's important to empathise with and reassure your clients.

If a client disputes a bill, know who will review the dispute and provide frameworks for resolving the issue. With Clio, you can automate reminders, track outstanding balances, and manage dispute resolution efficiently.

6. Have a public billing policy for clients

Legal billing guidelines outline a law firm's rules for invoicing clients. Establishing clear legal billing guidelines upfront gives clients a clear vision of what to expect when they receive their legal bills.

Your clients should be well-acquainted with your billing policy, so they're clear on:

- When and how often will bills arrive?
- The different payment methods available.
- How much time do clients have to pay?
- The consequences of late payments.

Write this clearly and provide it to all new clients, preferably right after their initial consultation. New clients might feel overwhelmed by new information, potential strife, and uncertainty about their case. Having your billing guidelines in writing will ensure clients can review them at their convenience.

Invoice requirements

If you're working with a larger company, there may be strict invoice requirements regarding everything from how you need to send bills to how you must format bills. However, even if you're not working with big businesses, you should still stick to a standard set of invoice requirements. This will ensure consistency for your clients and keep the billing process running smoothly. Clio can help you comply with client-specific requirements by offering customisable invoice templates and automated formatting.

Legal billing description examples

Clear communication is key. Clients want to know what they're paying for, which makes legal billing descriptions a key part of your invoice. But how much detail should go into each entry on a legal bill?

As our legal billing template shows, the framework can be straightforward and set up as an itemised list. Then, each line should have a concise, clear description of the service provided. Legal billing entries should neither be too long nor too short. They should give the right amount of context and information to satisfy the client that they've received the value they're paying for. Clear billing descriptions lead to fewer disputes later on in a case.

If we consider billing descriptions from the client's perspective, this becomes clearer. Law firm billing software often includes tools to help you create detailed, professional descriptions quickly and consistently.

Poor sample solicitor billing descriptions that would not provide clients with enough information could look like this:

- "Met with client."
- "Did legal research."
- "Facts of the case."

Instead, more effective legal billing entry examples could look like:

- "Met with client to review wills and answer questions."
- "Legal research to strengthen arguments for next month's hearing."
- "Spoke about and recorded the facts of the case with the client."

Law firm billing codes

Separate from descriptions, billing codes convey, at a high level, which activities or expenses a client is being billed for.

Example codes might look like:

- Meeting
- Draft/revisions
- Research

These codes should be consistent within your firm. Another way to do this is to use standard billing codes, as outlined below.

LEDES billing

If your law firm works with larger clients, your billing process may include an extra step: Formatting your bills to use LEDES billing codes for time and expense entries. Clio support LEDES formatting for firms working with enterprise clients.

LEDES stands for **Legal Electronic Data Exchange Standard**. LEDES billing is a standard format for electronic legal billing that uses specific format guidelines. It makes it easier for large organisations to handle large amounts of files and data, as well as assess invoices, as they will all be coded in the same format.

Unless your client specifically asks for it, you probably won't need to provide LEDES-formatted bills. However, it's worth checking if you're working with a business or a larger client.

Creating a billing template

Plenty of billing templates are available if you're unsure where to start with standard invoice requirements. Software suites like FreshBooks provide an excellent law firm billing template. You can also create customised bill templates by using bill themes in Clio. Templates can save time and ensure all invoices are accurate and compliant with your firm's standards.

Top tips to improve billing productivity

Here are the top billing tips to improve billing productivity for your business.

- Set expectations with clients about your firm's billing policies from the start.
- Track your time accurately as you work to ensure precise billing.
- Use clear, detailed descriptions on your invoices.
- Bill frequently and consistently to maintain a steady cash flow.
- Automate the billing process to increase efficiency.
- Establish payment terms upfront to avoid confusion.
- Ensure you have the correct client details from the beginning to prevent issues.
- Make the payment process easy for clients to encourage timely payments.
- Keep thorough records to support the details listed on your invoices.
- Promptly follow up on overdue invoices to ensure timely payment.

Implementing law firm billing software can help you automate many of these best practices, from time tracking to payment reminders, making it easier to maintain high productivity and accuracy.

1. Set expectations with clients up-front about your firm's billing process and policies

Good solicitor billing comes down to clear communication with clients. A bill isn't just an invoice: It's a tool for communicating the value you provide to your legal clients.

Depending on your practice area, hiring a lawyer may be one of the most expensive things your client ever does. Spare them from unexpected bills: Set clear expectations as to what clients can expect to see on invoices when they receive them, and how they'll be able to pay. **Clear communication about your law firm's billing process helps clients feel confident and informed.**

Have multiple payers for a matter? You can easily manage these payments with Split Billing.

2. Track your time as you work for more accurate billing

If you've ever sat down at the end of a workday and tried to remember exactly where your time went, you know how difficult it is to get everything recorded on a bill. Use a timekeeper to track your time as you work, and take notes to ensure the client is crystal clear on the value you've provided. This is the best way to ensure nothing gets missed and that every time entry is accurate.

Legal timekeeping and expense tracking software can help you meet your billable targets, bill clients in real-time, and increase cash flow. Learn more about timekeeping and expense tracking, and check out our reviews of the best time and billing software.

3. Use clear descriptions

Your invoices to clients should be easy to understand, but that doesn't mean they should lack detail. Clearly articulate everything you've done for your client: An item for a 15-minute call to review the case with no context might leave a client feeling confused or anxious about the charge.

Consider: Tenet Law prioritises adding clarity and detail to billing descriptions because they believe it creates trust, which makes clients more willing to pay.

4. Bill frequently, and consistently

With the right system, you can send out bills and reminders quickly, so there's no reason to put off billing your clients. Sending out smaller bills consistently can lower the shock of a large unexpected bill. Plus, there's the added benefit of encouraging a smoother cash flow for your firm. **Clio offers integrated time recording, making it simple to capture every billable minute.**

5. Automate, automate, automate

Plenty of solutions are available to help automate routine tasks, so you can spend your time and energy on things that can't be automated, like answering difficult questions or giving your clients peace of mind.

Before implementing any software, know that the process should come before technology. Understand the kinks in your billing processes, then look for tools to help improve them.

Some examples include:

- Using software like Clio Manage to generate draft bills in minutes.
- Using Automated Bill Reminders in Clio Manage to automatically send Outstanding Balances to your clients and bill recipients based on a schedule you can customise.
- Accepting online or credit card payments to get paid faster. Learn more about payments here.
- Leveraging Clio's billing integration partners to make the payment process quicker and easier for clients.

Goodbye billable hours: alternative billing arrangements

What are billable hours? This has long been subject to debate amongst law firms. The practice is alive and well, but plenty of lawyers advocate that this isn't the best way to charge for legal services—at least not for every practice area.

Here are some alternative billing arrangements:

Subscription-based law firm

With a subscription-based firm, you provide clients with legal services as needed for a set monthly subscription fee. This setup works well for small business clients needing regular help with trademark applications, proactive IP protection measures, transactions, etc.

This leads to a more predictable income for your firm and smoother working relationships. Getting clients to buy into the idea can be challenging if they're used to the billable hour, but it's worth it. **Law firm billing software can support recurring billing models, making subscription arrangements easy to manage.**

Sliding scale fees

If you work with lower-income clients, sliding scale fees may be appropriate. Clients pay fees based on their household income rather than a standard rate. This approach can help your firm access more clients by making your services more affordable.

Unbundled services

The idea of "unbundled" legal services refers to limited scope representation. The limited scope lawyerand the client agree to define the lawyer's's involvement in their case. Unbundled legal services can vary greatly, depending upon the agreed-upon task(s), in both litigation and transactional matters.

Examples of unbundled legal services might include:

- Evaluating a case or transaction.
- Providing limited litigation or transactional guidance.
- Suggesting court documents or transactional documents to prepare.

Fixed fees

If you're able to accurately scope the amount of work required for certain types of cases, fixed fees can be an excellent approach to billing. They create clarity on costs upfront and are a form of value-based billing, meaning that you bill based on the value you provide to your client, rather than commodifying your time.

Of course, there's some risk of underestimating the work required for a case and setting fees too low. However, with diligent case scoping, fixed fees can provide an excellent alternative to the billable hour.

Note: *54% of UK firms expect the use of fixed-fees to rise over the next 12 months.*

Contingency fees/No-win, no-fee

There's potential to help clients who can't afford a solicitor with contingency fees. These allow you to receive payment based on a percentage of the money paid to the client if the case succeeds. Depending on the case, this amount can be pretty substantial.

Of course, there's also the risk of not getting paid for your work. But if you can stomach the risk, billing on a contingency basis is a great way to build a profitable practice and serve those who otherwise might not be able to afford your services.

Note*: Contingency fees are prohibited for certain cases, so double-check your region's ethics rules before deciding to bill on contingency.*

Evergreen retainers

Evergreen retainers simplify the process of getting paid on time. Here's how it works: Your client provides an original retainer held in trust against which legal services are billed, and when their trust account hits a predetermined minimum balance, they replenish the funds.

The key to success is notifying clients when trust funds are at or below the minimum balance required. Technology can help by automating notifications when a client's trust drops below the minimum balance.

Payment plans

According to the *Legal Trends Report*, 81% of surveyed consumers would find a payment plan payment option attractive yet nearly 40% of sole practitioners do not offer this option. Offering payment plans can be a big help in ensuring your firm gets paid. Payment plans, in particular, are associated with a tremendous increase in the billed and collected amounts of solo and small firms—particularly among solo firms. Sole practitioners using Clio's payment plan feature see a 27% increase in billed amounts and a whopping 71% increase in collected amounts simply by offering this feature.

Before you start, create clear guidelines for when to offer payment plans and draft an agreement template to determine how you will collect payments, what payment methods you'll accept, and what happens when a payment is late.

Then, set up a system for billing clients and collecting funds to help automate the repetitive work.

Reasonable fees and price transparency

When it comes to ethics and attorney billing, clarity is key. As a best practice, make your bills as precise and accurate as possible. If you're billing by the hour, provide detailed notes on work performed. But if you're billing via fixed fee or contingency, ensure you've got a fair rationale to prove your fees are reasonable.

You'll also need to keep track of payments to avoid the unethical practice of double billing.

Also, if you're in the UK, you must be mindful of the SRA's price transparency rules, which state that price information must be provided in a clear and easy-to-understand format. Other requirements include providing a total cost, explaining the basis of your charges, and communicating what is and isn't included in your services.

Billing, reporting, and monitoring

To keep your billing process on track, you should closely monitor outstanding balances, payments, and revenues. The following reports can help you monitor your law firm's financial health and keep your billing process running smoothly:

Accounts Receivable Report

The Accounts Receivable Report helps firms determine the outstanding amounts on all open and past-due invoices on a per-user, per-client, and per-matter basis. The report details the amounts due on approved unpaid invoices, partial payments made toward those amounts, and credit notes applied to invoices.

Accounts Receivable Ageing Report

The Accounts Receivable Aging Report helps firms track unpaid bills. It divides overdue accounts receivable into ageing categories (e.g., unpaid bills 1-30 days old, 31-60 days old, 61-90 days old). This enables you to get paid faster by efficiently following up with clients whose bills are overdue.

Billing History Report

The Billing History Report provides a detailed view of open receivables, past-due receivables, and paid invoices, providing a complete history of your clients' invoicing.

Matter Balance Summary Report

The Matter Balance Summary Report gives your law firm a snapshot of outstanding receivables, as well as how much work is in progress and expenses in progress, on a per-matter or per-client basis. It allows your firm to determine what future revenue remains to collect for each matter.

Invoice Payments Report

The Invoice Payments Report gives firms a detailed view of payments on invoices for individual matters made towards personal service and expense items. It also details the users responsible for those line items.

Revenue Report

The Revenue Report helps your firm visualise and quantify key performance metrics on a per-user, per-client, and per-matter basis. The report details hours, expenses, and taxes regarding unbilled, billed, and collected amounts.

How to get paid faster

Law firms often find that it takes too long to get paid. The *2022 Legal Trends Report* found that of all hours invoiced to clients, 11% are never paid.

Here are four tips to improve collections at your law firm:

1. Improve your timekeeping

One of the most important ways to improve cash flow is to implement diligent timekeeping and recordkeeping habits. How can you collect on-time billed if you haven't tracked it? Take notes on what you're doing, review outgoing calls and emails,

and, as mentioned above, track time as you go.

2. Bill consistently

Think for a minute about the way you handle bills in your personal life. When these bills come at a predictable time, you can budget accordingly and pay them on time. When bills are unpredictable and inconsistent, it's harder to stay on top of things.

Getting bills out on time, at the same time each month, will help your firm collect faster.

3. Send regular reminders

Don't let forgotten law firm bills slide under the radar. Make it a habit to send regular reminders to clients who haven't paid. Automating this process will help save time and money. Again, you can easily send automated bill reminders with Clio Manage.

4. Accept credit card payments

If you're still asking your clients to pay by check, you may be asking them to use a payment method they haven't used in years (or one they've never used). In the digital era, clients expect convenient online payment options. As a lawyer, you can give them this option with online credit card payments.

All it takes is a bit of due diligence to ensure you're accepting credit card payments following ethics rules.

Legal firms need a credit card processor that does not allow chargebacks on trust accounts and that does not take fees from trust accounts. So, if a client disputes a charge that results in a chargeback, and the credit card company withdraws money from a pooled trust account, this may cause an ethics violation.

Usually, this means using a credit card processor tailored specifically towards lawyers, such as Clio Payments.

Beyond credit cards, offering other convenient online payment methods—Clio Payments can help you accept payments via debit or eCheck, for example—gives your clients more options, which can help you get paid faster.

Law firm billing software

Investing in billing software for law firms makes a significant difference in how you spend your time and mitigates the risk of error.

Clio Manage lets you easily create branded invoices and customised billing plans, and accept payment by credit card, debit, or eCheck. It manages trust accounting features and also integrates with your favourite accounting programs, including QuickBooks Online, Xero, and more, so you can keep all of your financial information in sync.

Investing in legal billing software to help your process run more smoothly can be invaluable for your firm.

Again, it's crucial to think about your process before technology. Don't be afraid of a learning curve. Software like Clio Manage is intuitive, and a small investment in learning how it works can yield a lifetime of simplified billing practices for your law firm.

Note: This post is provided for informational purposes only. It does not constitute legal, business, or accounting advice.

See for yourself how the Clio can streamline billing for your law firm. **Book a demo.**

Book a Clio demo

About Clio

Clio is the global leader in legal AI, powering legal work across the profession, from law firms of every size to corporate legal teams, government agencies, and courts. Its Intelligent Legal Work Platform unites the business and practice of law, connecting the people, information, and processes behind legal work. Clio's AI brings the context together with legal sources drawn from Clio Library, a growing collection of more than one billion legal documents. Over 400,000 legal professionals in more than 130 countries rely on Clio to run their legal world. Learn more at www.clio.com.