

Online payments in the legal sector

For many types of business, accepting payments online is their primary (and well-established) method of taking payment. It is less prevalent (but rapidly gaining ground) in the legal sector where, whilst some solicitors offer 'face-to-face' credit/debit card payment options, the vast majority of payments are still processed in the traditional (bill/cheque) way.

However, increasingly 'Internet-aware' customers are now looking to the legal sector to offer this facility when paying for legal services.

Online payment processing has benefits for both the customer and the practice. Whether the service is offered via the practices website or over the telephone then customers can make payment from the comfort of their own home, or indeed anywhere with Internet access. This is particularly useful when customers are 'remote' or have mobility problems.

From the practices point of view the ability to process online payments can improve cash flow significantly. If the payment processing is integrated with the practices in-house systems (i.e. does not need any manual intervention) there is also an improvement in operational productivity.

To accept card payments online, you will have to make special banking arrangements. There are two options available, and both have points for and against.

1. Directly with a bank

To accept credit or debit card payments **directly** online you will need an Internet merchant account. Please be aware that even if you already have a merchant account for face-to-face transactions, you will still need one specifically to accept online payments.

There are several banks that currently offer Internet merchant accounts. These are referred to as merchant acquirers or acquiring banks. Currently businesses can open a merchant account with the following acquiring banks and receive **direct** payments from credit and debit cards:

- Alliance and Leicester
- Bank of Scotland
- Barclaycard
- HSBC
- Lloyds TSB Cardnet
- NatWest/Royal Bank of Scotland Streamline
- Ulster Bank

These acquiring banks have strict requirements and it is possible that the bank you use for your business current account may refuse you! However, there are other online merchant account providers available, details can be found on the Internet.

Once the merchant account has been set up, secure socket layer (SSL) technology is used to encrypt transaction data and to send the necessary customer and card details to the acquiring bank in order for the purchase to be authorised. You should, therefore, ensure that any online payment solution you are considering is capable of supporting the SSL protocol.

The customer and card details are checked and payments authorised (or declined) and funds will usually be in your bank account within three or four working days.

2. Via a payment processing company

Payment processing companies **obtain payment** from your customers' credit and debit cards on your behalf and forward the money to you. They offer a useful alternative for businesses that have a smaller volume of card transactions and do not wish to handle or store customer account and card details.

Advantages

- Lower administrative burden, no managing of customers' card details
- No need to set up secure payment systems
- Less stringent application procedure than acquiring banks

Disadvantages

- Customers aware that the payment is not going directly to you
- Payment processing companies may hold payments for more than 3 days
- Charges are generally higher.

Selecting the best online payment option for your business

You can use the following scenarios to help you choose the best option for your business:

Should I set up a merchant account with my bank ?

- Your business already accepts debit and credit card payments for face-to-face transactions.
- You expect a fairly high number of online transactions, most of which will be simple and low risk.
- You wish to maximize cash flow
- You wish to provide a higher level of service to your customers, including payment options

If this sounds like your business, then you should: apply for an Internet merchant account and discuss your requirements with the acquiring bank, **and your software/website provider.**

Should I use a Payment processing company?

- Your business does not have a large number of online transactions
- You do not currently accept debit or credit card transactions
- You have not been trading long or cannot provide a well-documented operations history.

If this sounds like your business then you should consider the facilities that a payment processing company could offer, perhaps considering the possibility of moving to a less costly option at a later date.

Likely costs

Acquiring banks will charge for their services. There may be a sign-up fee of around £200.00, and day-to-day charges may be a fixed fee in the case of debit card transactions or a percentage of each transaction for credit cards.

Your choice of payment service provider will depend primarily on cost. The good news is that market for these services is competitive and prices are falling. A fixed monthly fee starts at around £10.00, but lower cost options are available, starting at around 5 pence per transaction. Usually, the higher your transaction volume the cheaper the rate you will be charged.

NB: Compatibility with your practices in-house software should also be considered as the operational benefits of 'integrating' the billing and payment cycles are significant.

Am I at risk from fraud?

Online card payments are classed as "cardholder-not-present" transactions, because you cannot physically check the card (or the cardholder). There are higher risks of fraud with this type of payment and banks require you to operate within a well-defined set of rules and accept a higher level of commercial risk than a conventional 'face-to-face' swiped card transaction.

If a transaction proves to be fraudulent, the money will be reclaimed from your bank account - this is known as a chargeback. Even if a cardholder-not-present transaction is authorised by the cardholder's bank, this does not necessarily guarantee payment.

To help guard against fraud, where a cardholder claims that they did not authorise a payment, most online payment processors offer card authentication services (e.g. MasterCard SecureCode and Verified by Visa). Insurance based protection is also available.

Liberate and Online Payment Processing

For more information on the benefits of integrating online debit/credit card payments with Liberate legal accounting and case management systems please contact Keith Hutton, Sales Manager: keithh@linetime.co.uk