

OREGON LAW PRACTICE MANAGEMENT

How Should I Process Refunds for Client Costs?

Law firms sometimes struggle with how to process refunds received from a third party, especially when the client has incurred additional costs or has an outstanding balance. However, if you receive a refund for a cost the client has already paid, the **refund belongs to the client, not to you**. This is true even if the client owes you money for other costs you have incurred. Deposit the refund into your lawyer trust account.

Once in trust, the refund can be credited to the client's trust balance, if any. At the next billing cycle, show the credit on the client's statement and apply it to any new costs incurred or the client's outstanding balance. If the client's matter is closed and nothing is owing to the firm, give the refund to the client. If the check is payable to the firm, endorse it, deposit it into the trust account, and remit the refund amount to the client once the original deposit has cleared. This creates a proper audit trail and is preferable to endorsing the check directly over to the client.

What if the client's matter is closed and the client owes you money? Can you keep the refund check? The answer here is: it depends. If the firm advanced the cost and was never paid by the client, the refund belongs to the firm. (Be sure to deduct the cost from the client's outstanding balance.) If the firm advanced the cost and the client reimbursed the firm, **the refund check belongs to the client even if the client owes the firm money for fees or other costs**. Deposit the check into the firm's lawyer trust account and follow the steps outlined above.

It is tempting to keep refunds when the client owes you money, but if you do so (and have no right to those funds) you will run afoul of the [Oregon Rules of Professional Conduct](#).

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