

What Is an Attorney Referral Fee?



With the growing competition in the legal industry, client acquisition is often the most challenging and expensive aspect of your law firm. It takes time and money to find clients that align with your expertise and fit into your schedule, but with attorney referrals, you can gain new cases for a small fee.

Attorney referrals are beneficial for both the referring attorney and the attorney receiving the referral, but they're not without potential ethical rules and concerns. Here's everything you need to know about attorney referral fees.

What Is an Attorney Referral Fee?

Service-based businesses like law firms and solo lawyers often refer clients to other businesses — including other lawyers. This may be informal or as part of a referral program that involves attorney referral fees.

The guidelines for attorney referral fees can be complex, but they are bound to the ethical rules for lawyers.

For example, an experienced attorney may pass on a case that doesn't require advanced skills to a new lawyer. If there's a referral fee agreement, the attorney

receiving the referral will need to pay a referral fee to the referring lawyer.

This may happen if an attorney receives a case that's outside their skill set or experience. The case can be referred to a law firm with more experienced attorneys with an exchange of a referral fee to the referring attorney.

Referrals and referral fees are beneficial for both parties. The attorney receiving the referral is acquiring new clients and paying a small fee in exchange, while the referring attorney is gaining compensation, relieving their workload, and entrusting their client's case to a valued colleague.

There are many reasons lawyers may refer cases to one another, but all attorney referrals are bound to the ethics rules for attorneys and law firms.

What Is the Typical Attorney Referral Fee Percentage?

Depending on where your practice is located, an attorney referral fee percentage may be 30% or higher. In some jurisdictions, it must be less than 30%. It's important to determine what's appropriate and common in your area.

Ethical Considerations for Attorney Referral Fees

Attorney referral fees are not as simple as paying for a colleague's referral. The American Bar Association (ABA) [Model Rules of Professional Conduct](#) has clear rules for attorney referral fees, and individual states may have additional rules.

Model Rule 5.4(a) states that attorneys aren't allowed to share legal fees with non-attorneys. Rule 7.2(b) states that a lawyer isn't allowed to give anything of value to someone for recommending a lawyer's services.

There are exceptions to these rules under Model 1.5(e), however. Attorney referral fees are allowed under these circumstances:

- The division is in proportion to the services performed by each attorney or each attorney assumes joint responsibility for the representation
- The client agrees to the arrangement, including the share each lawyer will receive, and the agreement is confirmed in writing
- The total fee is reasonable

The rules also state that an attorney can only refer a client to another competent attorney, not an attorney who can't handle the case or lacks the sufficient skill set.

The purpose of these ethical rules is to ensure that lawyers aren't incentivized to refer clients as a source of income without doing any work. Referral fees are helpful to attorneys, but the goal is still to help the client — first and foremost — rather than being greedy at the expense of people seeking legal assistance.

Lawyers in referral agreements have joint responsibility, which means that they're responsible for each other's professional actions and duties to clients. This is similar to the agreement lawyers have as part of a law firm and an important consideration when choosing referral attorneys.

Joint responsibility includes conflicts of interest in the representation of a client, negligence or misconduct of the working attorney, client confidentiality, and fiduciary responsibility.

In addition, some states follow the ABA Model Rules closely, while others have their own rules for referral fees. Be sure to check the rules in your jurisdiction before drafting an agreement to ensure you're in ethical compliance.

What to Include in an Attorney Referral Agreement

Writing a formal agreement for attorney referrals is essential to following the rules, maintaining transparency in case of disputes, and establishing relationships with professional colleagues.

Based on Model Rule 1.5(e), your referral agreement must have the following components:

- A shared fee must be proportional to the work performed (otherwise, lawyers assume joint responsibility)
- The client must provide written consent to share fees, including the proportion of disbursement that the referring attorney receives
- The fee shared must be reasonable

Here are the steps to drafting a referral agreement:

1. Ensure that you have a written agreement with the partner law firm.

2. Decide and state how the fees are split — either proportional earnings or joint representation.
3. Acquire the express written consent of the client agreeing to shared fees and how they are divided.
4. Verify that the agreement states who is the primary billing law firm for the client.
5. Determine how billed labor will be reported to each law firm, which may be through fee allocation report, submitted timesheets, joint timekeeping records, or at the time of the referral.
6. Check if the law firm trust account can record client trust deposits and disbursements of shared fees.

Here are some best practices for referral agreements:

- Make the expectations clear to outline expectations for both parties. If one attorney is handling the case, that should be clear. If both are responsible, the duties of each should be stated.
- Be clear about referral fee percentages. Based on the standards for your jurisdiction, outline the percentages each party will receive to avoid any disputes.
- Only refer to trusted attorneys. As a referring attorney, you are responsible for the behavior of the attorney you refer a client to, so you're on the hook for malpractice or other issues.
- If you are receiving referrals, pay the fee. If you fail to live up to your end of the agreement, you're risking not only missing out on referrals in the future but ruining your professional reputation.

Law practice management software can be a big help in keeping your referral agreements, fees, and accounting in order. With features like billing and invoicing, time tracking, online payments, document templates, and reporting, [Bill4Time](#) offers everything you need to stay organized and hold up your end of the agreement.

Can Lawyers Pay Referral Fees to Anyone?

Lawyers can share referral fees with other lawyers, as long as they comply with the ethics rules. Under Rule 1.1 of the Model Rules, “lawyers” only refers to competent lawyers.

Generally, it's not permissible for lawyers to pay referral fees to non-lawyers. There are two exceptions for non-lawyers under Rule 5.4(a) and Rule 7.2(b), however. The former states that lawyers cannot share legal fees with a non-lawyer, while the latter states that lawyers can't give anything of value to anyone for recommending services.

Are Attorney Referral Agreements Right for You?

Attorney referral agreements offer a lot of advantages, but they're not right for every attorney and law firm. Referral agreements can be complex, so you have to enter them with transparency and ethical considerations.