SCR 3.130(1.5) Fees

(a) A lawyer shall not make an agreement for, charge, or collect an unreasonable fee or an unreasonable amount for expenses. The factors to be considered in determining the reasonableness of a fee include the following:

(1) the time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal service properly;

(2) the likelihood that the acceptance of the particular employment will preclude other employment by the lawyer;

(3) the fee customarily charged in the locality for similar legal services;

(4) the amount involved and the results obtained;

(5) the time limitations imposed by the client or by the circumstances;

(6) the nature and length of the professional relationship with the client;

(7) the experience, reputation, and ability of the lawyer or lawyers performing the services; and

(8) whether the fee is fixed or contingent.

(b) The scope of the representation and the basis or rate of the fee and expenses for which the client will be responsible shall be communicated to the client, preferably in writing, before or within a reasonable time after commencing the representation, except when the lawyer will charge a regularly represented client on the same basis or rate. Any changes in the basis or rate of the fee or expenses shall also be communicated to the client.

(c) A fee may be contingent on the outcome of the matter for which the service is rendered, except in a matter in which a contingent fee is prohibited by paragraph (d) or other law. Such a fee must meet the requirements of Rule 1.5(a). A contingent fee agreement shall be in a writing signed by the client and shall state the method by which the fee is to be determined, including the percentage or percentages that shall accrue to the lawyer in the event of settlement, trial or appeal; litigation and other expenses to be deducted from the recovery; and whether such expenses are to be deducted before or after the contingent fee is calculated. The agreement must clearly notify the client of any expenses for which the client will be liable whether or not the client is the prevailing party. Upon conclusion of a contingent fee matter, the lawyer shall provide the client with a written statement stating the outcome of the matter and, if there is a recovery, showing the remittance to the client and the method of its determination.

(d) A lawyer shall not enter into an arrangement for, charge, or collect:

(1) any fee in a domestic relations matter, the payment or amount of which is contingent upon the securing of a divorce or upon the amount of alimony, maintenance, support, or property settlement in lieu thereof, provided this does not apply to liquidated sums in arrearage; or
(2) a contingent fee for representing a defendant in a criminal case.

(e) A division of a fee between lawyers who are not in the same firm may be made only if:

(1) the division is in proportion to the services performed by each lawyer, or, each lawyer
assumes joint responsibility for the representation;

(2) the client agrees to the arrangement and the agreement is confirmed in writing; and

(3) the total fee is reasonable.

(f) A fee may be designated as an advance fee. An advance fee agreement shall be in a writing
signed by the client evidencing the client's informed consent, and shall state the dollar amount
of the retainer, its application to the scope of the representation and the time frame in which the
agreement will exist.

HISTORY: Amended by Order 2017-18, eff. 1-1-2018; prior amendment eff. 7-15-2009 (Order
2009-05); adopted by Order 89-1, eff. 1-1-90

Supreme Court Commentary

2009:  
Reasonableness of Fee and Expenses

(1) Paragraph (a) requires that lawyers charge fees that are reasonable under the circumstances.
The factors specified in (1) through (8) are not exclusive. Nor will each factor be relevant in each
instance. Paragraph (a) also requires that expenses for which the client will be charged must be
reasonable. A lawyer may seek reimbursement for the cost of services performed in-house, such
as copying, or for other expenses incurred in-house, such as telephone charges, either by
charging a reasonable amount to which the client has agreed in advance or by charging an
amount that reasonably reflects the cost incurred by the lawyer.

Basis or Rate of Fee

(2) When the lawyer has regularly represented a client, they ordinarily will have evolved an
understanding concerning the basis or rate of the fee and the expenses for which the client will be
responsible. In a new client-lawyer relationship, however, an understanding as to fees and
expenses must be promptly established. Generally, it is desirable to furnish the client with at least
a simple memorandum or copy of the lawyer's customary fee arrangements that states the
general nature of the legal services to be provided, the basis, rate or total amount of the fee and
whether and to what extent the client will be responsible for any costs, expenses or
disbursements in the course of the representation. A written statement concerning the terms of
the engagement reduces the possibility of misunderstanding.

(3) Contingent fees, like any other fees, are subject to the reasonableness standard of paragraph
(a) of this Rule. In determining whether a particular contingent fee is reasonable, or whether it is
reasonable to charge any form of contingent fee, a lawyer must consider the factors that are
relevant under the circumstances. Applicable law may impose limitations on contingent fees,
such as a ceiling on the percentage allowable, or may require a lawyer to offer clients an
alternative basis for the fee. Applicable law also may apply to situations other than a contingent
fee, for example, government regulations regarding fees in certain tax matters.
Terms of Payment

(4) A lawyer may require advance payment of a fee, but is obliged to return any unearned portion. See Rule 1.16(d). A lawyer may accept property in payment for services, such as an ownership interest in an enterprise, providing this does not involve acquisition of a proprietary interest in the cause of action or subject matter of the litigation contrary to Rule 1.8(i). However, a fee paid in property instead of money may be subject to the requirements of Rule 1.8(a) because such fees often have the essential qualities of a business transaction with the client.

(5) An agreement may not be made whose terms might induce the lawyer improperly to curtail services for the client or perform them in a way contrary to the client's interest. For example, a lawyer should not enter into an agreement whereby services are to be provided only up to a stated amount when it is foreseeable that more extensive services probably will be required, unless the situation is adequately explained to the client. Otherwise, the client might have to bargain for further assistance in the midst of a proceeding or transaction. However, it is proper to define the extent of services in light of the client's ability to pay. A lawyer should not exploit a fee arrangement based primarily on hourly charges by using wasteful procedures.

Prohibited Contingent Fees

(6) Paragraph (d) prohibits a lawyer from charging a contingent fee in a domestic relations matter when payment is contingent upon the securing of a divorce or upon the amount of alimony or support or property settlement to be obtained. This provision does not preclude a contract for a contingent fee for legal representation in connection with the recovery of post-judgment balances due under support, alimony or other financial orders because such contracts do not implicate the same policy concerns.

Division of Fee

(7) A division of fee is a single billing to a client covering the fee of two or more lawyers who are not in the same firm. A division of fee facilitates association of more than one lawyer in a matter in which neither alone could serve the client as well, and most often is used when the fee is contingent and the division is between a referring lawyer and a trial specialist. Paragraph (e) permits the lawyers to divide a fee either on the basis of the proportion of services they render or if each lawyer assumes responsibility for the representation as a whole. In addition, the client must agree to the arrangement and the agreement must be confirmed in writing. Contingent fee agreements must be in a writing signed by the client and must otherwise comply with paragraph (c) of this Rule. Joint responsibility for the representation entails financial and ethical responsibility for the representation as if the lawyers were associated in a partnership. A lawyer should only refer a matter to a lawyer whom the referring lawyer reasonably believes is competent to handle the matter. See Rule 1.1.

(8) Paragraph (e) does not prohibit or regulate division of fees to be received in the future for work done when lawyers were previously associated in a law firm.

Disputes over Fees

(9) If a procedure has been established for resolution of fee disputes, such as an arbitration or mediation procedure established by the bar, the lawyer must comply with the procedure when it is mandatory, and, even when it is voluntary, the lawyer should conscientiously consider submitting to it. Law may prescribe a procedure for determining a lawyer's fee, for example, in representation of an executor or administrator, a class or a person entitled to a reasonable fee as
part of the measure of damages. The lawyer entitled to such a fee and a lawyer representing another party concerned with the fee should comply with the prescribed procedure.

Fee Arrangements

(10) If a lawyer collects a deposit on a fee or for expenses, or a flat fee for services to be performed, the lawyer must deposit the funds in the lawyer's trust account until the fee is earned or the expense incurred, at which time the funds shall be promptly distributed. The foregoing shall not apply to advance fees as set out in 1.5(f). In the event the full amount that is held is not ultimately earned, or due to other factors, such as termination of the attorney-client relationship or is not reasonable, the funds must be returned to the client as provided in Rule 1.16(d).

Advance Fee

(11) A lawyer may designate a fee arrangement as an advance fee and upon receipt deposit such funds in the lawyer's operating account. The amount of an advance fee must be reasonable in amount and comply with Rule 1.5. In the event the full amount is not ultimately earned, or due to other factors, such as termination of the attorney-client relationship or is not reasonable, the funds must be returned to the client as provided in Rule 1.16(d).