

# CHARGEBACKS – QUICK REFERENCE

## Main Reasons for Chargebacks

Primary reasons Cardholders initiate chargebacks:

- they are dissatisfied with merchandise or a service
- they never received the merchandise or service
- the return/exchange policies weren't clearly visible
- they never authorized the charge (or can't remember)
- a duplicate charge or a recurring charge doesn't stop
- currency conversion rates are unexpected

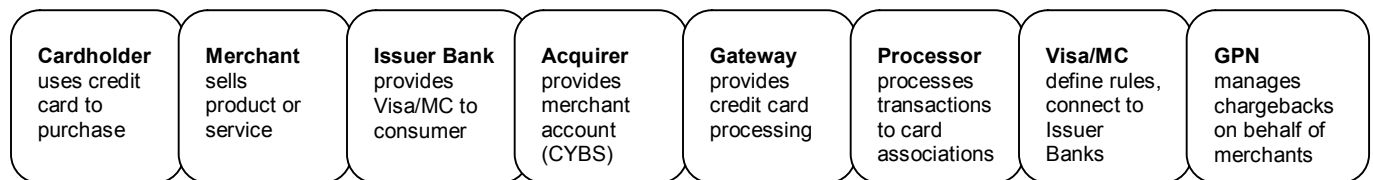
### Important Numbers

GPN Chargeback Number: 866-247-9755  
GPN Chargeback Fax Number: 443-394-1915

## Chargeback Facts

- Approximately 1 in 1000 transactions result in a chargeback.
- The average chargeback potential loss is \$60.

## Chargeback Players



## Chargeback Flow

- 1) A Visa/MC Cardholder contacts the Issuer Bank when they question or dispute a charge to their card.
- 2) The Issuer Bank credits the Cardholder for the charge while the issue is being investigated, then initiates the chargeback process by submitting a request to the appropriate Card Association (V, MC).
- 3) Per Visa/MC rules, Merchant's Acquirer issues credit to the Issuer Bank from the Merchant's account.
- 4) The Merchant provides proof that the original charge was valid and/or that credit was already issued. The response back to the Issuer Bank with proof is referred to as Representation or 2<sup>nd</sup> Presentment.
- 5) If the charge is proved valid, the money moves back to the Merchant's account and the Issuer Bank charges the Cardholder.

## Stages in the Chargeback Process

	Retrieval Request	1 <sup>st</sup> Chargeback	2 <sup>nd</sup> Chargeback (MC) or Pre-arbitration (Visa)	Arbitration
<b>Definition</b>	<i>A request for an electronic copy of the original sale</i>	<i>A request from the Issuer Bank or Cardholder for proof that a sale was valid</i>	<i>The Cardholder or Bank isn't satisfied with the proof and continues the dispute</i>	<i>Merchant or Issuer Bank files for Visa or MC to rule on the dispute</i>
<b>Timelines</b>	- Issuer can make a request for up to 12 months (V) or 18 months (MC). - Merchant must respond to GPN within 10 days.	- Must be presented within 120 days of process date. - Merchant must respond to GPN within 8 days.	- Issuer has 45 days to initiate 2nd chargeback. - Merchant must respond to GPN within 8 days.	- Arbitration must be filed no later than 45 days after a 2 <sup>nd</sup> chargeback is issued.
<b>Money</b>	Money doesn't revert back to Issuer during the 30 days to respond.	Money is reversed from the Merchant's account. If adequate proof is provided, money moves back.	Money is deducted from the Merchant's account until resolution (MC only).	- Filing and review fees are paid by loser (\$400). - Withdrawal fee (\$100). - Technical fee of (\$100) paid per rules violations.
<b>Comment</b>	These are NOT common when the card wasn't present (no signature).	GPN specifies what paperwork is needed based on the reason code.	Merchant can issue credit, choose arbitration (MC), or reject pre-arbitration (V).	Initiator submits a V/MC Arbitration Form with legible documentation.

## **Best Practices for Avoiding Chargebacks (Card Not Present Merchants—Internet, Call Center, Mail Order)**

**#1 non-fraud reason for chargeback costs to card-not-present merchants  
is that the merchant didn't respond to the request for paperwork!**

### **Checkout/Website**

- Ask for both a billing and shipping address and the customer's phone number
- Collect CVV2/CVC2
- Use Verified by Visa or MasterCard SecureCode
- Properly disclose all return, warranty and guarantee policies, as well as shipping and processing fees
- Require a customer to acknowledge the cancellation and refund policies prior to purchase completion

### **Authorization**

- Authorize every sale on the order date
- Ask customer for another payment type if an authorization is "declined" (DO NOT repeat authorization, split into smaller amounts, attempt to obtain authorization later or otherwise force the transaction through)
- Use Address Verification Service (AVS) and Card Verification (CVV2/CVC2) (a response of 'U' means that the issuer does not support AVS or CVN and gives the issuer the right to represent for this reason)
- Re-authorize if ship date is greater than 30 days

### **Email Confirmation**

- Email notification after sale is confirmed; include shipping and billing info with delivery date and return policy
- Keep customers informed about order status if shipment is delayed and the new expected delivery date
- Email an Order Confirmation Notice to the cardholder prior to shipping and processing settlement

### **Delivery**

- Do not ship overseas unless you have a successful history doing it
- Ship to the AVS address and get a signed delivery receipt

### **Settlement/Credit**

- Submit charges in a timely manner when purchase is eligible to settle
- Do not submit a settlement request until the merchandise ships
- Ensure that customer service phone number appears on the cardholder's credit card statement
- Ensure that the merchant name on the receipt matches the merchant name on the statement
- Issue credits promptly when credit is owed; notify cardholder when the credit is issued

### **Response**

- Respond to inquiries from cardholders promptly; cancel recurring transactions promptly upon request
- Respond to chargebacks with the requested documentation within 10 days
- Make sure that the documentation is legible
- Provide proof of positive AVS and CVV2/CVC2/CID
- Provide proof of delivery and signature, if available
- Provide any other information pertinent to the specific chargeback

### **More Information:**

**Visa** has a free website that merchants can use to [learn more about chargebacks](#).

Also, Visa provides their current Card Acceptance and Chargeback Management Guide online at [http://usa.visa.com/download/merchants/rules\\_for\\_vis\\_a\\_merchants.pdf](http://usa.visa.com/download/merchants/rules_for_vis_a_merchants.pdf).

If the link doesn't open the PDF document, paste the URL into your browser.

If chargebacks are excessive, Visa will place the merchant in their Visa Monitoring Program.

**MasterCard** has a free website that merchants can use to learn more about chargebacks. The following link is to the current [Chargeback Guide](http://www.mastercard.com/us/wce/PDF/TB-Entire_Manual.pdf): [http://www.mastercard.com/us/wce/PDF/TB-Entire\\_Manual.pdf](http://www.mastercard.com/us/wce/PDF/TB-Entire_Manual.pdf)

If chargebacks are excessive, MasterCard will place the merchant in their [Excessive Chargeback Program](http://www.mastercard.com/us/wce/PDF/SP_Excessive_Chargeback_Program.pdf): [http://www.mastercard.com/us/wce/PDF/SP\\_Excessive\\_Chargeback\\_Program.pdf](http://www.mastercard.com/us/wce/PDF/SP_Excessive_Chargeback_Program.pdf)

**American Express, Discover and JCB** are usually closed loop systems where the card association is also the issuer, so the rules governing chargebacks are different.