

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 initial or 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 right to represent to the issuer 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 Merlin (or other chargeback manager) 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.

http://usa.visa.com/business/accepting_visa/ops_risk_management/dispute_resolution.html

Also, Visa provides their current [Card Acceptance and Chargeback Management Guide](#) online.

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 MasterCard Rules Manual.

http://www.mastercardmerchant.com/docs/accept_mastercard/merchant_rules.pdf

If chargebacks are excessive, MasterCard will place the merchant in their Excessive Chargeback Program.

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