

CHARGEBACKS – QUICK REFERENCE

Main Reasons for Chargebacks

Primary reasons Cardholders initiate chargebacks:

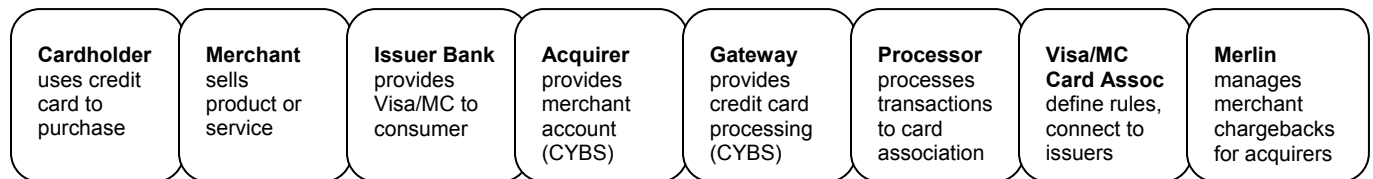
- they are dissatisfied with merchandise or a service
- they never received the merchandise or service
- the return/exchange policies weren't clearly visible
- they never authorized the charge (or can't remember)
- a recurring charge doesn't stop
- currency conversion rates are unexpected

TIP: the Cardholder should first try resolving questions directly with the Merchant—one reason that the Merchant's support phone number is shown on the Cardholder's statement.

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 Issuer Bank needs proof from the Merchant that validates the original charge to the Cardholder. If the Merchant can't prove the charge is valid, the Issuer Bank doesn't have to pay the Merchant. If the Merchant provides proof of proper processing and of doing fraud checks, the Issuer Bank reverses the money back to the Merchant. They charge the Cardholder unless the charge proves to be fraudulent.
- 5) The response back to the Issuer Bank with proof is referred to as Representation or 2nd Presentment.

Stages in the Chargeback Process

	Retrieval Request	1 st Chargeback	2 nd Chargeback (MC) or Pre-arbitration (Visa)	Arbitration
Definition	<i>A retrieval request is a request for an electronic copy of the original sale</i>	<i>A reversal of a credit card sale disputed by the Cardholder or Issuer Bank</i>	<i>When the Issuer Bank isn't satisfied w/proof or wants to continue the dispute</i>	<i>When Merchant or Issuer Bank files for Visa or MC to rule on the dispute</i>
Timelines	<ul style="list-style-type: none"> - Issuer can make a request for up to 12 months (V) or 18 months (MC). - Merlin asks merchant to respond w/in 10 days. - Merlin must have paperwork w/in 28 days. - Issuer must receive paperwork w/in 30 days. 	<ul style="list-style-type: none"> - Must be presented within 120 days of process date. - Merlin asks merchant to respond w/in 10 days. - Merlin must have paperwork w/in 42 days. - Issuer must receive paperwork w/in 45 days. 	<ul style="list-style-type: none"> - Issuer has 45 days to initiate 2nd chargeback. - Merlin asks Merchant to respond w/in 10 days. - Merlin has 45 days to return response for 2nd chargeback (MC) and 30 days for pre-arbitration (V). 	<ul style="list-style-type: none"> - Filing and review fees are paid by loser (\$400). - Technical fee of (\$100) paid per rules violations. - Withdrawal fee (\$100).
Money	Money doesn't revert back to Issuer during the 30 days to respond.	Money is reversed from Merchant's account. A Reversal moves money back if proof is adequate.	Money is deducted from Merchant's account until resolution (MC) or stays with Merchant (Visa).	Compliance <i>A rules violation not covered by a chargeback reason code.</i>
Comment	These are NOT common when the card wasn't present (no signature).	Merlin specifies what paperwork is needed based on the reason code.	Merchant can issue credit, choose arbitration (MC), or reject pre-arbitration (V)	<ul style="list-style-type: none"> - 30 days for response - fees equal arbitration