

Chargebacks 101

Can a telephone recording of a conversation with the cardholder be accepted as evidence that the cardholder no longer disputes?

Unfortunately, the networks are not able to accept telephone recordings. You can include a written transcript.

Does Visa still require signature for disputes?

A signature is only one form of a valid dispute response and therefore not “required” as there are other dispute response types.

Do draft retrievals result in upfront debits?

No, draft retrievals are non-monetary.

With associated fees and the time and effort it takes to dispute a transaction, what is the minimum transaction amount worth disputing?

The industry standard is typically between \$25-\$50; however, merchants should take into consideration their business model and average transaction amount before making this decision.

What designates the time between the transaction date and when it shows in the chargeback notifications?

The networks give the cardholder 120 days from the transaction date to initiate a chargeback. This is the standard but exceptions are made based on the dispute reason and the merchant type.

If a customer's credit card is set to enter a PIN, do merchants still need to capture the signature at the point of sale?

No, if a PIN is captured a signature is not required.

Can merchants complete a response online and still fax documentation?

The response online will be transmitted directly to Visa, so documentation would have to be added at this time and not faxed at a later date.

How should merchants handle returns that are reconciled once the merchandise is returned?

A return should be issued once the merchandise is returned to you from the cardholder. This information can be used to rectify a dispute.

Can merchants still issue a refund even if they are debited upfront?

Visa’s dispute rules advise against issuing a credit after a chargeback is received; however, if you do so, there is an option to complete a dispute response or pre-arbitration with the credit information.

Does every dispute result in an immediate debit?

Yes, unless you are pre-noted customer.

Does this new process eliminate pre-notes?

No, it does not. However, the new process reduces the amount of time you have to respond. The prenote period is seven days instead of 15.

It's been communicated that Visa eliminating signature capture for disputes. Will this eventually happen for all card types?

Visa is doing away with signature requirements for EMV capable merchants. All networks are implementing this change.

With the upcoming changes to electronic signature requirements, what happens in the event of a chargeback if the signature is not captured?

There are other means in which you can refute a dispute outside of sending a signed sales draft. Those other means should be utilized.

Will Worldpay still accept electronic signature files in a file transmission, or should merchants simply store these themselves in the event of a chargeback?

Yes, we will still accept electronic signature files as we understand that merchants may still want to capture signatures.

The networks have all announced that effective April 2018 their rules will be updated to allow merchants the option to choose whether to collect a cardholder's signature for all card present point-of-sale transactions. How does this impact this process?

All networks have stated that a signature is not required for EMV capable merchants.

Does having a cardholder sign digitally, or use their finger on a phone or iPad screen, count as a valid signature on a credit card receipt, as in the past it has not been?

Yes, this is considered a valid signature.

After reason code 75 is removed, what should an issuer do if the cardholder does not recognize the transaction?

The issuer should use all the available information to assist the cardholder in identifying the transaction (e.g., transaction inquiry). If the cardholder insists the transaction is unauthorized the issuer should pursue the true nature of the dispute (e.g. processing error, fraud etc.).

Will the reason code number still exist? Or will it just say fraud?

There will be condition codes within each of the four new dispute categories. For instance, RC 62 will become 10 for fraud and .1 will indicate EMV liability shift, displayed as 10.1.

Can an issuer or acquirer withdraw an arbitration filing?

Yes. An arbitration filing can be withdrawn; however, the party that filed will have to pay the full arbitration filing fees.

We receive many chargebacks with a reason code of "imprint required to remedy." We do not have card imprint machines anymore and I believe it is illegal to store full card numbers.

Visa's chargeback rules under VCR will still allow an imprint to remedy a card-not-present chargeback. The rules don't address PCI compliance concerns so we'll ask them about it. If the card doesn't swipe properly, you can ask for another form of payment.

All of our transactions are electronic transactions. Customers must agree to our cancellation policy before completing the transaction. If the customer later disputes the charges, the electronic agreement has not been honored by Visa. Will this change?

There will not be any overall or general change. Typically, Visa has different guidelines around the electronic agreement based on reason code. For example, if the chargeback is for "cancelled recurring payment," Visa says the cancellation policy doesn't apply because the cardholder is only revoking his permission to charge the card. You are encouraged to contact the cardholder for another form of payment if he signed a contract. However, if the cardholder wants to return goods and he agreed to the cancellation policy by clicking his agreement online, the policy should be honored in the dispute process.

Most of our business is done online. How do we prove that the customer authorized this transaction? We don't have a receipt signed by the customer.

The best way to protect yourself from a fraud chargeback on an online transaction is to use Verified by Visa (although there are a few exclusions even when you do). Otherwise, you may present compelling evidence such as a CVV2 match, a positive AVS, or the IP address. The issuer must share this information with the cardholder who may continue to deny the charge.

Will the merchant receive disputes on-line only or will we receive them in the mail?

You will continue to receive dispute notices as you do now. The dispute notice may include information on how to fill out the mandated questionnaire if want to respond to the chargeback.

What will Vantiv, now Worldpay do to automate disputes? Will Worldpay pre-dispute some of these liabilities before they are shifted to merchant?

At first, Worldpay will not be able to systemically respond to incoming chargebacks on your behalf due to the questionnaire requirement. However, we anticipate that Visa's blocks and edits will replace the need for Worldpay to intercede.

Will pre-notes go away with these changes?

If you currently receive pre-notifications, you will continue to receive them. However, the timeframe to respond to the pre-notification will be shortened from 15 days to 7 days due to the reduction in time for responding to a chargeback.

Is there a change in the evidence requirements for the reason code? For example, “cancelled recurring payment” is a very hard reason code to win, especially since the merchant will not usually have evidence that the customer has *not* cancelled?

Visa has committed to publishing the new dispute rules, and we’ll be able to answer questions like this after receiving the new rules.

With the new process, do we still have to provide proof of customer purchases such as invoice, tracking and templates?

Each reason code has its own documentation requirements. Visa is hoping that by using the questionnaires, less documentation will be needed.

Worldpay currently auto-represents chargebacks for transactions that were already refunded; will this process change at all?

At first, Worldpay will not be able to systemically respond to incoming chargebacks on your behalf due to the questionnaire requirement. However, we will evaluate to see if Visa’s blocks are helping with the need for automation and, if necessary, will revisit our ability to automate.

If you are currently using a chip & PIN terminal system, will fraud be minimized due to this use?

VCR is expected to reduce the number of invalid chargebacks if the transaction was properly processed through a chip and PIN terminal system. Visa’s authorization logs will contain all the data needed to qualify – or disqualify – a dispute for counterfeit fraud. Visa logs have information about the chip, the terminal capabilities, whether a PIN was entered, and whether fallback indicators were sent. These are all factors that are taken into consideration when a dispute is initiated.

What are the four new categories and how will the current 22 reason codes be mapped into these categories?

The four new categories are:

- 10 Fraud
- 11 Authorization
- 12 Processing Errors
- 13 Consumer Dispute

Fraud – Category 10	Authorization – Category 11	Processing errors – Category 12	Consumer disputes – Category 13
62 - Counterfeit Transaction 81 - Fraud – Card-Present Environment 83 – Fraud – Card Absent Environment 93 - Visa Fraud Monitoring Program	70 - Card Recovery Bulletin 71 – Declined Authorization 72 – No Authorization 73 – Expired Card 78 – Service Code Violation	74 – Late Presentment 76 - Incorrect Currency or Transaction Code or Domestic Transaction Processing Violation 77 – Non Matching Account Number 80 – Incorrect Transaction Amount or Account Number 82 – Duplicate Processing 86 – Paid by Other Means	30 – Services Not Provided or Merchandise Not Received 41 – Cancelled Recurring Transaction 53 – Not as Described or Defective Merchandise 85 – Credit Not Processed 90 - Non Receipt of Cash or Load Transaction Value at ATM or Load Device

What is T and E?

T and E is an abbreviation for Travel and Entertainment. Hotels, airlines, car rentals agencies and cruise lines are a few of the merchant types that fall into this category

What is late presentment?

A late presentment is when a transaction settles outside of the authorization to settlement window. The networks set presentment timeframes.