

Chargeback Guide



For questions please call Arthur

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Table of Contents

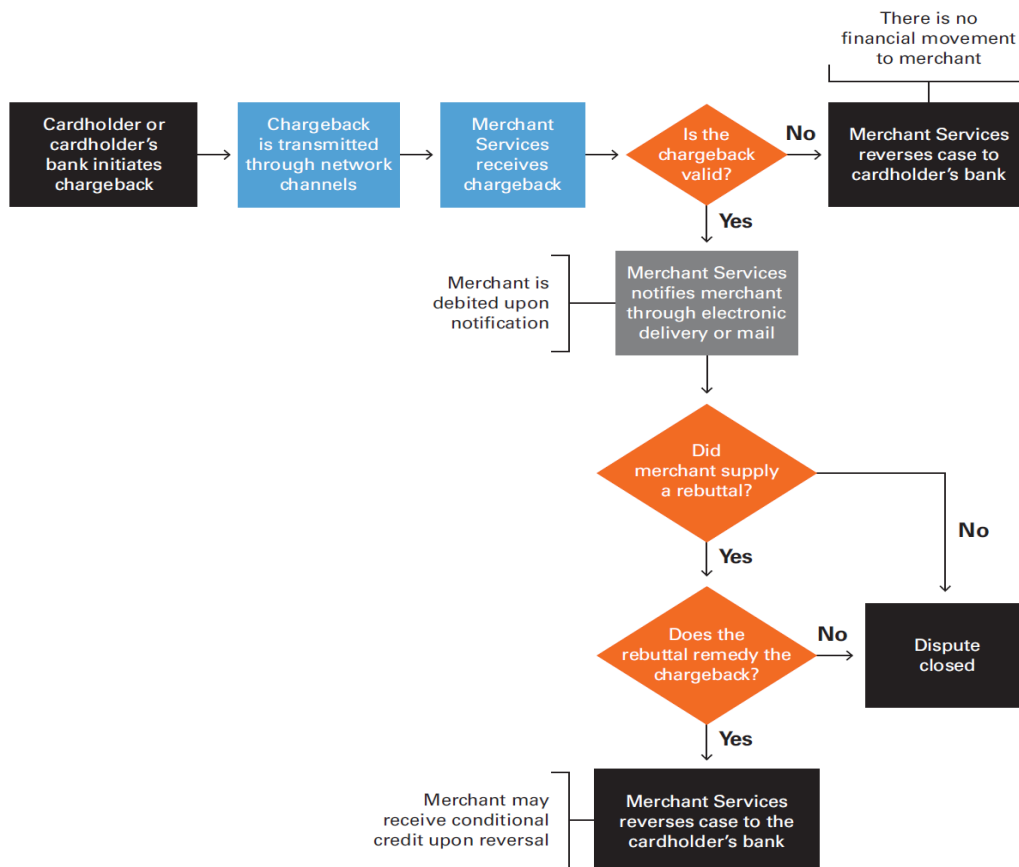
What is a chargeback and how do they work?	3
Card Not Present Chargeback	4
What can you do to avoid a Card Not Present Chargeback?	4
How to fight a Card Not Present Dispute.....	4
Card Present Chargeback	5
What can you do to avoid a Card Present Dispute?	5
How to fight a Card Present Dispute	5
Credit Not Processed Chargeback	6
What can you do to avoid a credit-not-processed dispute?.....	6
How to fight a Credit Not Processed Dispute	6
Services Not Provided; Merchandise Not Received	7
What can you do to avoid a services not provided; merchandise not received dispute?.....	7
How to fight a services not provided; merchandise not received.....	7
Late Presentment	8
What can you do to avoid a late presentment dispute?	8
How can you defend yourself against a late presentment dispute?	8

What is a chargeback and how do they work?

A chargeback occurs when the cardholder or the cardholder's bank challenges all or part of a purchase.

There are various reasons that a transaction can be disputed and returned through the chargeback process. However, the cardholder's bank must first confirm that a chargeback right applies. The networks have rules outlining rights and processing requirements for the cardholder's bank and for you. The cardholder's bank is responsible for ensuring that the chargeback is submitted using the correct reason code within the predetermined timeframe. The bank must provide all required documentation and meet all regulatory requirements.

Chargeback Process Flow



Card Not Present Chargeback

The merchant has processed a transaction in a card-not-present environment. The cardholder is claiming that the transaction was processed without cardholder permission or with a fictitious account number.

What can you do to avoid a Card Not Present Chargeback?

- Obtain a positive AVS (Address Verification Service) response and ship merchandise to the confirmed address.
- Obtain authorizations for all transactions.
- Implement internal fraud prevention policies and procedures for suspicious activity.
- Ensure merchant descriptor matches the name of the business and is displayed correctly on the cardholder statement.

How to fight a Card Not Present Dispute

- Prove that a fraud protection program* was utilized for electronic transactions.
- Prove that a credit which directly offsets the disputed charge has already been processed.
- Provide compelling evidence that the cardholder participated in the transaction.
- Supply a legible copy of the transaction document/information to assist cardholder in recognizing the transaction and include a brief description of the goods or services and a valid authorization code.
- Provide proof that merchandise was shipped to an AVS confirmed address.
- Provide a valid POD.

*Fraud protection programs improve the security of payment transactions in the electronic commerce environment over open networks. They are designed to increase both cardholder and merchant confidence in internet purchases, as well as to reduce dispute and fraudulent activity related to payment cards. Examples of fraud protection programs are listed below:

3D Secure

Mastercard SecureCode

Discover ProtectBuy

American Express SafeKey

Card Present Chargeback

The merchant has processed a transaction in a Card Present environment. The cardholder is claiming that the transaction was not authorized.

What can you do to avoid a Card Present Dispute?

- Capture all transactions by chip reading the card or obtaining a magnetic swipe and when applicable, obtain a PIN.
- Implement internal fraud prevention policies and procedures for suspicious activity.
- Ensure that you are using the latest technology (Chip enabled terminal).

How to fight a Card Present Dispute

- Supply a sales draft with proof that the transaction was electronically captured.
- Provide evidence that the transaction was processed using a PIN-enabled terminal; however, the cardholder presented a non-PIN.
- Evidence of another payment on the same card which was undisputed and/or Evidence of the cardholder's identification and signed copy of the receipt, contract or invoice which links the identification presented by the cardholder.

Credit Not Processed Chargeback

The cardholder is claiming that a credit was not issued even though the merchant issued a credit transaction receipt or provided a refund acknowledgment. Or the cardholder is claiming that a credit was not issued even though the merchandise was returned, or the services were canceled.

What can you do to avoid a credit-not-processed dispute?

- Disclose the refund policy for returned/canceled merchandise or services to the cardholder at the time of the transaction.
 - In a card present environment, the cardholder must sign the transaction receipt containing the disclosure.
 - In an electronic environment, provide disclosure on the website on the same page as the check-out and require the cardholder to “click to accept” the disclosure prior to completion of the transaction.
- Issue credit to the cardholder for the correct amount, in a timely manner and on the same account as the purchase.
- Ensure delivery of the merchandise or services ordered to the cardholder on or before expected delivery date.
- Process all transactions using the proper transaction code.

How to fight a Credit Not Processed Dispute

- Show that a credit is not due by providing proof that the disclosure was accepted by the cardholder at the time of the transaction.
- Provide an explanation of why the credit is not due.

Services Not Provided; Merchandise Not Received

The cardholder is claiming that the services were not provided or that the merchandise was never received.

What can you do to avoid a services not provided; merchandise not received dispute?

- Provide services/merchandise as agreed upon to the cardholder.
- Contact the cardholder in writing, if the merchandise or service cannot be provided or is delayed.
- Offer the cardholder the option to cancel, if your internal policies allow.
- Indicate the expected delivery date on the transaction receipt or invoice.
- Deliver the merchandise to the specified location by the expected delivery date.
- Issue credit to the cardholder, if you are unable to deliver merchandise or provide services
- **Note:** Do not issue credit after chargeback has been received.
- Obtain signed proof of delivery for shipped merchandise.
- Charge the cardholder after the merchandise is shipped.
- Issue refunds as applicable when you cancel the services.
- Make sure accommodations are available to the cardholder as reserved.
- Ensure the cardholder has been billed only once if alternate accommodations are provided.

How to fight a services not provided; merchandise not received.

- Provide a signed POD for shipped merchandise.
- Provide a written rebuttal addressing all of the cardholder's concerns and providing proof that services were: Rendered in full.
- Available but were refused by the cardholder.
- Provided and acknowledged by the cardholder.
- Available but were not utilized by the cardholder.
- Supply form/waiver signed by the cardholder that allows packages to be left at the cardholder's residence without requiring a signature and provide an unsigned POD.
- Provide a rebuttal addressing the cardholder's claims, if cardholder states that merchandise was returned but was not received.
- Provide proof that services were rendered, or merchandise was received by cardholder.
- Provide one of the following for Internet Electronic Delivery: Proof that the cardholder's IP address at the time of purchase matches the IP address where the digital goods were downloaded.
- Proof that the merchant's website was accessed by the cardholder for services after the transaction.

Late Presentment

The cardholder's bank is claiming that the transaction was not processed within the required timeframe.

What can you do to avoid a late presentment dispute?

- Process all transactions within the required timeframes.

How can you defend yourself against a late presentment dispute?

- Provide proof that the transaction was deposited and processed within the required time limit.
- Provide documentation, such as a signed work order, that the cardholder approved the submission of the transaction for posting to their account more than 10 calendar days after the date of the sale.