

Avoiding Chargebacks

Ten ways to reduce the hassle and expense of chargebacks

What is a chargeback?

A chargeback is a transaction disputed by the cardholder or issuer. There are many reasons for chargebacks, but the most common are returned merchandise, terminated services, disputes, errors, or fraud. Chargebacks are a costly part of accepting credit cards. However, merchants can minimize chargebacks at the time of sale by working to achieve maximum customer satisfaction and transaction accuracy.

1 Control risk for mail, phone and Internet transactions

Card Not Present transactions such as Mail Order/ Telephone Order (MO/TO) and Internet transactions are more prone to chargebacks. Here are some ways to reduce the risk of chargebacks for fraudulent or unauthorized transactions:

> Negative Database – By maintaining a database of problem customers, you can identify high-risk transactions, block specific credit card numbers and disallow future purchases.

> Multiple Orders – By limiting the number of transactions per hour, day or week from a specific customer, you may reduce potential fraud.

> Address Verification Service (AVS) – AVS is a fraud reduction service that allows you to verify a cardholder's address prior to completing the sale. The AVS system indicates if there is a full, partial or no match response on the address by comparing an address in the card issuer's database.

> Know Your Customers – You may avoid chargebacks simply by getting to know your customers. For example, you can capture the customer's telephone number, then call back to verify the order.

> Customer Service Phone Number – Make sure your customer service phone number is printed on the receipt. This makes it easier for customers to resolve disputes by phone rather than through the chargeback process.

> CVV2/CVC2 – Both Visa and MasterCard have this security feature printed on the back of their cards, which you can verify as an additional security check. Contact Customer Service for more details on this feature.

2 Get a manual imprint and signature

If you are unable to swipe a card through your point-of-sale terminal, you must obtain a manual imprint of the card. This manual sales slip must contain the customer's signature, transaction date, authorization code, purchase amount and merchant information – failure to obtain a complete copy can result in the following chargebacks:

- Fraudulent transaction – no cardholder authorization
- Fraudulent transaction – no imprint obtained
- Fraudulent transaction – signature not obtained

You should verify that the signature and name on the card matches the signature on the sales receipt.

3 Respond Promptly to Requests for Transaction Copies

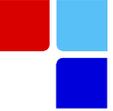
A retrieval request is a request from the issuer to provide a copy of the transaction receipt on behalf of the cardholder. Respond to a retrieval as soon as possible; an untimely or unfulfilled request may result in one of the following chargebacks:

- Non-receipt of requested item
- Requested copy illegible

Failure to respond to a retrieval request will result in an irreversible chargeback. The recommended response method is by fax or overnight mail.

4 Credit/Refunds

To prevent Credit Not Processed chargebacks, quickly process refunds to your customers. Your customer should always be made aware of a cancellation or refund policy in writing. Be sure to have your refund/cancellation policy clearly printed on the transaction receipt in close proximity to the signature line. If you use a website to sell services/merchandise, your refund/cancellation policy should be on your check-out screen with an "I agree" button that the customer must click on prior to completing the transaction. If you do not give refunds or offer in-store-credit only, this information should be included on your transaction receipt. Refunds must be made using the same credit card as the original sale. Never refund a card purchase by cash or check.



Duplicate Transactions

To avoid duplicate transactions that result in Duplicate Processing chargebacks you should:

- Process one transaction at a time through your point-of sale terminal.
- Balance your deposits at the end of the day.
- Create a separate invoice describing each purchase if your customer makes more than one purchase in a day or makes purchases with a duplicate amount.
- Check your batch totals at the end of every shift or business day to ensure that your customers were not charged twice.
- If you discover that a customer was charged twice in

Recurring Transactions

To avoid Cancelled Recurring Transaction chargebacks you should take immediate action when a customer asks to cancel a recurring transaction. Prompt action can reduce the risk of repetitive chargebacks by the same customer.

Merchandise or Service Not Received by Cardholder

If a cardholder does not receive merchandise or services, a Non-receipt of Merchandise chargeback may occur. Goods and services must be delivered before charging the customer. To avoid this type of chargeback, you must obtain signed proof of delivery for all merchandise or services that are not immediately delivered at the point of sale. Here are some helpful hints:

> Installment Transaction – Disclose the terms of installment transactions in writing, including shipping, handling charges and taxes. Inform your customer if currency conversion rates will cause installment amounts to fluctuate. Card Association regulations prohibit merchants from including finance charges in the installments.

> Installment Intervals – The first installment transaction must not be processed before the shipment of goods. Use the 30-calendar-day (or more) rule, or the monthly anniversary of the shipping date (must be the same date each month) to process installments.

> Delayed Delivery – You can process delayed delivery transactions before delivery of the goods or service if the sale is described as “delayed delivery” on the transaction receipt. You may not process a deposit or a balance transaction receipt before the delivery of the goods or service.

> Prepayment – You may process a prepayment transaction if you advise your customer that he or she will be billed immediately. You may also process a full prepayment for custom-order merchandise (manufactured to the customer’s specifications).

Authorization Procedures

A “decline” code indicates that the card issuer does not approve the transaction. Do not continue to attempt authorization on the card by reducing the amount requested or repeating the request. When you receive a decline code, you should return the card to the customer and ask for another form of payment.

If you are suspicious of a card transaction after receiving an approval code, contact your voice authorization center and request a “Code 10” authorization. The operator will ask you a series of yes or no questions without alerting the cardholder. You will then be given information on how to proceed with the transaction.

Cardholder Disputes Quality of Merchandise/Service

It is difficult to overcome a dispute from a customer who challenges the quality of your merchandise or service. Such disputes can result in the following chargebacks:

- Merchandise/Service not as described
- Cardholder dispute - not elsewhere classified
- Defective merchandise

If a customer disputes a transaction, try to resolve the issue directly with the customer and document your efforts to satisfy the customer. Always keep accurate records of each transaction because you may need to provide documentation in your response to a customer’s dispute.

Ensure proper packaging of shipped goods. Make sure the goods are suitable for the purpose for which they were sold. Make sure your customer has a clear understanding of how to return the merchandise.

To avoid such chargebacks, make sure your customers are aware of your return policy at the time of purchase. Display the policy at the point of sale and print it on the sales slip in close proximity to the signature line. Maintain your return policy with consistency.

Account Numbers Don’t Match

After swiping the card, make sure the embossed card number and the displayed account number match. Print the full account number on all phone and mail orders. Ask phone customers to read back the card number to ensure accuracy. Non-matching transactions can result in the following chargebacks:

- Account number not on file
- Non-matching account number

For additional information concerning chargebacks, please call: **1-866-600-5008** For general customer service questions please call Merchant Services at the phone number listed on your monthly statement.