

# Guide to Chargeback Protection



## What is a “Chargeback?”

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A Chargeback is a transaction that has been disputed and returned by the cardholder/issuing bank. A chargeback reverses a credit card transaction, and withdraws funds that were previously deposited into the merchant’s bank account. The issuing bank mediates the review of the disputed transaction and settles the dispute in favor of the cardholder or the merchant.

## Our Guide Covers:

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# THE CHARGEBACK PROCESS

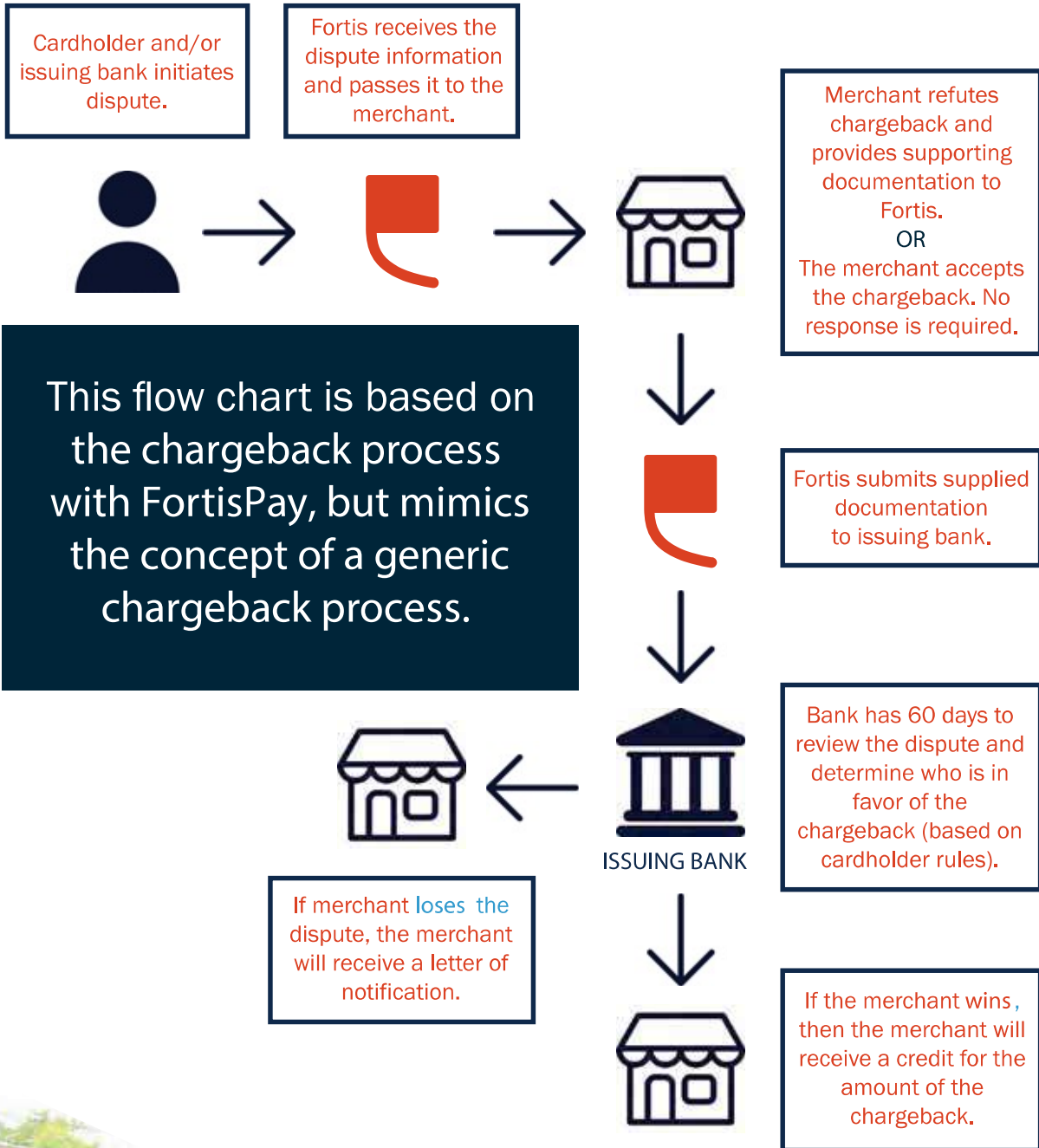
Besides being able to identify the various types of chargebacks, you must also understand the Chargeback Process. This will be helpful information in the unfortunate event that your business encounters a chargeback.



- 1 The Cardholder or the issuing bank initiates the dispute with the business location.
- 2 The Chargeback Department receives the information from the cardholder's issuing bank, and sends the paperwork to the merchant.
- 3 The Merchant must prepare their response to the chargeback and provide supporting documentation to the Chargeback Department within 10 business days of the notice date. If the merchant accepts the chargeback and deems it valid, no response is required.
- 4 The Chargeback Department submits the response and supporting documentation to the issuing bank.
- 5 The issuing bank has up to 60 days to review the supporting documentation and make a final decision on the chargeback. During this time, the merchant will receive a provisional credit (Visa/MasterCard chargebacks only) equal to the amount of the chargeback.
- 6 WIN - During or after the 60 day review period, the issuing bank has sided in the merchant's favor. The provisional credit (Visa/MasterCard Chargebacks only) that the merchant receives will become permanent. For American Express/Discover, the merchant will receive a credit for the amount of the chargeback.
- 7 LOSE - During or after the 60 day review period, the issuing bank has decided that the chargeback is valid. The business location is re-debited for the amount of the chargeback and the cardholder is credited.



# CHARGEBACK FLOW CHART



# TYPES OF CHARGEBACKS

There are many types of chargebacks you must be aware of as a business owner. We have compiled a list of the most common types of chargebacks and their definitions. We are confident that the more prepared you are as a business owner, the less likely you are to experience the negative repercussions of chargebacks.



**Friendly Fraud / Chargeback Fraud:** Friendly fraud is related to chargeback fraud because consumers use the chargeback process to secure a refund or obtain an item for free. Consumers dispute a transaction with the bank instead of contacting the merchant for a refund. They might claim:

- *The item was not delivered.*
- *The item was not as described or was defective.*
- *Cardholder cancelled appointment/reservation.*
- *The original transaction was not authorized*
- *A recurring transaction was not canceled as requested.*

In reality, these could be false claims. Friendly fraud can be broken into two categories: deliberate and accidental.

**True / Criminal Fraud:** Involves a person or party acquiring someone else's personal information and using it for economic gain. Data breaches, card skimming, and account take-over are all methods used by fraudsters to get their hands on card information.

**Processing / Merchant Error:** The customer finds their purchase to be unsatisfactory and revoke their payment, including:

- *The merchant did not provide the product or service as described.*
- *The customer received the goods or service in imperfect condition or under unsatisfactory terms.*
- *The customer never actually received the product or service.*
- *The customer was charged twice for the same purchase.*
- *The customer never formally authorized the charge to the merchant.*
- *The customer was unable to contact customer service for a credit/refund.*
- *The merchant and customer were unable to reach a mutual agreement regarding a purchase, exchange, or refund request.*
- *The customer was charged a different amount than what was previously agreed upon.*
- *Unexpected or undisclosed currency conversion rates were applied.*
- *The return or exchange policy was unclear.*
- *The cancellation policy for any ongoing or recurring billing procedures was undisclosed or unclear.*

For your convenience, here's a list of Chargeback Reason Codes & their definitions by card type (Visa/Mastercard):

[rebrand.ly/chargeback-reason-codes](https://rebrand.ly/chargeback-reason-codes)



# CHARGEBACK PREVENTION

- **Obtain a positive authorization response for all transactions.** Do not complete transactions when a “decline” response is received or no authorization request has been completed. This may result in a chargeback for which you have no recourse.
- **Communicate your cancellation and refund policies clearly at the point of sale, and on receipts/folios, company website, and any email correspondence with the cardholder.** Employees and operators can provide details verbally and then confirm them via e-mail. It pays to be clear, especially around your terms and conditions.
- **Do not complete a transaction if you suspect that the card is fraudulent and/or the customer is not the authorized owner of the card.** If the transaction involves suspicious or unusual circumstances, call the voice authorization center and request a “Code 10” authorization. Check all security features on the credit card as well as the cardholder’s signature on the back panel against the signature on the sales draft.
- **Utilize Address Verification Service (AVS) for all non-face-to-face transactions.** AVS will verify that the address the customer provides is also the billing address of the account number being used. Although this is not a guarantee against chargebacks received for unauthorized usage, it prevents many instances of fraudulent activity. AVS is a requirement for all non-face-to-face transactions in order to obtain the best possible rate.
- **Process all transactions for billing within seven (7) days from the date a positive authorization response is received.** After this time period the authorization number is no longer valid.
- **Ship merchandise before depositing transactions.** Don’t deposit transactions with your merchant bank until you have shipped the related merchandise. If customers see a transaction on their monthly Visa statement before they receive the merchandise, it could lead to a preventable chargeback.
- **Obtain a signed proof of delivery for merchandise that is shipped to the customer.** Should a customer dispute a transaction claiming that the merchandise was not received, only shipment tracers that are signed by the customer are considered valid evidence that a customer did receive the merchandise in question.
- **Use Fraud Prevention Information Resources** (see next page).

# CHARGEBACK PROTECTION

## Protect Your Business

- ① **Make sure every credit card presented is chip captured.** Have accounting periodically run reports from the terminal, POS, and/or PMS to ensure this and conduct further training to stress the importance of this safety measure to your employees. When the chip is not captured and the card is swiped or keyed, manual imprints are required.
- ② **Be sure to refund the same card that was originally charged.** This is very important since the cardholder could claim that they never received a refund, causing you to lose the case.

## If a Credit Card is NOT Present:

- ① Have a strict policy on the use of third party credit card authorization forms.
- ② Make sure that your authorization form requires the cardholder's name, credit card billing address, and signature.
- ③ If possible, require the cardholder to securely e-mail/fax over a copy of the card and their photo ID. If you are unable, then require payment in advance or a deposit when using a credit card authorization form. This is especially important for large amounts of money.



# RESPONDING TO CHARGEBACKS

## I Received a Chargeback... Now What?

The Chargeback Process is similar to a court case where the BURDEN OF PROOF is on the merchant. It is crucial that the merchant provide clear, detailed information to the Chargeback Department. The more detailed the response, the higher the chances the merchant will win the dispute.

In order to file a successful response, you must act promptly and have the proper documentation. Depending on the reason for the chargeback, you will need to supply written documentation that supports your side of the story. Whether you are trying to prove the item was delivered or the cardholder authorized the transaction, the bank won't simply take your word for it.

There are different types of documentation that are considered "compelling evidence" in a chargeback dispute. Any of these documents can help prove the legitimacy of the disputed transaction and disprove inaccurate claims made by the cardholder. For example:

- A legible copy of the signed sales/folio receipt, contract, and/or authorization form.
- Tangible indications that the customer is satisfied with the purchase/service.
- Anything that proves the quality of the item(s) or service was acceptable.
- Correspondence between the cardholder and merchant that proves the merchant spoke to the cardholder or received a letter stating that they acknowledge the validity of the transaction.
- Evidence that the merchant swiped, captured the EMV chip, received voice authorization approval or imprinted the card.

The Merchant must prepare their response to the chargeback and provide supporting documentation to the Chargeback Department within 10 business days of the notice date. If the merchant accepts the chargeback and deems it valid, no response is required.

## WE'LL FIGHT FOR YOU.

For additional questions about Chargebacks:

- Email [Chargebacks@FortisPay.com](mailto:Chargebacks@FortisPay.com)
- Call (855) 465-9999
- Chat [FortisPay.com](https://www.fortispay.com)

