

## How to Help Prevent Credit Card Chargebacks

Credit Card chargebacks typically occur when your customers dispute transactions with their credit card companies. In some cases they can also occur if the bank that issued the card you charged believes that you violated Visa/MasterCard/Discover rules.

The first step in preventing chargebacks is to understand their most common causes, and the second is to take steps to address them as part of your standard business practices.

### Most Common Causes of Credit Card Chargebacks

- **Non-Receipt of Requested Item** — If your merchant processor asks you to provide a copy of a receipt or authorization for a transaction, and you do not supply it by the deadline, the transaction will be deemed a chargeback, and you will not be able to defend or reverse it. (See [Bank Card Retrieval Requests](#) below.)
- **Unauthorized Mail Order/Telephone Order Transaction** — The Cardholder denies that they authorized a sale by mail or telephone. This might happen if the Cardholder does not recognize the charge, or if another authorized user of the account does not recognize the charge.
  - Possible Defense: Supplying a facsimile draft as proof that the order was actually placed, supplying a copy of a signed authorization received via mail, or providing a telephone recording of authorization. Because there are no signatures involved in these types of transactions, the merchant should keep all records of shipping to assist in proving the Cardholder initiated the transaction.
- **Duplicate Processing** — A Cardholder is charged two or more times for the same transaction, and only authorized one.
  - Possible Defense: Supply proof of more than one authorization with different invoice numbers, or supply proof of credit for the duplicate transaction being made to the Cardholder.
- **Non-Receipt of Merchandise** — The Cardholder states that they authorized the sale and were billed for the item, but never received the merchandise.
  - Possible Defense: Supply proof of a shipping receipt signed for by the Cardholder.
- **Compliance Case**— If an issuing bank, MasterCard or VISA deems that a merchant has not complied with the Rules and Regulations set forth by the Card Organizations, a pre-compliance case is initiated to NPC explaining the rule violation that has taken place. An example would be surcharging fees to the customers for using a credit Card in the merchant's establishment. MasterCard, VISA and/or your merchant processing provider may send you a letter of explanation and supporting documentation covering the violation and explaining any fees or penalties that could be imposed in

addition to the Chargeback. Should you fail to correct the violation, fees or penalties could be assessed or your merchant processing account could be terminated.

- **No Credit Issued**-- Merchandise is returned, and a credit is not received for processing.
  - Possible Defense: Provide proof that a credit was issued.
- **Improper Authorization**-- The sales records or authorization is, or is alleged to have been executed, accepted, endorsed, completed or assigned improperly, without authority, or not in accordance with the authorization requirements or any other provisions of your merchant processing Agreement or the Visa/MasterCard Rules.
- **Dissatisfied Cardholder**-- The Cardholder disputes the sale, quality or delivery (or availability for prearranged pick-up) of merchandise or the performance or quality of service covered by the sales records or agreement accepted by such Cardholder.
- **Breach of Duty**--The circumstances in which the transaction was authorized and/or executed involved a breach of any term, condition, representation, warranty or duty you have under your merchant processing Agreement or the Visa/MasterCard Rules.
- **Split Transaction**--Multiple sales records or agreements were executed to avoid the need to obtain authorization necessary to complete the transaction.
- **Law Violation**--The extension of credit for merchandise sold or rented or service performed was in violation of law or the rules or regulations of any governmental agency, whether federal, state, local or otherwise.
- **Cardholder Legal Claim**--The Cardholder asserts against your merchant processor any claim or defense which the Cardholder may have as a buyer against you.
- **Other**--The transaction is otherwise subject to charge back by the Card issuer or Cardholder in accordance with the Card Organization Rules or applicable law.
- **Chargeback Reasons that Using PaySimple for Credit Card Transaction Processing Can Prevent**
  - A limited purpose business “purchasing card” was accepted without appropriate authorization of the nature of the goods or services purchased (in addition to the transaction amount).
  - The sales record is incorrectly completed, incomplete or illegible.
  - The transaction was one for which the authorization and verification was not obtained, or a valid authorization code is not correctly and legibly printed on the sales draft.
  - The price of the merchandise or services shown on the sales draft differs from the amount shown on the copy of the sales draft delivered to the Cardholder.

## What You Can Do to Prevent Chargebacks

Your merchant processing provider is the final arbiter in any chargeback decision and at its sole discretion will uphold the chargeback or rule in your favor. While you are likely to prevail if you have proof of authorization, you will still be assessed chargeback fees, and have to take the time to gather documentation and defend your case. Thus, your best course of action is to do everything possible to prevent Chargebacks, so you'll never have to worry about defending them.

So as with most business matters, maintaining good customer relationships is the single most important thing you can do to protect yourself. If customers call you first, you can refresh their memory about authorizations, or if a mistake was made you can correct it. Even if you end up refunding a transaction that you think is valid, it's a smart move to do it yourself before the issuing bank and your merchant account provider get involved. Taking preemptive action will save you chargeback fees, protect your processing record, and hopefully enhance customer satisfaction.

The following are some important steps you can take:

- Follow all the Visa/MasterCard authorization rules to properly authorize all one time and recurring transactions. (You can download an authorization guide [here.](#))
- Tell your customers how the debit will appear on their credit card statements so that they will recognize it when they see it.
- Make sure your customer remembers the authorization and the details of the authorized charge—this is particularly important when debits are part of a recurring payment schedule. Steps you can take:
  - Always send a receipt for transactions (PaySimple can do this for you)
  - Always send a pre-notification email in advance of transactions that are part of recurring billing schedules (PaySimple can do this for you)
  - Always provide a copy of recurring billing authorizations to your customers
  - Always notify customers of any change in a recurring billing schedule (PaySimple can do this for you)
  - Remind your customers to tell joint account owners about the authorized charges
- Always provide a timely response when you receive a Bankcard Retrieval Request
  - This request is generated when one of your customers requests a copy of a receipt or authorization for a transaction. It comes to you directly from your merchant processor. A sample of the letter you will receive is provided [below](#). It is critical that you respond to the request in the timeframe indicated in the letter. If you do not, the transaction will be automatically deemed a Chargeback, even if it was properly authorized. (You are required to keep proof of authorization for 2 years.)  
**NOTE: You can always print a copy of the transaction details from the PaySimple Solution.**
- Encourage your customers to call you first if they have any questions about a charge. Institute a reasonable refund policy and quickly acknowledge and remedy any errors you may have made.

## ***So you've had a Credit Card transaction returned as a chargeback...What now?***

### **The Chargeback process works as follows:**

1. The cardholder (your customer) calls the bank that issued the credit card to dispute a charge.
2. The bank contacts your merchant processing provider and informs it of the disputed charge.
3. Your merchant processing provider makes an initial judgment as to the validity of the disputed charge. (It may request a copy of the receipt for the disputed charge before making a decision—see [Bankcard Retrieval Requests](#) below).
4. If your merchant processing provider decides the chargeback is valid it will:
  - a. Immediately debit your bank account for the amount of the transaction.
  - b. Assess a Chargeback Fee that will be debited from your bank account on the next scheduled transaction fee debit date. (This will vary based on the terms of your merchant processing contract.)
  - c. Send you a “Chargeback Debit Advice” letter ([see sample below](#)) along with any supporting documentation available, and a “Chargeback Adjustment Reversal Request” form that contains instructions on what you need to do to defend your business and have the Chargeback reversed. This will be sent via mail to your address of record on the same day that your bank account is debited—so you may see the debit before you receive the letter.
5. You (the merchant) decide whether to dispute the Chargeback
  - a. If you don't want to dispute it, do nothing. The issue will be considered closed and the reversal of the charge will be permanent.

**NOTE: Chargebacks in excess of 2% of your total processing volume in any 30 day period are grounds for suspension or termination of your merchant processing account.**
  - b. If you want to dispute the Chargeback and have it reversed, complete and submit the “Chargeback Adjustment Reversal Request” form by the date indicated in the “Chargeback Debit Advice” letter. Make sure to include all information and documentation requested in the “Merchant Action Necessary to Remedy Chargeback” section of the form.
6. Your merchant processor reviews the information you provided, and makes a final decision on whether to reverse the Chargeback. (During this process it may contact the Card Issuer to attempt to collect payment for the charge based on the information you provide.)
7. You are informed of the final decision. If the chargeback is reversed, the amount of the transaction is credited back to your bank account.

**If you do have a Chargeback please don't hesitate to call PaySimple Customer Care for assistance with gathering documentation and defending it. You can also call your merchant processor's customer service line for assistance.**

## Sample Letters You May Receive from Your Merchant Processing Provider

### Retrieval Request Letter

Merchants are required to maintain original authorization documents and transaction receipts for a period of two (2) years. A Cardholder is permitted to request a copy of sales or credit drafts within this time frame. This is known as a Retrieval Request.

Upon receipt of a Retrieval Request from a Cardholder bank, your merchant processor will mail a *Retrieval Request Letter* to your address of record. This form contains pertinent information of the original sale. A legible copy of the sales receipt and authorization must be faxed or mailed to the address or fax number indicated on the Retrieval Request Letter within five (5) days. It is important that you retain a copy of all submitted documents for your records.

Example A – Retrieval Request Sample

Date

Mail Response To:  
NPC  
Retrieval & Chargeback Department  
P.O. Box 540  
Myersville, MD 21773  
Fax: (301) 631-6717

Re: 0000000000000000

An issuing bank, on MM/DD/YY, for the item listed below has made a retrieval request. Failure to provide a correct, legible copy by MM/DD/YY can result in a chargeback for "non-receipt of requested item." Immediate action must be taken to avoid a debit to your account.

MasterCard/Visa regulations do not allow a reversal of this type of chargeback.

A retrieval request is a request made by the Cardholder's bank for a copy of a sales draft. You are required by MasterCard/VISA to fulfill this request. Please return a correct, legible copy of the sales draft referenced below, attaching this letter to the address shown above. The sales draft must contain: merchant name, address or location number, transaction date, signature if applicable, expiration date, account number and transaction amount. If responding to multiple requests via fax transmission, please ensure that the sales draft within the transmission are preceded by the appropriate retrieval letter. Should you have any questions concerning this request, please call the Retrieval Department.

Transaction Date	Transaction Amount	Batch Amount	Cardholder Number
MM/DD/YY	\$00.00	0	
0000000000000000			

  

Processing Ref #	Posting Date	Bin/ICA	Case #
Request ID			
12345678912345678912345	MM/DD/YY	000000	1234567891
123456789123			

Invoice/Ticket Number:

To:

Retrieval Reason:

31-Chargeback Documentation:

## Chargeback Debit Advice

When your merchant processor has initially validated a chargeback, this letter will be sent to your address of record. If you want to defend the chargeback and have it reversed, you must supply the information and documentation requested in the letter by the date indicated.

Example B – Chargeback Debit Advice

Date

TRW REDI PRPRT  
Attn: Ms. Judy Smith  
1234 Main Street  
Any City, XX 12345

Respond Required By: MM/DD/YY

This is a notification of a chargeback initiated by: (Name of Issuing Bank)  
Reason: (Example) 53 – Not as described

Code: 53  
Type: Retail Sales  
Trans. Amount: \$225.00  
Chargeback Amt: \$225.00  
Invoice/Ticket #:  
Cardholder #: 0000000000000000  
Member Message:

Case #: 1234567890 1 0  
Ref #: 1234567891234567891234  
Posting Date: MM/DD/YY  
Resolved Date: MM/DD/YY  
Original Ref #: 12345678  
Received Date: MM/DD/YY

**ACTION TAKEN BY MERCHANT SERVICES**

- Verified this chargeback is valid and has been received within timeframes established by MasterCard/VISA rules and regulations.
- The above Chargeback Adjustment Advice information is accurate.
- Your account has been adjusted because:
- Cardholder canceled/Cardholder due this amount (action varies based on chargeback reason code)

**Please Be Aware**

- Review the "Merchant Action Necessary to Remedy Chargeback" section of the accompanying chargeback adjustment reversal request form. This will aid you in identifying the proper information of documents needed for us to make every effort to resolve this chargeback and collect your funds.
- You must supply chargeback rebuttal documentation no later than MM/DD/YY. Failure to do so will result in the forfeiture of your reversal rights established by current MasterCard/VISA rules and regulations.
- Your business checking account has been adjusted for the chargeback amount.
- Should you have further questions, you may contact NPC Customer Service.