

How to Help Prevent ACH Chargebacks

The first step to help prevent ACH chargebacks is to understand the most common causes of chargebacks and which of those causes are valid chargeback reasons. The second step is to address those reasons as part of your standard business practices.

The 3 Permissible Reasons to Dispute an ACH Debit

1. The transaction was never authorized
2. The amount debited was not the authorized amount
3. The transaction was executed BEFORE the authorized date
(Any date after the authorized date is not grounds for a chargeback.)

Most Common Causes of ACH Chargebacks

- The customer does not recognize the charge
- The customer does not remember authorizing the charge
- A spouse or other joint account holder does not know the charge was authorized
- You make a data entry error on amount, transaction date, or account number
- You enter the wrong ACH Type for the transaction (for example entering a paper check conversion as PPD instead of ARC) See our [authorizations guide](#) for help with ACH types.
- You attempt an ACH transaction on a business bank account not configured for ACH
- The customer lies to the bank about the authorization

What You Can Do to Prevent Chargebacks

- Follow all the ACH Transaction authorization rules to properly authorize all one time and recurring transactions, and use the correct ACH Type for each transaction.
- Tell your customers how the ACH debit will appear on their bank statements. For most electronic debits, it will say "ACH DEBIT" followed by your company name. In some cases it will also include the name of the person who authorized the debit.

- 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:
 - Send a receipt for transactions (PaySimple can do this for you)
 - Send a pre-notification email in advance of transactions that are part of recurring billing schedules (PaySimple can do this for you)
 - Provide a copy of recurring billing authorizations to your customers
 - 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
- Make certain that your business customers confirm that their accounts are enabled for ACH transactions before you initiate any debits against them. You can also include in your contract language that your business customer is responsible for reimbursing you for all fees incurred if a transaction you initiate is returned as a chargeback because the account turns out not to be ACH enabled. (See the CCD section of the [transaction authorization guide](#) for help with B2B transactions)
- 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 an ACH transaction returned as a chargeback...What can you do?

Unfortunately, within the ACH system, there is no way to reverse the chargeback—even if you've done everything right. Once your customer has signed an affidavit under penalty of perjury disputing the charge, your only recourse is to take your customer to court and prove to a judge that you actually did have proper authorization to debit the account. While you are likely to prevail if you have proof of authorization, going to court is never fun—to say nothing of the time and money it will cost you. In most cases merchants simply decide to absorb the loss and move on. That's why it's so important to do everything you can to prevent chargebacks, so you'll never have to worry about remedying 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 bank gets involved. Taking preemptive action will save you chargeback fees, protect your processing record, and hopefully enhance customer satisfaction.