



A guide to understanding...
Chargebacks and Retrievals

Helping merchants understand what Chargebacks are and how they can affect your business



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Understanding Chargebacks and Retrievals

This guide has been created to help merchants understand what chargebacks are and how they can affect your business and more importantly how to prevent them from occurring. It is important to note that too many chargebacks, whether successfully appealed or not, can harm a merchant's reputation, result in a merchant account freeze, a complete termination of their merchant account, or even in some extreme circumstances an investigation and criminal charges. There are of course additional fees and penalties that are charged to the merchant if the chargeback is successful.

What is a Chargeback?

In short, a chargeback is a reversal of funds transferred. It is a form of customer protection provided by the issuing banks, if the customer notices what they suspect to be an incorrect charge on their statement or fraudulent activity then they contact their issuing bank to reverse the charge.

Reasons for a Chargeback

1. **Fraudulent Transactions** - The most common cause for chargeback is fraudulent transactions. This happens when the credit/debit card is used without the authorisation and consent of the cardholder. In this type of case the merchant is held solely responsible.
2. **Credit Not Processed** – This is when the customer may have returned the product to the merchant for example the customer received an item different from what they expected, the customer requested to get their money back but the credit was not processed. In this situation, merchants are also held liable for the charges.
3. **Item Not Received** - This happens when the customer did not receive the item which they had paid for. As in the previous situations, the merchant is charged accordingly.
4. **Technical Problems** - Technical problems between the issuing bank and the merchant may lead to cardholders being charged twice for the same transaction (termed as duplicate processing). Problems with the authorisation process can also lead to account being charged, even if the transaction was declined.

Types of Chargebacks

1. **Alternation of amount** – This is where the card issuing business believed the transaction receipt amount has been altered without the card holder's permission.
2. **No Authorisation** – This is where the full amount was not authorised and the merchant may have split the transaction into smaller sums.
3. **Cancelled guaranteed reservation** – This is where the customer has contacted their card issuer to say that the booking or reservation was cancelled but their account has still been debited.
4. **Cancelled recurring transaction** - A transaction has been processed to an account that is no longer valid, or the cardholder has cancelled their continuous authority agreement with the merchant and the merchant hasn't acted on their instructions.
5. **Card not present** - The card issuer's been advised by the cardholder that they didn't make or authorise the transaction.
6. **Declined authorisation** – A request for authorisation was declined but your business continued to process the transaction even though it had been declined.
7. **Expired Card** – This is where the card issuer believes that the card had expired when the transaction took place.
8. **Missing Refund** – This is where the customer contacted their card issuer to say that they had expected a refund but it hasn't been credited to their account.
9. **Non Receipt of Good** – This is where the customer contacted with card issuer stating that the goods they ordered had not been received.
10. **Not as described** – This is where the customer contacts their card issuer stating that the goods they received were not the same as described.
11. **Processing error** – This is where the card issuer believes an error was made by your business when processing the transaction.

How to prevent Chargebacks

1. **Communicate with the customer** – Make sure that there is open communication between you (the merchant) and the customer and that both parties understand the transaction.
2. **Clearly describe your product or service** – You (the merchant) should ensure that your descriptions and service policies are clear and correct then the liability will fall upon the consumer in regards to unsatisfactory purchases. You (the merchant) should also let their customers know what business name will appear on their statements as they may not recognise the company name and initiate the chargeback process.
3. **Check the expiration date on the debit or credit card** - Never accept expired cards.
4. **Ensure the returns policy is simple and easy** – An easy return policy will reduce the amount of chargebacks as you (the merchant) can fully refund customers who are truly unhappy with their purchase. Make sure that your refund policy is clearly visible on your website.
5. **Refund in a timely manner** - Failure to process credits in a timely manner can result in Chargebacks for “credit not issued.” Also inform your customer on how long it will take before the refund will hit their account.
6. **Set delivery expectations** – You (the merchant) have responsibility to ensure that your customers are aware of delivery time scales. If the customer’s order is delayed, you (the merchant) must advise the cardholder in writing of the delay and the new expected delivery or service date.
7. **Out of stock** – If a product is out of stock or this item is no longer available, you (the merchant) have responsibility to advise your customers in writing and offer the customer the option of purchasing a similar item or cancelling the transaction. You (the merchant) should not substitute another item unless the customer agrees to accept it. By giving the customer notice and the option to cancel, may help avoid a customer dispute regarding the merchandise and a possible chargeback.
8. **Always get signed proof of delivery** – You (the merchant) should be able to provide a delivery tracking number that shows that the customer received the shipped goods.

9. **Beware of Fraud** – There are a number of red flags that a merchant should look out for:
 - a. Bulk orders from new customers which seem to be beyond a normal quantity
 - b. A new customer ordering a big ticket item
 - c. Multiple orders made within a short period of time
 - d. Different billing and delivery addresses
 - e. Orders made with various tries on the card number or expiry date
 - f. Multiple orders made using different credit cards, but delivered only to one address
10. **Foreign orders** – Merchants should be cautious of any foreign orders. Generally, orders from Asia, the Middle East, and most parts of Africa are considered high-risk.
11. **Delivery** - Always arrange delivery of goods yourself, using a reputable carrier, and obtain a signed and dated delivery note. Never release goods to a third party – such as a taxi driver or messenger allegedly sent by the cardholder.
12. **Collection of goods** - If a customer decides to collect the goods, cancel the original transaction, and proceed with the new transaction as a normal over-the-counter sale.

How to respond to Chargeback requests

You will be given 14 days from the date of the chargeback request to respond to it and provide any relevant proof and information, as set and regulated by the Card Scheme.

What is a Retrieval?

A retrieval, also known as a Request for Information (RFI) is raised by a credit card issuer when a cardholder disputes a transaction on their statement. This usually occurs when they don't recognise the transaction and need more information to work out whether they made it, or if it was fraudulent or unauthorised.

Under the Card Scheme regulations, you (the merchant) must provide detailed information on a transaction. If the merchant doesn't respond in time, it may become a chargeback.

Frequently Asked Questions

No two chargebacks are the same and they are a complicated matter here are some of the most frequently asked questions on chargebacks.

1. What should I (the merchant) do with a Chargeback Notification?

A chargeback notification tells you (the merchant) that their account has been debited for a particular transaction. It should display information about why such an amount was debited from their account. You (the merchant) should read the notice carefully and then decide whether it is correct. If it is not, you (the merchant) should immediately send the notification to the issuing bank, along with supporting documentation.

2. How long does a merchant have to dispute a chargeback or respond to a retrieval request?

From the date that the retrieval request or chargeback appears in their account you (the merchant) has 5 days to dispute it formally and provide supporting documentation. Failure to do this within 5 days will mean that you (the merchant) forfeit the right of dispute.

3. Will I (the merchant) be charged?

Yes, you (the merchant) will be liable if found at fault for the cost of the goods or service and a chargeback fee from your Merchant Services Provider. This cost differs from each provider.

4. How long does this entire process take?

The duration of the chargeback process depends on the reason why the chargeback was filed. It can last anywhere from a month to about six months.

If you are still unsure or have any questions please speak to your Account Manager or call our customer service team on: **0333 311 0200**

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