Chargebacks.

Your guide to reducing the hassle and cost of disputes.

Elavon
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1. Introduction
What is a chargeback?

A chargeback is a transaction which is disputed by a cardholder or issuer. There are many reasons for chargebacks, but the most common are returned goods, cancelled services, quality disputes, processing errors and fraud.

Chargebacks can be a costly part of accepting credit cards. However, the risk of a chargeback can be managed by making sure the customer is satisfied with their service and purchase, and that payment processes are followed correctly.

Below you will find tips and best practice to reduce the hassle and cost of chargebacks.

2. ‘Card present’ transactions

• Make sure that Chip & Signature cards, Mastercard and Visa (EMV) are processed on EMV terminals so that the customer properly processes and verifies the transaction.

• If it is a signed for transaction, while checking the signature also compare the name and card number on the transaction receipt.

Failure to process a transaction correctly may result in the following chargebacks:

• Fraudulent transaction – counterfeit card
• Fraudulent transaction – card present environment
3. Manual imprint and signature

If you are unable to swipe a card through an EMV point-of-sale terminal, you must obtain a manual imprint of the card. This manual sales slip must be signed by the customer and show the transaction date, authorization code, purchase amount, your information (your name, location) and description/itemisation of goods or services. A legible imprint for the transaction in question must also follow with a signature or PIN.

Failure to obtain a complete transaction receipt 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 and on the manual imprint.
4. Mail, phone and online transactions

Commonly known as ‘card not present’ transactions; such as mail order (MO), telephone order (TO) and online are at more risk of chargebacks. Here are some ways to reduce the risk of chargebacks for fraudulent or unauthorized transactions:

- **Keep a transaction record** - by maintaining a record of problematic customers, you can identify high-risk transactions, block specific 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 risk of potential fraud.

- **Address Verification Service (AVS)** – This is an Elavon fraud reduction service that allows you to verify a cardholder’s address prior to completing the sale (ask your sales representative for more details about this service). The AVS system indicates if there is a full, partial or no match response during address verification by comparing an address in the card issuer’s database. Remember you should always ask the cardholder for his/her address – as on their monthly statement.

- **Know your customers** - you may avoid chargebacks simply by getting to know your customers. For example, record the customer’s telephone number, then call back to verify the order.

**Note**

In the event that cardholder disputes “card not present” transactions, you may be fully liable as it cannot be fully secured.
• **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 security** – The card brands 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. On its own this does not guarantee a chargeback won’t happen, but used together with other prevention processes it is highly effective.

• **3D Secure transactions** - if you run an e-commerce business and accept online payments you can ask your e-commerce provider for a 3D Secure transaction authentication system. Used correctly with a cardholder’s security code, this system will protect your business from most cases of fraud chargebacks.

• **Signatures on file** – process all transactions separately and obtain cardholder agreement /authorization for each transaction even if you know your client and have her/his signature. Remember, signature on file is not an accepted signature if fraud is suspected.

Learn to recognize the card issuer’s Bank Identification Number (BIN) – if a card was not issued in the cardholder’s country of origin, we suggest you to do not accept it. If you would like to confirm the Issuing Bank Country, please contact Elavon’s Call Center.
5. Dynamic Currency Conversion (DCC) transactions

A properly identified DCC transaction receipt should contain:

- Transaction amount of the goods or services purchased in your local currency - including currency symbol next to the amount.
- Exchange rate, including any commission
- Total price in the transaction currency
- Transaction Currency, including currency symbol next to the amount.
- A disclaimer that:
  - is easily visible to the cardholder
  - specifies that the cardholder has been offered a choice of payment in your local currency, and that the cardholder understands the choice of currency is final

When performed correctly, DCC provides transparency for cardholders. It allows a cardholder to see the transaction amount in his or her billing currency and your pricing currency. This way, the cardholder knows exactly how much the goods or services cost.

With DCC, there are no surprises—the amount agreed and verified by the cardholder using either a PIN or signature at point of sale is exactly the amount charged on his or her payment card statement.

Failure to obtain a complete copy can result in the following chargebacks:

- Incorrect currency or transaction code
- Domestic transaction processing violation
6. Recurring transactions

To avoid canceled recurring transaction chargebacks you should take immediate action when a customer asks to cancel a recurring transaction. You may use the service which allows them to check a cardholder’s cancellation of recurring transactions. If you need more information please contact Elavon’s Customer Service department.

The service which is paid by recurring transactions and the recurring transaction itself should have separate terms of cancellation.

Don’t forget
Prompt action can reduce the risk of repetitive chargebacks by the same customer.
7. Requesting a copy receipt

This is called a retrieval and is where the card issuer requests you to provide a copy of the transaction receipt on behalf of the cardholder. There is always a respond by date on a retrieval notification and it's important that a copy of the receipt is sent no later than this date.

A late or 'no-response' may result in the following chargebacks:

- Non-receipt of requested items
- Requested copy illegible

How to reduce the risk of retrieval request chargebacks:

- Keep a record of your sales drafts for at least 12 months. Retrieval requests specify the credit card number, transaction date and purchase amount; they do not include the cardholder’s name. Therefore, sales drafts should be filed by date or credit card number.
- Be sure sales drafts are legible - if it is difficult to read it is likely the copy receipt will be illegible too. Always check the ink cartridge or ribbon on your printer.
- Make your transaction easy to identify - most retrieval queries happen because the customer does not recognize the transaction on their card billing statement. It’s helpful that you make clear to your customers what business name they can expect to see on their statement.
- Add your customer service telephone number to statement narrative- add your phone number to the city/state field and it will show on the customers statement. This means that customers can easily contact you directly with any transaction queries.
- Card not present transactions, such as mail order or online - you need to provide all available information regarding the disputed transaction. Such information depends on your Category Code and transaction specification.

Don’t forget

Failure to respond to a retrieval request within the required time frame may result in an irreversible chargeback. The recommended response method is by fax or email.
8. Refund credits

To prevent credit-not-processed chargebacks, quickly process refunds to your customers. Your customer should always be made aware of your cancellation or refund policy in writing. Be sure to have your refund/cancellation policy clearly printed on the transaction receipt.

If the cardholder cancels the order that is the subject of an Advance Deposit Transaction you must complete a Credit Transaction Receipt which includes all of the following:

- Transaction amount
- Cardholder’s name
- Cardholder’s Account Number and expiration date
- Cardholder’s telephone number and mailing address
- Cancellation code you give to the cardholder
- The words “Advance Deposit” on the Credit Transaction Receipt signature line

If you use a website to sell goods and services, your refund and cancellation policy should be on your checkout screen with an “I agree” to sell goods and services 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.

Please bear in mind that you should process credits within 15 days from the date goods were returned by cardholder.
9. Unmatched account numbers

After swiping or manually key-entering the card, make sure the embossed card number and the displayed account number match. Ask phone customers to read back the full card number to ensure accuracy.

Non-matching transactions can result in the following chargebacks:

- Account number not on file
- Non-matching account number on your transaction receipt.

Please bear in mind that you should process credits within 15 days from the date goods were returned by cardholder.

**Don’t forget**

Refunds must be made using the same credit card as the original sale. Never refund a card purchase by cash or check.
10. Goods or services not received

If a customer does not receive their goods or services, a non receipt of goods chargeback may occur. It is recommended that goods and services are delivered before charging the customer.

To avoid these types of chargebacks, you must obtain signed proof of delivery for all goods or services not immediately received at the point-of-sale. Here are some helpful hints:

- **Installment transactions** – share 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 Network regulations prohibit you from including finance charges in the installment.

- **Installment intervals** – the first installment transaction must not be processed before the shipment of goods. Use the 30-calendar day (or more) rule, or use the exact, monthly recurring shipping date (must be the same day 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 goods (manufactured to the customer’s specifications).

- **Delivery date and conditions** - if the date of delivery for goods or services is not specified you have 15 calendar days from the transaction date to deliver them. Make sure that the goods, or services were received by the cardholder or authorized person on an agreed date or location.

- **No-show** – no show can be charged by hotels only for the first night of stay. The words “no-show” must be included on the signature line of the transaction receipt.

**Don’t forget**
Obtain signed proof of delivery for all goods and services not immediately delivered at the point-of-sale.
11. 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, contact your voice authorization center and request a “Code 10” authorization. The operator will ask you a series of yes or no questions. You will then be given information on how to proceed with the transaction.

- If you did not receive authorization for the full transaction amount do not attempt to obtain authorization for one or smaller amounts.

Don’t forget

Always check the expiration date of the card and never process the transaction if a card has expired.
12. Duplicate transactions

To avoid duplicate transactions that may result in multiple chargebacks you should:

• Process one transaction at a time through your point of sale terminal
• Balance your deposit 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 error, you should immediately credit the cardholder’s account for the duplicate transaction.

Failure to do the above may result in the following chargebacks:

• Duplicate processing
• Payment by other means
13. Cardholder disputes quality of goods or service

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

- Goods or Services not as described
- Cardholders dispute – not elsewhere classified
- Defective goods

- 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 goods.

- To avoid such chargebacks, ensure that your customers are aware of your returns policy at the time of purchase. Display the policy at the point-of sale and print it on the sales slip. Always apply a consistent returns policy. Please bear in mind that with disputes involving defective, damaged or not as described goods, your refund policy has no bearing on the outcome of the dispute. Additionally a cardholder can dispute the transaction if you refuse to repair the damaged goods.

- Also, you should not accept the return of goods which are not in the original condition (e.g. broken, torn, dirty, missing tags). Such goods should be sent back to the customer. Please store documents to prove that the goods were not defective at the time of purchase/dispatch or delivery and that the service and goods were correctly described at the time of purchase.

We hope this information has explained chargebacks clearly and given you helpful advice on how to avoid them. If you have any questions please refer to the Frequently Asked Questions which follow. However, if you still need additional information concerning chargebacks please contact the Chargeback Customer Service (please refer to the back page for contact details).
14. Frequently asked questions

• What is a chargeback?
A chargeback is a transaction which is formally disputed by the cardholder or the cardholder’s issuing bank. Chargebacks can be a costly part of accepting card payments. Excessive chargeback rates may result in loss of revenue, damage to your company’s reputation, penalties imposed by card networks (Visa, Mastercard etc.) and even termination of your account. It is essential that you minimize chargeback risk at the time of sale by complying with card schemes guidelines and requirements. When we defend your cases we send a dispute response to the issuing bank.

• What is a Retrieval Request?
This is a request for transaction information from the cardholders bank e.g. copy of a receipt, invoice or proof of cardholder signature. A retrieval can be requested for up to 12 months from the sale date and it is therefore crucial that you keep your receipts for this time frame. When a copy of the transaction receipt is requested, you will receive a copy request notice. If the retrieval request is not acted upon quickly, or you provide an illegible sales draft, it may evolve into a chargeback, at which time your account may be debited for the amount of the disputed transaction.

How to reduce chargebacks

✔ Keep a record of your sales receipt
✔ Ensure sales vouchers are legible
✔ Make sure transactions are easy to identify
✔ Respond within specified timeframe and provide all transaction related information you possess.
• Can a chargeback be escalated?
  Yes, a chargeback consists of several stages. The first stage is a first chargeback, which can be defended in a dispute response. The issuer and cardholder have the right to escalate the chargeback to next stages which can be either: Second chargeback or pre-arbitration (depending on Card Network). If there is still a disagreement at this point with the dispute the chargeback case goes to the final stage - Arbitration.

• What is Arbitration?
  Arbitration is the final stage of the dispute process. The decision making body is the relevant Card Network (i.e. Visa or Mastercard). You will be responsible for all fees, penalties and the transaction value where if your case is not successfully defended. Arbitration committees impose fees to the losing side which can reach 500 USD or more.

• What is Compliance?
  A Compliance is an alternative procedure regarding card network regulations for a dispute when no chargeback code is applicable. It places the same financial liability as a chargeback, therefore if you receive a compliance notification letter you must provide documentation to support the dispute.

• In case of a fraudulent transaction, does Elavon contact the relevant authorities on my behalf?
  No, the onus lies with you to do this.

• What is Good Faith?
  The Card Networks lay down time frames for receipt of documentation. Should you supply requested documents outside these time frames an attempt may be made to present the documents to the Cardholders bank at a later date (unless documents would be determined insufficient even if provided within the time frame). This is also known as Good Faith. However, there is no guarantee that the Cardholders bank will consider any documentation if it is presented late. Therefore it is crucial to respond within the time frame specified on the chargeback notification letters.

• What is Duplicate Processing?
  This is where the cardholder claims that a single transaction was processed twice. The onus is on you to provide proof to the contrary. To defend chargebacks for this reason we would need documentation for both the transaction in dispute as well as the transaction claimed for by the cardholder. The documentation should include: signed sales receipts, invoices, booking confirmations, contracts.
• **What is meant by “Not as Described”?**
  This applies when the goods or service ordered were not the same as described on the sales receipt or related documentation. Documentation required to defend such chargebacks are: written proof that service or merchandise was correctly described, proof that merchandise received was not damaged, written explanation regarding the dispute with the cardholder. It is crucial that the courier services you use to deliver merchandises to the cardholders, obtain a signature at the moment of the delivery.

• **What is Service not Rendered?**
  The cardholder is claiming that he has not received service stated or they paid by alternative means. Documentation required to defend such chargebacks are: Signed proof of delivery, signed proof of receiving service invoice, written explanation.

• **Who is liable for a card-not-present transaction?**
  If the card is not presented to you at the time of the sale, in the event that the cardholder subsequently disputes the transaction, you will be fully liable for the transaction as it cannot be fully secured. In the event of a 3D Secure verification, the responsibility of such transaction lies with the issuer in case of fraud (until you prove 3D Secure protocol was followed properly). However, transactions processed through 3D Secure can still be disputed under chargeback for reasons other than fraud.

• **Can any insurance coverage be obtained for a card-not-present transaction?**
  Insurance cannot be taken but you can reduce the risk by utilizing security features such as 3D Secure and security code. In order to increase safety for card-not-present transactions, Visa and Mastercard developed the security standards verified by Visa and Mastercard Secure Code. Both methods are based on 3D Secure technology and verify online payments with a credit card by the legitimate cardholder through a password interrogation process. This guarantees security against fraud, however chargeback can still be raised under different reasons (duplicate charge, service/goods not as described etc.)

• **What is a Declined Transaction?**
  This indicates that the issuer does not approve the transaction. Please do not continue with the transaction and request an alternative method of payment.

• **What is a Fraudulent Transaction?**
  A transaction which the Cardholder did not authorize or participate in. You must supply proof that the cardholder participated in the transaction.
• What transactions methods are considered fraud preventive?
   As per card network rules transaction processing methods which are fraud preventive are: properly processed Chip transactions, contactless, Magnetic stripe read (if card does not bear chip) and 3D Secure verification (for card absent transactions). Transactions processed through Key entry, Mail/Telephone order, unsecured online transactions hold greater risk.

• What is Not Matching Account Number?
   The transaction card details are not on the issuer file. This occurs when a card number is taken incorrectly on a manual transaction or if an account is closed.

• What is Paid by Other Means?
   The cardholder claims that the transaction was paid by alternate method (cash, other credit/debit card, voucher) and yet the credit/debit card was charged for the same purchase. Documentation required to defend such chargebacks are: proof that both transactions are valid (payment by alternate method and credit/debit card payment), invoices, written explanation.

• What is Credit not Processed?
   The cardholder has not received the defined refund following return of goods or cancellation of service as agreed. Documentation required to defend such chargebacks are: proof that refund was processed, proof that cardholder was informed about cancellation policy, transaction receipt or other records to prove you properly disclosed a limited return or cancellation policy at the time of the Transaction.

• What is Proper disclosure of Terms and Conditions?
   As per card network rules the cardholder has to accept the terms and conditions stated prior to accepting a transaction. For internet transactions you should have a “click to accept” button for the cardholder, which if not marked does not allow to continue purchase. For transactions taken “on site” in the presence of the cardholder, you should obtain the signature under the terms and conditions, which also should bear a statement that the cardholder acknowledged them prior to processing the transaction. The terms and conditions cannot be presented to the cardholder after confirming purchase nor available for review under a separate link. You must assure the cardholder cannot proceed with purchase until the terms and conditions are accepted, otherwise you may face financial loss in case of chargeback.
15. Card network definitions

Authorization:
You are required to obtain permission from the cardholder prior to charging the card. The onus is on you to prove permission was obtained.

Card Not Present (CNP) Transactions:
You are liable for all keyed/order and telephone transactions (MO/TO) which are also referred to as card not present transactions. Internet transaction liability will vary depending on the transaction authentication for you and the Card Issuer perspective when 3D Secure (Verified by Visa/Mastercard Secure) is utilized.

Documentation:
This refers to the documentary evidence which you must present within the time frames in response to a retrieval and chargeback notification. If the evidence is not provided as requested, the acquirer will not be able to defend the chargeback.

Hotel bookings (no shows):
You can charge for one night stay only, the full amount cannot be charged to the cardholder. The onus is on you to prove the Terms and Conditions were accepted by the cardholder.

Refunds:
A refund can only be processed on the card initially presented for payment. The refund must be equal to or less than the value of the original debit sale. Under no circumstances must a cardholder be given a refund by any other means e.g. cash or check.

Splitting Transactions:
Processing more than one transaction for a single purchase in order to obtain authorization is not permitted under the Card Association rules and must not be done under any circumstances (one transaction, one authorization code).

Note
To ensure chargeback and retrieval cases are addressed promptly, please ensure all requested documentation supplied to the Elavon Chargeback Team is legible and sets out all requested information.
## 16. Reason codes

### Mastercard

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<thead>
<tr>
<th>Mastercard reason code</th>
<th>Description</th>
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<tr>
<td>6321</td>
<td>Cardholder does not recognise the transaction</td>
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<tr>
<td>6341</td>
<td>Fraud investigation</td>
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<table>
<thead>
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<th>Mastercard reason code</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>4840</td>
<td>Fraudulent processing of transaction</td>
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<tr>
<td>4837</td>
<td>No cardholder authorisation</td>
</tr>
<tr>
<td>4863</td>
<td>Cardholder does not recognise</td>
</tr>
<tr>
<td>4870</td>
<td>Chip liability shift</td>
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<tr>
<td>4847</td>
<td>Request authorisation not obtained</td>
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<tr>
<td>4808</td>
<td>Request required authorisation not obtained</td>
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<td>4812</td>
<td>Account number not on fil</td>
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<td>4834</td>
<td>Point of interaction error</td>
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<td>4860</td>
<td>Credit not processed</td>
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<td>4853</td>
<td>Cardholder dispute</td>
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<tr>
<td>4855</td>
<td>Non-receipt of merchandise</td>
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<td>4859</td>
<td>Service not rendered</td>
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17. Reason codes

Visa

<table>
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<tr>
<th>Visa Reason Code</th>
<th>Description</th>
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<td>28</td>
<td>Request for copy bearing signature</td>
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<tr>
<td>32</td>
<td>Cardholder does not recognize transaction</td>
</tr>
<tr>
<td>33</td>
<td>Fraud analysis request</td>
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Top chargeback reason codes

<table>
<thead>
<tr>
<th>Fraud</th>
<th>Authorization</th>
<th>Consumer Disputes</th>
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<td>10.1 EMV Liability Shift Counterfeit Fraud</td>
<td>11.1 Card Recovery Bulletin</td>
<td>13.1 Merchandise/Services Not Received</td>
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<td>10.2 EMV Liability Shift Non-Counterfeit Fraud</td>
<td>11.2 Declined Authorization</td>
<td>13.2 Cancelled Recurring</td>
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<td>10.3 Other Fraud Card Present Environment</td>
<td>11.3 No Authorization</td>
<td>13.3 Not As Described or Defective Merchandise/Services</td>
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<tr>
<td>10.4 Other Fraud Card Absent Environment</td>
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<td>13.4 Counterfeit Merchandise</td>
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<td>10.5 Visa Fraud Monitoring Program</td>
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<td>13.5 Misrepresentation</td>
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<td>13.6 Credit Not Processed</td>
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<td></td>
<td></td>
<td>13.7 Cancelled Merchandise/Services</td>
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<td></td>
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<td>13.8 Original Credit Transaction Not Accepted</td>
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<td></td>
<td></td>
<td>13.9 Non-Receipt of Cash or Load Transaction Value</td>
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