

Chargebacks: Guide for Cardnet Customers



Contents

Section	Page Numbers
What is a Chargeback	3
Hints and Tips on avoiding Chargeback Disputes	3
Other Useful Information	4
Chargeback/ Disputes Process	4
Stages of a Chargeback Dispute: Mastercard and Visa	5
Visa Claims Resolution (VCR)	6
What is considered Compelling Evidence?	7 – 9
What is a retrieval request	10
Reasons Codes	11 - 14



What is a Chargeback?

A Chargeback occurs when a Cardholder disputes a Transaction through their Card Issuer (Cardholder's Bank).

A Chargeback can also be raised by the Issuer without any Cardholder involvement i.e. no authorisation, incorrect currency code, incorrect card number etc.

In the event of a Chargeback, the fee will be taken from your settlement funds.

A Cardholder may raise a Chargeback/Dispute for a number of reasons associated to the Transaction.

A chargeback can be received up to 120 days after the card transaction was taken. In the case of goods or services being delivered, a chargeback can be raised up to 120 days from agreed date of delivery.

Common Chargeback Reasons:

- Fraud – Cardholder denies participating or authorising a Transaction,
- The Cardholder disputes the sale due to the failure to provide goods or services or the quality of the goods received,
- Cancellation of recurring Transactions.

Hints and Tips on avoiding Chargeback Disputes:

Cardholder Present Transactions

The Cardholders pin number (and in some cases signature) is required and should be used in all instances for Face-to-Face transactions.

TIP: Following authorisation and completion of a Transaction, review the receipt and before handing over the goods to the Cardholder, check that has been taken as a Card Present Transaction.

If the receipt says 'Keyed', void the transaction and ask the Customer to process again using Chip and Pin. If for any reasons, they are unable/ unwilling to do so, ask for alternative payment e.g. another card or cash.

Card Not Present Transactions

You must be extremely careful when processing Card Not Present Transactions over the internet or phone as you (the Merchant) will be liable for any Fraud disputes. *(These types of transactions are not possible on the Handpoint device but should you transition on to a different terminal in the future this will be relevant.)*

Advise: We recommend that 3D Secure is used. This does not stop a Cardholder from raising a Chargeback however it does minimise your liability. Under no circumstances should the Customer or Third Party pick up goods when a transaction has been processed as Card Not Present.



If a Transaction has been processed as Card Not Present and the Customer or Third Party wishes to pick up the goods, then the original transaction must be refunded and a Chip & Pin transaction processed.

If you are delivering the goods to a shipping address, it is advisable to either:

- Have the delivery driver take a Chip and Pin terminal with them to process a secure Transaction (voiding the original)
- Before handing over goods, asking Customer to provide ID and take a copy of this and signed proof of delivery.

Please note that even if the above steps are followed, this does not guarantee that a dispute will not be raised.



Other Useful Information

Be careful when processing refunds. Please do not refund once a Chargeback has been received.

We cannot send a dispute response for Authorisation or Fraud related disputes, in these instances a Pre-Arbitration would be raised.

There will not be any changes to Pre Compliance and Good Faith cases.

Chargeback/ Disputes Process

Cardnet will support you during the Chargeback Process. Upon receipt of a Chargeback, Cardnet may reach out to you for further information in relation to the Transaction/Purchase. It is important you act swiftly when providing evidence/supporting documentation around the Transaction/Purchase. When reviewing the Chargeback and responding to the Issuing Bank, Cardnet will do this in line with the Scheme (Mastercard/ Visa) Timeframes. Failure to comply with these timeframes will result in the automatic acceptance of the Chargeback and the associated chargeback debited to your account.

Chargeback Flow:

- Step 1 – Cardholder or Issuer can dispute a transaction.
- Step 2 – Issuer raises a Chargeback to the Scheme and transfers the funds (equal to the Chargeback amount) back to Cardnet.
- Step 3 – Cardnet receive the Chargeback. Cardnet will attempt to resolve the Chargeback with the Issuer however, should we require supporting evidence we will advise you online via your merchant portal, and the fee will be taken from your settlement funds.
- Step 4 – Once you have received the Chargeback you would need to supply supporting evidence (within Scheme timeframe) Cardnet to defend the Chargeback. If you do not provide Cardnet with sufficient evidence or you do not provide this within Scheme timeframes then the Chargeback debit stands. Debit will also stand if the information supplied is insufficient to remedy the dispute.

Timelines

You will be notified of a Chargeback as soon as possible after this is received on your behalf by Cardnet. You should aim to respond as quickly as possible to Cardnet with evidence to challenge the chargeback as Cardnet will only have until day 20 to respond back on your behalf.



Stages of a Chargeback Dispute: Mastercard and Visa

First Chargeback:

This is when the Cardholders Bank (Issuer) raises a Chargeback to the Scheme and transfers the funds (equal to the Chargeback amount) back to Cardnet (Acquirer). The file sent will include why the Chargeback has been raised.

Second Presentment:

This is also known as a Chargeback Re-Presentment; this is when the Acquirer on behalf of the merchant re-presents the Transaction with compelling evidence in an attempt to defend the Chargeback.

Pre-Arbitration - Visa

This happens when the Issuer disputes the Re-Presentment (see Second Presentment). For Allocation Disputes, we (the Acquirer) will raise a Pre-Arbitration as well as the Issuer raising a Pre-Arbitration for Collaboration Disputes.

Arbitration

On the occasion the Issuer and Acquirer are unable to reach an agreement, the case will be referred to Mastercard/ Visa who will then evaluate the case and decide in favour of either Issuer or Acquirer.

If Visa rule in favour of the Issuer, we can only appeal this if the case value is \$5,000.00 or over (or local currency equivalent).

Pre-Compliance

Either the Issuer or Acquirer can raise a Pre-Compliance case if either party believes the other party has breached Scheme rules or regulations or when there is no Chargeback right available.

Compliance

A Compliance case is a filed case, by either the Issuer or the Acquirer, where a breach of the rules or regulations has occurred. The Scheme's decision is final and the losing party must absorb the Transaction amount and the filing fees.

Good Faith Collection

Either the Issuer or the Acquirer can raise Good Faith Collections, when Chargeback or Re-Presentment timeframes have been missed.



Visa Claims Resolution (VCR)

Visa have advised that VCR will eliminate invalid Disputes and the reduced timeframes means quicker resolution for both Cardholder and Merchant. When a Cardholder contacts their Card Issuer and requests they raise a Dispute, the Card Issuer selects the relevant Dispute Category. Visa will then make various checks; examples are authorisation details, refunds to the card, missing information on the questionnaire, timelines, processing details etc. If any details are incorrect or there is not a valid Dispute right, Visa will reject the Dispute at this stage.

Timeframes

We will request responses to be received within 10 days of the Dispute date, as we only have until day 20 to defend the case. This means we will not be able to defend any responses received after day 17, as we need time to process the responses and send to the schemes. This applies to both Allocation and Collaboration Disputes.

Re-presentments

We cannot send a Dispute Response (formerly Re-Presentation) for Allocation Chargebacks. To continue with any Allocation Dispute we would have to raise a Pre-Arbitration. The criteria for raising Pre-Arbitrations are defined by Visa and we have to select what compelling evidence we are providing. If we have sufficient evidence to raise a Pre-Arbitration, you will not receive a credit until the end of the Dispute process for example if the Card Issuer accepts liability (they have 30 days). If they do not accept, we only have 10 days to file for Arbitration and Visa would make the ruling.

This is rather like us declining a previous Pre-Arbitration; we would require very strong compelling evidence, as the related fees are extremely high.

For Collaboration Disputes the process is almost the same as previously except we would send a Dispute Response instead of Re-Presentation.

Maximum Fraud per account

There will be a maximum of 35 Card Absent Fraud Disputes that can be processed on a single account number within a 120 day time period. This is good news as it means you could not receive more than 35 Fraud related Disputes on the same card.

What is considered Compelling Evidence?

It is worth noting that providing the below evidence still does not guarantee that the Issuer/Scheme will rule in your favour. It does however allow Cardnet to attempt to defend the Chargeback on your behalf.

High-level summary:

- Documentation to prove the cardholder is in possession of and/or using the merchandise
- Signed delivery form or copy of /details of identification from cardholder as proof goods were picked up at merchant location
- Address Verification Service and proof of delivery (date and time)
- Digital goods download with time and date
- Signer is member of Cardholder's household
- Delivery to Cardholder at place of employment
- Travel and Entertainment Loyalty transactions related to purchase
- Travel and Entertainment Subsequent purchases made throughout service period
- Passenger Transport proof ticket was received, scanned at gate or other transaction relating to original (frequent flyer miles)
- Evidence of one or more non-disputed payments for same merchandise or service

What is not accepted as compelling evidence:

- Documentation in languages other than English
- Photographs of websites
- Generic samples of payment pages
- Terms and Conditions unless signed by the Cardholder
- Duplications of information in several formats, please only send information once, in black and white on A4 size paper.

Compelling Evidence as below	Fraud Disputes	Consumer Disputes
Evidence, such as photographs or emails, to prove a link between the person receiving the merchandise or services and the Cardholder, or to prove that the Cardholder disputing the Transaction is in possession of the merchandise and/or is using the merchandise or services	Y	Y
For a Card-Absent Environment Transaction in which the merchandise is collected from the Merchant location, any of the following: Cardholder signature on the pick-up form	Y	Y
Copy of identification presented by the Cardholder		
Details of identification presented by the Cardholder		
For a Transaction in which merchandise was delivered to a business address, evidence that the merchandise was delivered and that, at the time of delivery, the Cardholder was working for the company at that address. A signature is not required as evidence of delivery	Y	Y
For a passenger transport Transaction, evidence that the services were provided and any of the following: <ul style="list-style-type: none"> • Proof that the ticket was received at the Cardholder's billing address • Evidence that the ticket or boarding pass was scanned at the gate • Details of frequent flyer miles relating to the disputed Transaction that were earned or redeemed, including address and telephone number, that establish a link to the Cardholder • Evidence of any of the following additional Transactions related to the original Transaction: purchase of seat upgrades, payment for extra baggage, or purchases made on board the passenger transport 	Y	Y
For Transactions involving a Europe Member, for an Airline Transaction, evidence showing that the name is included in the manifest for the departed flight and matches the name provided on the purchased itinerary	Y	

<p>For a T&E Transaction, evidence that the services were provided and either:</p> <ul style="list-style-type: none"> • Details of loyalty program rewards earned and/or redeemed including address and telephone number that establish a link to the Cardholder • Evidence that an additional Transaction or Transactions related to the original Transaction, for example the purchase of T&E service upgrades or subsequent purchases made throughout the T&E service period, were not disputed 	<p>Y</p>	<p>Y</p>
<p>Evidence that the Transaction was completed by a member of the Cardholder's household or family</p>	<p>Y</p>	
<p>Evidence that the person who signed for the merchandise was authorised to sign for the Cardholder or is known by the Cardholder</p>		<p>Y</p>
<p>Evidence of one or more non-disputed payments for the same merchandise or service</p>		



What is a retrieval request?

A retrieval request is sometimes referred to as a Request for Information. This is not a Chargeback; the Issuer commonly requests this when the Cardholder does not recognise a Transaction or is unsure of its validity.

As a retrieval request is just a request for information there is no financial impact. However, failure to respond to the retrieval request can lead to a Chargeback.

Chargeback and Retrieval Reason Codes – Mastercard

Chargebacks		
Code	Reason	Other Reason Codes in this Category
4808	Authorisation-related	
4807	Warning Bulletin File	4807 & 4812
4812	Authorisation-related Chargeback	
4853	Cardholder Disputes	
4841	Cancelled Recurring or Digital Goods Transactions	4841, 4855, 4859 & 4860
4855	Goods or Services Not Provided	
4859	Addendum, No-Show, or ATM Dispute	
4860	Credit Not Processed	
4837	No Cardholder Authorisation (Fraud)	
4840	Fraudulent Processing of Transactions	4840,4849,4863,4870 & 4871
4849	Questionable Merchant Activity	
4863	Cardholder Does Not Recognise—Potential Fraud	
4870	Chip Liability Shift	
4871	Chip/PIN Liability Shift	
4834	Point of Interaction Error	
4831	Transaction Amount Differs	4831, 4842 & 4846
4842	Late Presentment	
4846	Currency Error	

Retrievals

Code	Reason
6305	Cardholder does not agree with billed amount
6321	Cardholder does not recognise transaction
6322	Transaction Certificate (ICC Transaction)
6323	Transaction Information Document (TID) needed for Cardholders' personal records expense reporting
6341	Fraud Investigation
6342	Potential Chargeback or Compliance Documentation
6343	Real-time Substantiation Audit Request (IIAS)

Chargeback and Retrieval Reason Codes - Visa

Chargebacks	
Code	Fraud - Allocation Reason
10.1	EMV Liability Shift Counterfeit Fraud
10.2	EMV Liability Shift Non Counterfeit Fraud
10.3	Other Fraud – Card Present Environment
10.4	Other Fraud – Card Absent Environment
10.5	Visa Fraud Monitoring Program
Code	Authorisation - Allocation Reason
11.1	Card Recovery Bulletin
11.2	Declined Authorisation
11.3	No Authorisation
Code	Processing Errors – Collaboration
12.1	Late Presentment
12.2	Incorrect Transaction Code
12.3	Incorrect Currency Code
12.4	Incorrect Account Number
12.5	Incorrect Amount
12.6	Duplicate Processing/Paid by Other Means
12.7	Invalid Data
Code	Consumer Disputes
13.1	Merchandise/Services not received
13.2	Cancelled Re-occurring
13.3	Not as Described or Defective Merchandise/Services
13.4	Counterfeit Merchandise



13.5	Misrepresentation
13.6	Credit Not Processed
13.7	Cancelled Merchandise/Services
13.8	Original Credit Transaction Not Accepted
13.9	Non-Receipt of Cash or Load Transaction Value

Retrievals	
Code	Reason
28	Request for Copy Bearing Signature
30	Cardholder request due to Dispute
33	Fraud Analysis Request
34	Legal Process Request