CHARGEBACK – DISPUTE MANAGEMENT

Introduction

A Chargeback is a reversal of a credit card transaction and usually occurs when a customer raises a dispute with their financial institution (also known as the Issuer) in relation to a purchase made on their credit/debit card.

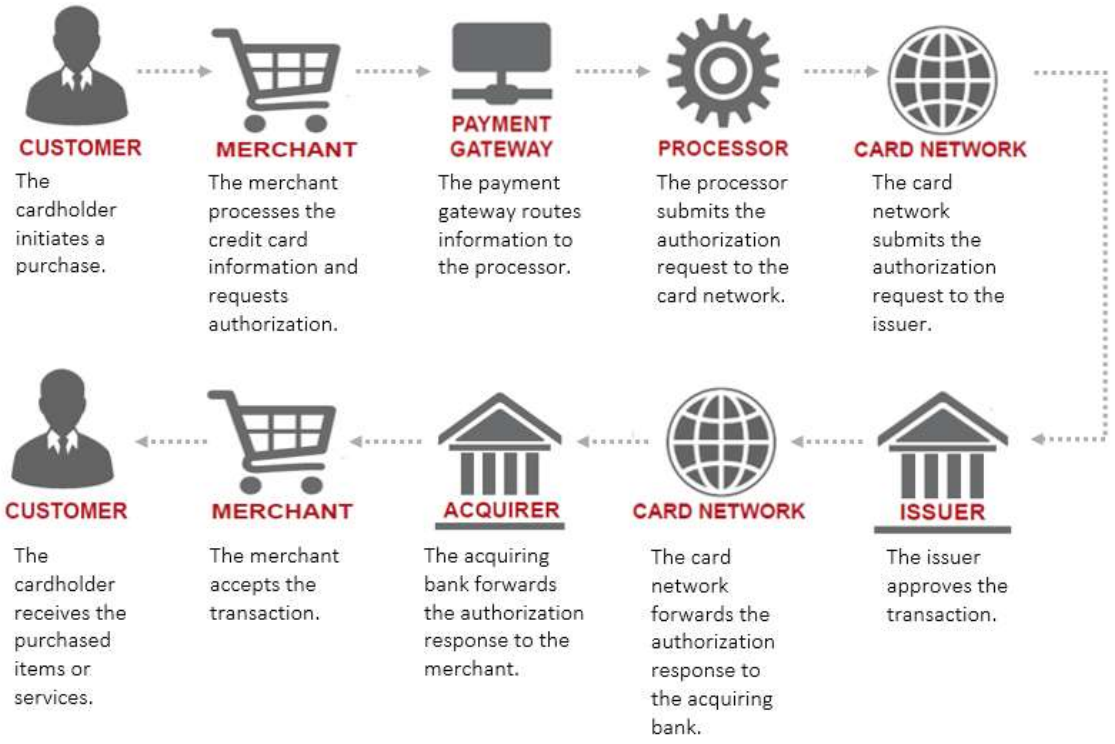
What is a Chargeback?
Chargeback is a dispute against a particular transaction raised by the cardholder (end-user), and reported to their card issuing bank.

A chargeback is a provision by banks and card networks such as Visa/Master/Amex/ Rupay Card to protect buyers from unauthorized or fraudulent payments.

Once the cardholder files a complaint, the bank reports the same to Indiaideas.com and initiates an investigative procedure

To understand the Chargeback cycle, it is important to understand the lifecycle of a credit card purchase.

LIFECYCLE OF A CREDIT CARD PURCHASE



Process description/ Objective

Through the MERCHANT online services facility, customers have the option to make payments to MERCHANT through their Credit/Debit Card. After making the payment, a situation could arise where the cardholder can raise a dispute due to various reasons.

In such situations, through the Issuing Bank, a 'Chargeback' request is originated and sent to IndiaIdeas.com by the credit/debit Card payment gateway. Card holder disputes a transaction with his Issuing Bank mentioning reason - double debit, transaction not done, services not rendered etc.

This process provides a brief background of the workflow, between IndiaIdeas.com and Merchant and the activities between IndiaIdeas.com and the external payment gateway participants.

Process flow

a) As per network guidelines, a chargeback can be requested by the card holder in the defined network timelines.
b) Issuing sends chargeback intimation to the network.
c) Network will log the chargeback request in their system (Mastercom/VROL/NPCI) and forward it to the acquiring bank.
d) Acquiring Bank sends the dispute file to IndiaIdeas.com for taking it up with the merchant to provide details to defend/ contest the dispute.
e) IndiaIdeas.com provides this information to MERCHANT for appropriate action.
f) The merchant need to respond with complete details as mandated in the Network Guidelines for specific dispute reasons to contest the Chargeback successfully to IndiaIdeas.com.
g) Merchant provides a response for contesting/defending chargeback to IndiaIdeas.com.
h) IndiaIdeas.com would further represent the response and relevant documents to the acquirer for investigation.
i) The customer has rights to continue to dispute the transaction in event that he is not satisfied with the response.
j) In this case, the network can raise further pursue the dispute called the **Pre-arbitration stage for Visa & Rupay card transactions** and **Second Chargeback for Master Card transactions**.

LIFECYCLE OF A DISPUTE

The dispute lifecycle comprises of various stages as below:

a) First Chargeback/ Copy Request/ Retrieval Request.
b) Pre –Arbitration (Visa Card /RuPay Card) / Second Chargeback (MasterCard)
c) Arbitration
d) Pre-compliance
e) Compliance

- It is important to note that the documents may or may not be accepted by the Issuing Bank and can further be contested as Pre-arbitration (progressive dispute) whereby additional evidence is required.

- We would further represent the case on behalf of the client at the Pre-arbitration stage with additional documents as may be furnished by the merchant which is mandated to defend the merchant adequately. However, there is no assurance that the documents would be accepted by the Issuing Bank.

- The case may therefore move into Arbitration with the Network, the Merchant and the issuer as parties to the deliberations.

- In case of an Arbitration, the final decision would be taken by the Network (Arbitration Committee). The decision would be binding on the Merchant and the Issuing Bank which could be in favor of either of the parties.

- We would like to highlight here that we would continue to support the merchant in the arbitration proceedings and defend the arbitration, however the arbitration fee charged by the network would be borne by the merchant (You may refer to the Network Guidelines available online for the same).

<u>The merchant has 2 choices before the Arbitration Stage:</u>

1. Proceed for Arbitration
2. Chargeback Acceptance

Process to resolve a Chargeback & Responsibilities

There are several reasons of chargeback against a particular transaction. A list of the most common reasons of chargeback are listed in the network guidelines.

Generally, chargebacks can be associated with unsatisfactory customer service/product or poor service delivery experience. Chargebacks can also be filed if the customer suspects fraudulent activity on their card.

Once the cardholder files a complaint to the Issuing Bank (Issuer), the dispute are uploaded in the Network portal and further the Payment processing Bank (Acquirer) raised the dispute to the Merchant (Indiaideas.com) and initiates an investigation procedure. Further the IndiaIdeas raise the dispute to the sub-merchant (Utility Service provider) for documentary evidence to contest/defend the dispute.

Notification about the dispute

India Ideas will notify the Merchant about the dispute, mentioning the payment ID, reason of chargeback, TAT of representment etc.

Representment

- Banks generally provide a window to represent the chargeback. Failure to do so within the specified window will increase the number of chargebacks lost by Merchants.
- Share all documents as per the requirement of the bank with us. India Ideas will represent the dispute on Merchants behalf.

Card Issuer has a rights to continue to dispute the transaction in event that cardholder is not satisfied with the Merchant response/representment. The network can raise further, pursue the dispute.

Avoid further dispute on Chargeback

Most of the chargeback cases come across due to miscommunication between the buyer and the seller. Here are a few tips that Merchant should adhere in the payment processing/ settled to avoid chargebacks/further dispute.

- **Transparent Return Policy**
  Making sure the return policies are clearly mentioned on the website
- **Constant & Clear Communication**
  Keep customers updated regarding the status of their order
- **Proofs of Delivery**
  Share tracking numbers, invoices and all other order related docs and references with your Customers.

Issuing Bank can raise pre-arbitration dispute and merchant will have to provide additional documents to substantiate the pre-arbitration dispute.

Actionable for Merchant to avoid Pre-arbitration / Arbitration -

Merchant must present a compelling evidence package upfront, inclusive of all the relevant information at the first stage of dispute.

1. The acceptance should provide by the Merchant at the first stage of dispute.
2. Pre-arbitration dispute should be actioned promptly to avoid deemed acceptance.
3. Additional documents representment needs to fulfilled at the pre-arbitration to avoid arbitration dispute.

Major Reason Codes (Explanation & Remedial Documentation)

Chargeback Reason	Description	Remedy
Merchandise not received	The card issuer claims that the services are not provided by the merchant / goods have not been received by him, which were delivered by the merchant by the expected date of delivery.	For an E-commerce transaction provide invoice copy of goods / product which were delivered etc.
		Refund details processed to the original card account.
Duplicate Processing/Paid through other means	The card issuer received the same transaction more than once for posting debit to the cardholder's account.	Details of two separate orders along with invoice copies must be provided at the representment stage itself.
		If duplicate transaction is identified, merchant to process an immediate credit before chargeback is received. Documents required to contest duplicate billing dispute a) Payment updation log. b) Invoice copy with the clarity as how the excess payment was adjusted from merchant end. c) Terms & Condition as the excess payment are non-refundable and it will be adjusted in the subsequent billing cycle (click to pay policy). d) In case of refund processed for one transaction from the duplicate billing dispute, along with the refund details merchant have to share the documents for the second transaction.
Credit not processed for cancelled transaction	The card issuer confirmed that the cardholder cancelled the transaction for which a refund / credit is due to cardholder.	For Ecommerce transaction, merchant to ensure that the cancellation policy is displayed on the payment page itself. The 'click to accept' policy must not be displayed in a separate link. The policy must be clearly visible on the screen and the cardholder must tick and accept the terms & conditions.
		The screen shot of the cancellation policy which was disclosed to the cardholder must be provided to the Issuing bank at the representment stage itself.
		Refund details processed to the original card account. In case of partial refund a merchant rebuttal letter also confirm why partial refund has been provided to be justified
Account debited but confirmation not received at merchant location – RuPay Card	Card Issuer disputes a settled transaction as failed.	Documents to prove that the transactions was successful and service rendered
Not as described	The card issuer claims that the merchandise provided by the merchant were not as per the description mentioned on the website.	For E-commerce transaction, merchant to ensure that the details of the merchandise match with the actual merchandise delivered to the cardholder. Cardholder communication / acknowledgement wherein he has received the merchandise as per his expectations. Merchandise delivered in as is condition. Merchant rebuttal letter to remedy dispute. Risk investigation report in case the cardholder seems to be a suspected fraudster.
		Refund details processed to the original card account. In case of partial refund a merchant rebuttal letter also confirm why partial refund has been provided to be justified.

SI Fraud Dispute Documentation

Sl.No.	Network	Representment Guidelines	Documentation Requirement as per Network Guidelines
1	VISA	1. Does not allow Representment for Fraud Disputes. 2. Only Pre-Arbitration can be raised. 3. Debit would be reversed only on issuer discretion	**1. Registration / SI Activation details:** Verifiable evidence of transaction authorization by the customer prior to the SI debit and notification sent to the customer regarding the acceptance of registration (either via email / SMS). 2. **Terms and Conditions**: in the registration form or on the website explicitly providing details that the customer has opted for SI registration and tenure. The T&C's / communication should include the process of de-registration of the SI. 3. **Payment history details**: prior to disputed transaction: Details of the SI debits and payments prior to the disputed transaction if any. 4. **Proof that the customer:** is using the merchandise or service of disputed transaction: Details of the service provided to the customer. 5. **Cardholder acceptance of withdrawing chargeback complaint:** Cardholder acceptance of withdrawing chargeback complaint: is not a mandatory along with the above said documents, however this is strong documents to defend the dispute in favor of Merchant
2	MasterCard	1. Allows for Representment for Fraud Disputes at First Chargeback stage. 2. Second Chargeback can be raised incase insufficient representment at the First Chargeback stage.	**1. Registration / SI Activation details:** Verifiable evidence of transaction authorization by the customer prior to the SI debit and notification sent to the customer regarding the acceptance of registration (either via email / SMS). 2. **Terms and Conditions**: in the registration form or on the website explicitly providing details that the customer has opted for SI registration and tenure. The T&C's / communication should include the process of de-registration of the SI. 3. **Payment history details**: prior to disputed transaction: Details of the SI debits and payments prior to the disputed transaction if any. 4. **Service rendered details:** is using the merchandise or service of disputed transaction: Details of the service provided to the customer. 5. **Dispute withdrawal consent:** Cardholder acceptance of withdrawing chargeback complaint: is not a mandatory along with the above said documents, however this is strong documents to defend the dispute in favor of Merchant.
3	Amex	1. Amex Full Recourse process would apply wherein the Chargeback would be debited upfront to the merchant. 2. Representment from the merchant would be permitted within 7 calendar days post the chargeback debit. a. Incase document is accepted by Amex, the reversal of the chargeback debit would happen within 7 calendar days. b. Incase document is not accepted by Amex, there would be no debit reversal.	**1. Registration / SI Activation details:** Verifiable evidence of transaction authorization by the customer prior to the SI debit and notification sent to the customer regarding the acceptance of registration (either via email / SMS). 2. **Terms and Conditions**: in the registration form or on the website explicitly providing details that the customer has opted for SI registration and tenure. The T&C's / communication should include the process of de-registration of the SI. 3. **Payment history details**: prior to disputed transaction: Details of the SI debits and payments prior to the disputed transaction if any. 4. **Proof that the customer:** is using the merchandise or service of disputed transaction: Details of the service provided to the customer. 5. **Cardholder acceptance of withdrawing chargeback complaint:** is mandatory along with the above said documents.

Timeframes for disputes

Chargeback Timelines for various stages differs for various networks.

Card Type	Chargeback Representment Network timelines	Permissible timelines to raise dispute from Transaction date
Master Card	45 days	120 days
Visa Card	15 days	120 days
Rupay Card	15 days	60 days/220 days
Amex Card	20 days	120 days
Onus Dispute		180 days
Retrieval request	15 days	12 months