CHARGEBACK PROCESS

What Is Chargeback

A Chargeback is a transaction that a card issuer return to a merchant bank as a financial liability and which, in turn, a merchant bank may return to a merchant. In essence, it reverses a sales transaction:

- The card issuer debits the merchant bank for the chargeback amount of the transaction.
- The merchant bank will, most often, deduct the transaction amount from the merchant's account. The merchant loses the chargeback amount of the transaction.

Main Reasons for Chargebacks Primary Reasons Cardholders initiate chargebacks:

• they never received the merchandise or service / are dissatisfied with merchandise

• Late Presentment

• Duplicate processing

• they never received the merchandise or service

• the return/exchange policies weren't clearly visible

• they never authorized the charge (or can't remember)

• a recurring charge doesn't stop

• currency conversion rates are unexpected.

The Investigation Process:

Within 30 days of receiving your dispute, the credit card company must respond to you in writing to confirm they received it. If you choose to only make the complaint over the phone, you still should expect to receive the written confirmation in the mail. However, it usually arrives fairly quickly; within 7 to 10 days.

Once the complaint has been received the credit card company must resolve it within two billing cycles, which is typically 60 days. If for some unusual reason your billing cycle is longer, the maximum amount of time the process can take is 90 days.

❖ Below Steps followed by Chargeback

STEP #1:

The cardholder will contact the credit card company (or issuing bank) to dispute a transaction. Each individual transaction presents a separate potential chargeback. If more than one transaction is in question, multiple chargebacks will be filed against the merchant.

Alternately, the issuer will initiate the chargeback. During a bank chargeback, the cardholder is generally unaware of the dispute. The issuer files the chargeback, and the acquirer handles the representment. Typical reasons for bank chargebacks may include late presentment, duplicate processing, an expired card or merchant fraud.

STEP #2: The issuing bank will review the request. If the bank finds the claim to be invalid, the chargeback will simply be declined. If there is an indication that an error occurred, the issuing bank will proceed on through the chargeback lifecycle.

STEP #3: A provisional refund will be issued to the cardholder. The merchant account will be debited for the amount of the original transaction, along with any applicable fees.

STEP #4: The issuing bank will electronically send the transaction back to the merchant's bank. Before doing so, the issuing bank will select and assign a numeric reason code for the chargeback.

Supposedly, these chargeback reason codes can help the merchant understand the cause for the chargeback and determine the best way to validate the original transaction

STEP #5: The merchant's bank will review the refund request. The bank will either resolve the issue or forward the claim to the merchant.

STEP #6: The merchant will have the option to accept or dispute the chargeback. Disputing the chargeback requires the merchant to submit documentation in compliance with representment requirements. Examples of documentation that might be required for representment include a copy of the return policy, signed receipt from delivery, or email communications.

STEP #7: The merchant will submit the dispute, along with supporting evidence, to the bank.

STEP #8: The acquiring bank will electronically re-present the chargeback dispute information to the issuing bank.

STEP #9: The issuing bank will review the re-presented information. One of three things will happen:

1. The issuer rules in favor of the merchant. The merchant's representment case sufficiently validates the original transaction. The transaction amount is charged to the consumer's account once again. The funds are deposited into the merchant's bank account.
2. The issuer rules in favor of the cardholder. The merchant's compelling evidence didn't compel the bank to reverse the chargeback. The issuer's decision is final, unless the merchant chooses to pursue arbitration.
3. The merchant successfully disputes the chargeback, but the issuer chooses to file a second chargeback (pre-arbitration chargeback) for the same transaction. Reasons for filing a second chargeback could include the discovery of new information or a change of the reason code.

Second chargebacks increase costs and rob merchants of their valuable time. That's why it is absolutely essential for a merchant to craft the most efficient, persuasive, air-tight representment possible.

Beyond the Chargeback Life Cycle

If either the consumer or the merchant is unhappy with the outcome of the chargeback process, the dissatisfied party has the option to pursue chargeback arbitration.

The arbitration process is handled by a representative at the applicable card network. Additional fees, regulations, and responsibilities are included in this process.

Arbitration needlessly extends the chargeback process. To ensure the most efficient use of the business's resources, it is best for merchants to avoid arbitration whenever possible. Successful chargeback prevention and representment efforts reduce the risk of draining valuable resources.

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