

## Chargebacks:

- ▶ A Chargeback occurs when a cardholder successfully disputes a transaction processed by a merchant and has it reversed on its debit, credit or prepaid card account.
- ▶ If a dispute is raised by the cardholder, the merchant will be liable and will be obliged to pay the funds back to the cardholder, as well as any applicable chargeback fees.
- ▶ Chargebacks can be costly for a merchant's business if their volume and amount are important, but some simple steps can help reduce chargeback fees.

## The Chargeback Process:

- ▶ When a cardholder or card issuer has any concern regarding a debit, credit or prepaid card transaction, a request for copy/information can be sent to authenticate the transaction and even a dispute can be raised afterwards.
- ▶ If the cardholder advises that he/she did not make the transaction, or did not receive the goods or services purchased, he/she sends a formal advice of dispute to his/her card issuer.
- ▶ The card issuer then notifies the acquiring bank of the chargeback request.
- ▶ If further information is required, the issuing bank sends the merchant a letter requesting supporting documentation, such as sales vouchers and/or tax invoices, to send to the cardholder for validation.
- ▶ If the information the merchant provides does not validate the sale and/or delivery, the latter will be charged the disputed amount and the chargeback fee in some specific circumstances. This is why all documents related to card sales must be kept to avoid financial loss.

## Common causes for Chargebacks:

- ▶ Key entered transactions occur when card details are manually entered into the POS terminal instead of tapping, inserting or swiping the card. This by-passes the card's security features and greatly increases the likelihood of fraud by a malicious employee.

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## SAFETY TIPS ON CHARGEBACK PROCESS FOR MERCHANTS

### ▶ Other causes for chargebacks:

- Cardholder did not authorize the transaction - potential fraud.
- Required electronic authorization not obtained.
- Duplicate processing.
- Cancelled recurring transaction.
- Requested/required item illegible or missing.
- Transaction amount on cardholder copy differs from purchase price/receipt.
- Card not valid or expired.
- Late presentment.
- Non-receipt of merchandise or services.

### **Ways to avoid Chargebacks:**

- ▶ Always allow the terminal to read card details - do not by-pass card security by manual key entry of card details or keep pressing the enter button to try to accelerate the transaction process.
- ▶ Always process refunds back to the original credit card where the purchase was made from.
- ▶ Always deliver goods or services as advertised or promised.
- ▶ Obtain and store signed delivery confirmation that goods were collected/received by the genuine cardholder.
- ▶ Be wary of unusual or large purchase requests.
- ▶ Leverage fraud and transaction management tools available through payment gateways (where applicable).
- ▶ Use the business or company name most recognized by your customers on your transaction receipts.
- ▶ Promptly resolve customer transaction disputes and refunds.
- ▶ Provide transaction receipts when requested, without delay.
- ▶ Understand your rights to resubmit unprocessed transactions within the applicable delay to avoid unnecessary chargebacks.
- ▶ Use "Verified by VISA" or "MasterCard SecureCode" for e-Commerce transactions for additional protection and to reduce risk.

***For any further queries or assistance, please contact your bank.***

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