



Recommended Best Practices for Preventing and Responding to Chargebacks

[MOTO / e-Commerce Merchants]

- Prominently display your DBA (Doing Business As) name so the customer knows exactly what will appear on their credit card billing statement. If you are an e-Commerce merchant, prominently display your DBA on the checkout page where your customer completes their order. Preventing chargebacks can sometimes be as easy as making sure that the customer remembers the name of your company.
- Make sure that your website clearly communicates your terms and conditions, return policy, shipping time frames, and any other pertinent information that can lead to a dispute. Also, be sure that a customer service phone number and email address are prominently displayed.
- If you are an e-Commerce merchant, be sure that your checkout page includes a box that requires the customer to “click to accept” your terms and conditions. The default status for this box must be unchecked. If the customer fails to “click to accept,” a message should be displayed asking them to read the terms, click the box, and then proceed with the transaction. In the event of a chargeback you can show that the customer agreed to your terms and conditions by providing a screen shot of the clicked box. In order to provide proper disclosure to the customer, the complete terms and conditions must be displayed in the same window as the click box. If the customer has to click a hyperlink to view the terms in a secondary window, proper disclosure has not been provided.
- Send confirmation emails to your customers containing the following information: (1) the name of the company that will appear on their credit card billing statement; (2) a customer service phone number; (3) a customer service email address; (4) an invoice showing what the customer ordered and how much will be charged to their credit card; (5) your company’s return policy; and (6) any terms and conditions such as trial periods and/or recurring billing notifications.
- Utilize the Address Verification Service (AVS). This service allows merchants to know if the billing address provided by the cardholder matches the address on file with the card issuing bank. While an AVS match is not a guaranteed protection from chargebacks, it can be used as an additional security tool.
- Utilize the Card Verification Code (CVV2/CVC2) whenever possible. This is the 3 digit number located by the signature panel on the back of all Visa and MasterCard credit cards.
- If CVV2/CVC2 information is used, decline or void all transactions where the response indicates that the code does not match. If the person placing the order enters or gives an incorrect code, chances are they are not the authorized user. While a correct CVV2/CVC2 is an integral part of your chargeback prevention, it does not guarantee that the person placing the order is the actual cardholder.
- If you have chosen to use the gateway provided by Process America, we will be glad to work with you on providing fraud settings that best suit your business needs. Standard features include AVS and CVV2/CVC2 screening, while enhanced features (provided for a nominal fee) include negative card databases, IP address verification, and velocity checks. If choosing to use a gateway other than one provided by Process America, validate that the provider has fraud feature settings that can be used to optimize your processing experience and minimize fraudulent activity through your account.

- Obtain a valid authorization code for each transaction. If the card is declined, do not try to force it through or split the transaction into two smaller ones. Ask the customer for a different card or call your voice authorization center.
- Do not charge the customer's credit card until after you have provided the service or have shipped the merchandise. Once the product has shipped send an email that includes the tracking number.
- Call the customer. If something doesn't look right, pick up the phone to give the customer a call. On many fraudulent orders you will find that the phone number has been disconnected. If this is the case, cancel the order and refund the card immediately.
- When shipping merchandise be sure to use a service that allows you to specify that only the addressee (cardholder) can sign for the package. A confirmation from your shipping company indicating that the package was merely delivered will not do any good if the customer is disputing the charge. If it was left on the porch or signed for by a neighbor, the cardholder can still claim that they did not receive the package or that they were not the one who placed the order. Merchants lose disputes all the time because they don't require the cardholder's signature. Also, make sure that the signature is readily available at the time of a dispute. It will be needed in order to win.
- Do not make promises that you cannot keep or make claims that you cannot back up. If you advertise that your customers will improve their FICO score by 100 points, save at least \$1,000.00, or lose three pounds after one week of using your product, expect anyone who does not obtain these results to file a dispute. And if the chargeback comes in under the reason of "Not as Described," expect that you will lose these funds. The burden of proof is always on the merchant and it is extremely difficult to prove your case in these situations. Thus, by not exaggerating your service or product you'll find that fewer customers will use this as a means of getting their money back.
- If you have issued a refund at the request of a customer, be sure to communicate that it will take 3-5 business days before that refund hits their billing statement. A follow-up email is always recommended. Customers expect things to happen instantaneously. But by clearly advising them of time frames you are taming their expectations and reducing the likelihood of receiving a "Credit Not Processed" chargeback.
- "Cancelled Recurring Billing" is a common chargeback reason that provides little recourse for the merchant. If the customer claims that they called you to cancel their subscription/service, the bank will rule in their favor and you will be out not only the money, but the merchandise too. To help avoid this, send the customer an email 5 days before rebilling their credit card reminding them of the charge that will appear on their card. Include a link, phone number, and/or email address where the customer can easily cancel this impending recurring charge.

- When responding to a chargeback be sure to submit proper documentation that is clear and complete. Merchants frequently lose winnable chargebacks because they do not take the time to provide all available documentation and crucial comments. Examples of proper documentation may include, but are not limited to the following:

- 1) **A brief explanation that specifically addresses the cardholder's complaint and indicates how the documentation you are enclosing supports your case**

(note: this is one of the most important parts of a chargeback response that most merchants fail to include).

- 2) An invoice showing the cardholder's name, billing address, shipping address, last 4 digits of the account number, transaction date, transaction amount, and a description of what was purchased.

- 3) The gateway receipt showing the AVS and CVV2/CVC2 response codes.

- 4) A delivery receipt signed by the cardholder (if applicable).

- 5) A contract or authorization form signed by the cardholder (if applicable).

- 6) Any correspondence to or from the cardholder (if applicable).