

## WHAT IS A CHARGEBACK?

A chargeback is a processed credit card transaction that is reversed (charged back) to a merchant because the customer or customer's bank finds something wrong with the transaction.

There are several reasons a transaction can be reversed:

- Authorization error—a transaction was allowed even though the authorization was declined
- Processing error—incorrect calculation on the sales draft, invalid account number, or expired card
- Customer disputes—the customer denies taking part in the transaction, claims purchased merchandise or services were never received and an attempt was already made to resolve the dispute, mail order merchandise was defective, or a promised credit was never processed

## WHAT TRIGGERS A CHARGEBACK?

Most sales transactions move smoothly through the system; they are processed, posted, and paid for with very few problems. There are times, however, when a card issuer may require additional information about a transaction and/or need to return a disputed transaction to the acquirer.

Many types of chargebacks result from easily avoidable mistakes and omissions—so, the more you know about proper procedures, the less likely you will be to inadvertently do, or fail to do, something that might result in a chargeback. Please review our [15 points for Preventing Chargebacks](#).

The chargeback cycle is initiated by an issuing bank when it determines, for a given reason, that an account number does not exist or that a transaction presented (posted) to its cardholder's account is in question or is in violation of established credit card processing operating regulations. Before notifying our merchants of a chargeback, we verify that the request is valid and that it has been received within the timeframe defined by the association rules and regulations.

Visa, MasterCard and its card issuers and acquirers have in place an efficient dispute resolution process. As part of this process, it is highly critical that all merchants respond swiftly to **copy requests** and **chargebacks**.

**A copy request** (also known as a retrieval request) is made by the card issuer to Evolution Payment Systems' Chargeback Department when a copy of the sales receipt is needed for a particular transaction.

**A chargeback** is the reversal of the dollar value (financial liability), in whole or in part, of a particular transaction by the card issuer to Evolution Payment Systems, and usually, by Evolution Payment Systems to the merchant. For the merchant business, chargebacks can be costly. You may lose both the dollar amount of the transaction being charged back

and the related merchandise. You also incur handling costs to associated with Evolution Payment Systems processing the chargeback.

## WHAT DO I DO IF I RECEIVE A CHARGEBACK?

If you get a chargeback:

Some chargebacks can be resolved easily without the merchant having to lose the sale. This can be done by simply providing additional information about the transaction or about specific actions taken regarding the transaction.

The key is to always supply as much information as possible to Evolution Payment Systems' Chargeback Department to help them remedy the chargeback.

Consider these guidelines to ensure you have a system in place.

- Act promptly when customers with valid disputes deserve credits.
- When cardholders contact you directly to resolve a dispute, issue the credit on a timely basis to avoid unnecessary disputes and their associated chargeback processing costs.
- Let cardholders know immediately of the impending credit.
- Respond to a chargeback as quickly as possible.
- Address all of the cardholder's pertinent claims.
- Be sure to supply "compelling" information to prove the true cardholder participated in the transaction, received the goods or services, and benefited from the transaction.

### **Examples of compelling information**

- Correspondence between the cardholder and merchant that proves the merchant spoke to the cardholder or received a letter stating that they acknowledge the validity of the transaction.
- Evidence that the merchant swiped or imprinted the card, received an authorization approval, and the cardholder's signature.

## WHAT WILL HAPPEN AS A RESULT OF THE CHARGEBACK?

Funds may be deducted from your DDA account for the total amount of the chargeback, plus any applicable processing fees. The chargeback deduction may be reimbursed if you provide proper documentation within the allotted timeframes to remedy the chargeback and the documentation meets the requirements for a reversal/re-presentation.