

# A Common Sense Guide to Preventing Charge Backs

Any merchant that has been in business for a while has likely experienced a customer dispute, often known as a Chargeback. Most Chargebacks are simply a mistake, such as a duplicate transaction or keying the wrong Sales Amount into the terminal. However, there are many times that Merchant Funding is reversed due to lack of knowledge on the Merchant's part. Quite often that lack of knowledge comes from poor customer support when the Merchant Account was set up or lack of ongoing support from a processor after account inception.

Before we discuss Best Practices, let's take a look at how a Chargeback occurs. First, a Chargeback initiates from a customer when they either disagree with a charge to their card or do not recognize a transaction. The Cardholder will contact their Issuing Bank, which in turn will forward the disputed item to the Processor electronically. In most cases, the Settled Funds for your Disputed Transaction have already been debited from your Processor by the time you get a notice of the dispute. Therefore, the Processor will in turn debit your account for the disputed amount.

There is a detailed diagram and explanation of this process available at the following web address: [http://usa.visa.com/business/accepting\\_visas/ops\\_risk\\_management/chargebacks\\_dispute\\_resolution/index.html?it=12|/%2Fbusiness%2Faccepting\\_visas%2Fops\\_risk\\_management%2Fzero\\_liability%2Ehtml|Chargebacks%20%26amp%03B%20Dispute%20Resolution](http://usa.visa.com/business/accepting_visas/ops_risk_management/chargebacks_dispute_resolution/index.html?it=12|/%2Fbusiness%2Faccepting_visas%2Fops_risk_management%2Fzero_liability%2Ehtml|Chargebacks%20%26amp%03B%20Dispute%20Resolution)

You should review this official guide to e-Commerce and Chargebacks on the Visa.USA website, especially if you are doing business via the Internet or do a large number of Keyed Transactions.

All merchants should be aware of some basic Best Practices when processing Credit Card Transactions. Here are the Top Ten:

1. Make sure your Doing Business Name (DBA) and Address are the same on your Credit Card Account, Banking Account and Business Sign or Website. If the customer doesn't recognize your name on their bill, you are inviting Chargebacks.
2. Don't process for any other business but your own. Many merchants are tempted to "help a friend" or "sell on E-Bay" using their Merchant Account. This is essentially fraudulent because if you process for any business other than that which is on your Processing Agreement, you are misrepresenting yourself. You are also liable for any Chargebacks that may ensue.
3. NEVER give cash or issue checks as refunds for transactions that were paid by Credit Card. Be very suspicious of any customers that return merchandise and ask for a full or partial refund in cash. Always make sure that if you issue a return for merchandise, you refund the exact card on which the transaction was charged.
4. Always take an Imprint of a Credit Card if you cannot swipe the Magnetic Strip. Whether it is a malfunctioning terminal or a power outage or a damaged card, Always Imprint. If you don't have a Manual Imprinter at your location, contact your Credit Card Provider immediately. Make sure your customers sign the Manual Imprint Receipt, even if your terminal printed one as well. You can truncate Manual Receipts by crossing out all but the last four digits of the Cardholder Number on the Customer's Receipt.
5. Get a signature! If you deliver goods or have customers come and pick up orders, make sure you have them sign for receipt of goods. Even if your customer came into your store to order product, they can always deny delivery unless you have them sign when they pick up their merchandise. If you drop ship or use a service, make sure it is a Delivery Confirmation with Tracking.

6. If you are a Business to Business Merchant or an e-Commerce Merchant, make sure you are using all of the tools necessary to verify Cardholder Identity. Card Valuation Value 2 (CVV / 3 digit code), Address Verification (AVS) and Verified by Visa tools are all necessary steps in guarding against losses due to disputed transactions. You must make sure you are using Encrypted Software that is compliant with Payment Card Industry Security Standards (PCI). Lax security measures could leave you vulnerable to hackers. If you are compromised, you could be fined a great deal of money for the Security Breach.
7. Respond to Retrieval Requests and Chargeback notices in a timely manner. If you fail to respond to requests for Customer Receipts, it will result in the Issuing Bank giving credit back to the Cardholder. Make sure you respond to any disputes in great detail. Provide any and all supporting documentation to support your claim to a legitimate, authorized transaction.
8. Be sure to keep your terminal or POS in good working order so as to avoid down time and illegible receipts. Issuing banks will not accept illegible copies of receipts for proof of transaction. Having a new ribbon and a good pen handy could save you a lot of money!
9. Deliver the Goods. Make sure your staff is aware that all goods must be delivered in a timely manner and be as described at time of purchase. Some business owners suffer losses because of employee misunderstanding or outright fraud. Use fraud protection measures at your place of business to avoid employee fraud, such as quality control of merchandise and Password Protection on Credit Card Terminals.
10. If you are a Service Industry Merchant, protect yourself by using a detailed description of provided services and have your customers agree to those services and form of payment on one document. A pump handled imprinter can be used to emboss a credit card onto any document. This will verify that the cardholder understands all the terms and conditions and authorizes payment. Be sure and give your customer a copy with all but the last card numbers blacked out.

Any one of these helpful tips could save your business Hundreds, maybe Thousands of Dollars. It is highly recommended that you review the information on Visa's link above for specific details about how to protect your business from disputed and fraudulent transactions.

Another consideration is the quality of your Merchant Processor or Acquirer. It is the responsibility of the Acquirer to pass on any supporting documentation that you provide to the Issuing Bank. While the fate of your transaction is ultimately the decision of the Issuing Bank, you should be very diligent with your Acquirer regarding Chargebacks. Make sure you get names and numbers of the representative that handles your case if possible. Call to confirm that they have received your documentation and ask for a tentative time for response from the Issuer.

Be sure and contact your Acquirer/Processor if you feel that your business is not set up with all of the proper Fraud Protection measures mentioned above. If you have older equipment, you may want to inquire about a trade-in/upgrade that would allow for more secure processing.

If you feel that you have done all required to protect yourself and have responded in a timely and appropriate manner, but have not received satisfaction, you will need to consult your attorney. There are times when merchants will have to settle disputes with customers in court. You should ask your attorney for advice regarding those matters.