

Industry Tips

## Chargeback Process

### Overview

Chargebacks are initiated either by the cardholder or the issuing bank typically within 120 days of the transaction date. Some chargeback reasons include dispute over merchandise quality, credit not received, proper authorization not obtained at the time of the transaction, merchandise not received, duplicate charge or fraud investigation. The merchant's checking account is debited and merchant must provide the required documentation that is requested and must comply with the Card Association Rules and Regulations.

### How the Process Works

Each Card Association has a slightly different process. Below are the basic steps for the Chargeback process.

1. Retrieval Request: Request for documentation.
2. First Chargeback: Initiated by the issuing bank or the cardholder.
3. Re-presentment/Pre-Arbitration: The merchant accepts or responds to the dispute.
4. Second Chargeback/Pre-Arbitration: The cardholder is continuing the dispute.
5. Arbitration: The transaction and documentation is reviewed by the Card Association. Up to \$500 in fees are paid by the losing party.
6. Compliance: Filed when there has been a violation of Operating Rules.

### Retrieval Request

A Retrieval Request is initiated by a cardholder or the issuing bank. A Retrieval Request is an informational request only and there is no financial impact to the merchant. This information can be requested for various reasons, which include: cardholder doesn't recognize the transaction, cardholder needs the documents for business expense reporting purposes or the issuing bank is conducting a fraud analysis.

The request for documentation is not required for all dispute reason codes. If a merchant does not respond to the Retrieval Request they lose all rights if a Chargeback is initiated.

Wind River receives the Retrieval Request notice from the issuing bank. The merchant is notified of the Retrieval Request via a fax letter. The notice provides the truncated card number, date of transaction and dollar amount of transaction.

The merchant is requested to fax or mail a copy of the sales draft within 10 days. The copy of the sales draft must be legible and contain the truncated card number as well as merchant name and address. Include all other documentation pertaining to this transaction as this could prevent a chargeback from being initiated.

Once the requested documents are received from the merchant, Wind River fulfills the Retrieval Request by sending the documents to the issuing bank.

## First Chargeback

When Wind River receives an electronic notice of a chargeback from the issuing bank, we notify the merchant via a fax letter, the Chargeback Debit Advice. The Advice provides the truncated card number, date of transaction, dollar amount of transaction, reason for the chargeback and what documentation is required to possibly have the chargeback reversed. We ask the merchant to fax or mail to us, within 10 days, a copy of the sales draft, transaction detail and all documentation related to this transaction. Depending on the reason for the chargeback and which Card Association, the maximum time to respond is 20-45 days.

The merchant's checking account is debited for the disputed amount.

## Re-Presentation/Pre-Arbitration

When the merchant documentation is received, Wind River reviews the documents to determine if they meet the Card Association requirements necessary to remedy the chargeback.

If the document meets the requirements, then Wind River re-presents the documents to the issuing bank/cardholder. At the time of the re-presentation, the disputed amount is credited back to the merchant's checking account and a Reversal Acceptance letter is sent via fax notifying the merchant of the re-presentation.

If the documents do not meet the requirements, Wind River sends a Reversal Denial letter via fax to the merchant notifying the merchant a re-presentation will not be made and the reason why the documents do not meet the requirements. If additional documents are needed to reverse the transaction, the letter will detail what is needed.

For Visa Fraud or Authorization Chargebacks, the merchant only can respond if they have a cardholder letter stating they no longer dispute the transaction, credit was already issued, the merchant has compelling evidence that the actual cardholder made the purchase (see Visa regulations for a list of valid compelling evidence) or the merchant can provide proof this is an invalid dispute per the Visa regulations. The merchant's response at this point will initiate a Pre-Arbitration and the losing party will be responsible for all fees.

When Wind River makes a re-presentation, the issuing bank/cardholder either accepts the re-presentation or continues the Chargeback. Depending on the Card Association a response is received within 20-45 days. If the Chargeback continues, it is either a Second Chargeback or Pre-Arbitration, again depending on the Card Association.

## Second Chargeback/Pre-Arbitration

Upon receiving notice of a Second Chargeback or Pre-Arbitration, Wind River sends a letter via fax to the merchant notifying the merchant of the continuing dispute. The merchant is not able to present new documentation in this process unless the cardholder/issuing bank has provided updated/additional documentation. Thus, it is very important to provide all documentation that pertains to the transaction on the first chargeback.

The merchant either accepts the dispute now or may provide updated documentation if the cardholder/issuing bank has provided updated/additional documentation. If the merchant accepts the chargeback, they will need to resolve directly with the cardholder. The merchant has 10-30 days to respond, depending on the Card Association.

## **Arbitration**

Arbitration is a process reserved for those instances where the cardholder/issuing bank and the merchant have not resolved a disputed transaction via the Chargeback or Pre-Arbitration process. In Arbitration, the Card Association decides which party is responsible for the disputed transaction based on the Card Association Rules and Regulations. In most cases, the Card Association decision is final and must be accepted by both the cardholder and the merchant. During Arbitration, the Card Association reviews all information/documentation submitted by both parties to determine who has final liability for the transaction.

There are filing and review fees associated with Arbitration. These fees range from \$150 - \$500. The fees are paid by the losing party in the case.

## **Compliance**

Compliance is a process reserved for instances where the cardholder/issuing bank allege a merchant has violated specific Card Association Operating Rule(s) and the situation is not covered by a Chargeback right. The issuing bank must certify that a financial loss did or will occur as a result of the rule violation. Each side has an opportunity to present to a Card Association Analyst all documentation/information to support their position.