

## Introduction

Chargebacks are an important issue for merchants as they represent a potential liability that could adversely affect the bottom line of your company.

The risk of chargebacks is typically higher where payments are accepted by merchants via mail order, telephone order or the internet. With such payments there is no imprint of the card and signature to verify that the real cardholder is conducting the transaction.

Chargebacks may also occur in other situations: for example, where the customer claims the goods or services were not delivered or were faulty and a refund is due but was not provided.

This document provides an overview of issues relating to chargebacks. If you'd like more information, see our booklet titled ***“Reducing Chargebacks and Fraud”*** [which can be downloaded for free from the Security and Fraud Resource page on the Merchant Information Centre <http://business.commbank.com.au/merchants/>) or call the Automated Stationery Ordering Service on 1800 007 251 (24 hours a day, 7 days a week) to have a copy sent out to you for free. Note you will need your 16 digit merchant number, your post code and use the item code of 135].

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## What is a Chargeback?

A chargeback is a reversal of a credit card transaction previously credited to your account. It is the final step in the process of a disputed card payment. The processing and investigation of credit card disputes are governed by the Credit Card Schemes (MasterCard & Visa), which means there are very specific rules (including time-frames, transaction processing requirements and acceptable documentation) that banks must follow.

After a customer (the cardholder) has lodged a dispute with their bank (called the 'Issuer'), the Issuer sends the investigation request to the merchant's bank (the 'Acquirer'), the Commonwealth Bank is your Acquirer. This is called a Retrieval Request and is the first step in the dispute process. We then contact you to obtain information and documentation about the transaction eg. a copy of the signed EFTPOS receipt, a copy of a signed delivery docket etc. **It is important that you respond to us promptly – failure to respond within the specified timeframe (usually 14 days) may result in the value of the transaction being charged back to you.**

When we receive your information and documentation, we forward it on to the Issuer to liaise with the cardholder in an attempt to resolve the dispute. If the dispute cannot be resolved the Issuer 'charges back' the transaction to us. This is the next step in the dispute process and involves further investigation by both the Issuer and the Commonwealth Bank. This investigation will involve us contacting you again to obtain any further information about the transaction.

If the dispute *still* cannot be resolved according to the rules set out by the Schemes, then the value is charged back to you.

## What are the Common Reasons for Chargebacks and Ways to Reduce Them

### **Cardholder Didn't Authorise/Doesn't Recognise the Transaction**

This may occur due to:

- Fraudulent activity on the card
  - Transactions being processed twice
  - The cardholder doesn't recognise or remember the transaction.
- Ensure your merchant facility name is the same as your trading name to avoid confusion when cardholders read their credit card statement. If your trading name is different, make sure you let your customers know the merchant facility name that will appear on the statement

### **Goods or Services Faulty or Not Delivered or Incorrect Price Charged**

The cardholder may claim that the goods or services are faulty or were not delivered or that the price exceeded the advertised price and that they are entitled to a refund.

- Promptly manage disputes about refunds and returns
- Charge prices only as you have advertised them

### **Failure to provide information to us**

If a cardholder disputes a transaction and we request information from you, but you respond late, or do not respond at all, this may lead to a chargeback.

- Ensure that you respond to any requests from us as soon as possible

### **No Authorisation**

If a transaction is over your Floor Limit and you have not obtained Authorisation, there is a chance that the cardholder does not have sufficient funds or that the card is not valid and you will be charged back.

Also remember that any transaction in an environment where the card is not present (eg. Internet, Mail Order, Telephone Order) is subject to a \$0 Floor Limit – meaning that *all* transactions must be authorised, regardless of value.

- Make sure you get Authorisation for any transaction above your Floor Limit
- *Never* split a single transaction into separate sales, so they fall below your Floor Limit – not only will these transactions likely be charged back to you anyway, but this is specifically prohibited by your Merchant Agreement and may result in your merchant facility being immediately terminated

For Authorisation, please call the phone numbers listed below in the *Phone Numbers to Remember* section.

**Note: Authorisation only confirms that funds are available at the time of the call, and that the card has not been reported lost or stolen. It does not guarantee that the person using the card is the owner of that card or is entitled to use the card.**

**Cardholder Details Incorrect - Recurring Transactions**

If you process a transaction on a card that is closed or has expired, you will be charged back.

- If you process recurring/periodic transactions, make sure you update your customer database regularly, so that you always have the most up-to-date card details. Both the CommWeb Batch and VirtualPOS BatAuth solutions provide an Expiry Date By-pass feature for recurring Visa and MasterCard transactions processed by approved merchants.
- Ensure that all transactions are Authorised

## How can I get more Information about Preventing Chargebacks?

Our booklet titled **“Reducing Chargebacks and Fraud”** provides additional information about how to prevent fraudulent use of cards at your business and reduce cardholder disputes (this document can be downloaded or ordered over the phone for free, please refer to the *Introduction* section above for instructions).

## Phone Numbers to Remember:

Merchant Enquiries	24 Hour Help Desk	Authorisations	Charge Cards
For existing Merchant Account related enquiries and changes	For existing EFTPOS services technical support and faults	Credit Card Authorisation: 13 26 36	For issues relating to Charge Cards, including Authorisation
1800 230 177	1800 022 966	Debit Card Authorisation: 1800 813 700	AMEX: 1300 363 614 Diners: 1300 333 414 JCB: 1800 807 974
Monday to Friday, 9am to 5pm EST	7 days a week, 24 hours a day		