



2020

Card Network Mandates

for eCommerce and
Card-Not-Present Merchants

VISA



DISCOVER®

Introduction



Keeping up with the ever-changing rules governing transaction disputes and chargebacks can be a challenge for any merchant.



This ebook was created to guide merchants through the updated regulations for the Visa, Mastercard, American Express, and Discover card networks. It also contains some of the updates from various card brands in response to the COVID-19 pandemic.



Mastercard Network Mandates

Arbitration Chargeback Cycle

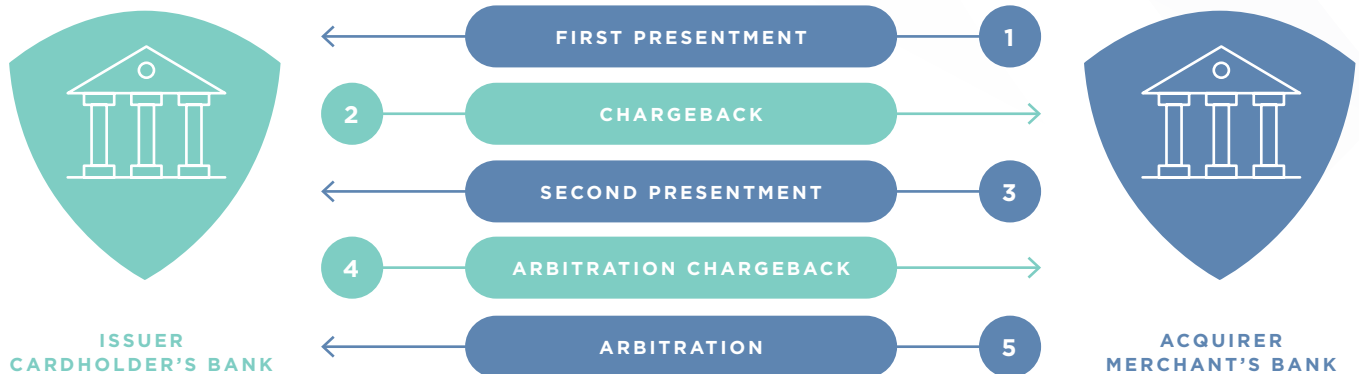
Mastercard is changing the flow of their chargeback process by eliminating the arbitration chargeback cycle, also known as the second chargeback cycle. Issuing banks will instead be allowed to extend disputes by submitting a pre-arbitration chargeback. The acquirer and merchant can then submit new compelling evidence, and if the issuer remains unconvinced, they can escalate to arbitration at that point.





Mastercard Network Mandates

Current Mastercard Chargeback Process



Mastercard Chargeback Process July 17, 2020 and After



Reason Codes



Reason code 4863—Cardholder Does Not Recognize is being discontinued.

Manage Chargebacks In-house or Outsource

Find out which is right for you.

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Refund Authorization Mandate



Merchants should be especially wary of this new change to the chargeback process, which shortens the time they have to issue a refund to a customer.

When a merchant promises a refund to a customer and issues a credit receipt, they have a limited timeframe in which to give the customer their money back. If they exceed that limit, the customer goes to their bank and gets a chargeback.

That timeframe used to be 15 days, but under the Mastercard Refund Authorization Mandate, merchants have only 24 hours to submit the refunding transaction to their acquirer.

This is a big change that can significantly increase your chargeback liability if disregarded. Note that the mandate does include provisions to make it easier for merchants to expedite refund processing, such as unique identifier codes that issuers can attach to request messages to make it easier to match them to their originating transactions.



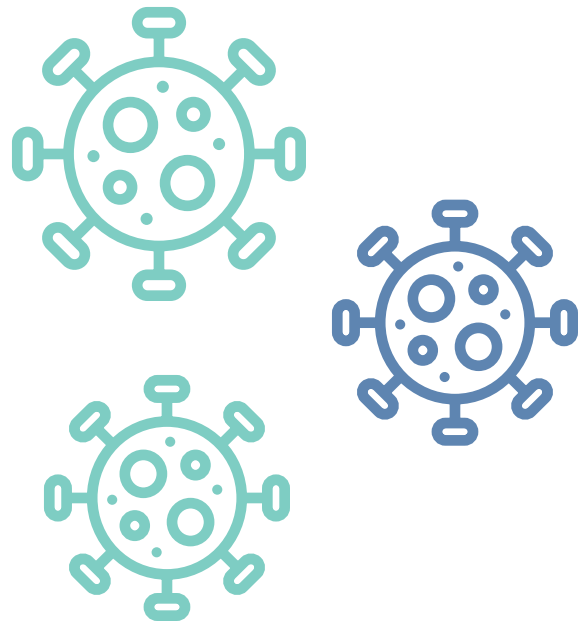
Mastercard's COVID-19 Dispute Updates



As part of their COVID-19 response, Mastercard started issuing chargeback alerts through Ethoca for all first chargebacks.

These alerts are visible to all merchants who are currently able to receive Ethoca Alerts, and merchants can avoid chargebacks by providing Mastercard notice of their intent to refund the customer within 20 hours of receiving an alert.

Because global travel restrictions hit them particularly hard, Mastercard suspended the Excessive Chargeback Merchant Program for merchant category codes related to airlines, travel agencies, cruise lines, and passenger rail from April through July. They also suspended the Excessive Fraud Merchant Program for six months. They will resume counting violations in October 2020, with assessments set to begin in November.



Visa Network Mandates



Subscription, Free Trial, and Introductory Promotion Policy Updates

These rules apply to all merchants who sell subscription services or offer free trials or promotional deals that turn into ongoing subscriptions, whether they sell digital or physical products or services.

Visa requires merchants to obtain cardholder consent for transactions beyond the promotional period & provide a copy of the accepted T+Cs at the time of enrollment, to making recurring payments for ongoing subscription services.

Merchants must send out enhanced notification in the form of an electronic reminder (by text or email—whichever the cardholder agreed to receive) with an online cancellation link before the end of the trial period.



Visa Network Mandates



All merchants must provide customers with an easy way to cancel the subscription online, even if the customer's previous interactions with the merchant were not online.

The receipt for the initial transaction for a recurring billing agreement must explicitly disclose the length of the trial period or promotional offer (and clearly indicate that charges will occur if no action to cancel is taken), the amount and date of the initial transaction and for subsequent recurring transactions, and instructions on how cancel the subscription and any subsequent transactions either online or via text message.

The merchant descriptor that appears on cardholder statements must provide additional information for recurring billing transactions. As soon as billing begins after the trial period ends, the "merchant name" field must include language indicating the nature of the transaction, and subsequent descriptors and SMS alerts for recurring transactions must also include these indicators.

The effective date of the enhanced descriptor for the first transaction at the end of the trial has been postponed to
17 April 2021

Visa Purchase Return Authorization



In order to provide greater transparency about the return process, Visa requires merchants to submit a purchase return authorization for all cardholder refunds.

Issuers, for their part, must make these authorizations visible to customers in their online banking apps. This way, the cardholder can track the progress of the return on their own instead of making multiple inquiries to the merchant or getting impatient and filing a dispute.





Marty Williams
VP | GURU

CHARGEBACK QUESTIONS?

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answers
today.**

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Automated Fuel Dispenser Authorization Limit

Visa is requiring gas stations to upgrade to EMV card readers at the pump

To coincide with this mandate they're implementing higher authorization limits for automated fuel dispenser transactions, effective April, 2021. The limits go up to \$350 for Fleet cards and \$125 for non-Fleet cards for chip-on-chip transactions.



Visa's COVID-19 Dispute Updates



Visa is temporarily halting some of their monitoring programs due to the increase in fraud and disputes brought about by the pandemic.



The Visa Dispute Monitoring Program and Visa Fraud Monitoring Program were both suspended through the July compliance cycle, but only for merchants in the Travel & Entertainment category. For the same period, the Visa Acquirer Monitoring Program was suspended for disputes connected with Travel & Entertainment merchants, and fees were waived for banks in the Visa Issuer Monitoring Program.

Regarding physical goods disputes submitted during the pandemic, issuers can still dispute charges where the product was not received by the expected date, provided the cardholder has attempted to resolve things with the merchant first. However, cardholders also have the right to dispute if they attempted to return merchandise but were unable to do so because the merchant's physical location was closed for reasons related to COVID-19.

Visa's COVID-19 Dispute Updates



Visa also considers disputes valid when the merchant chose not to provide previously-purchased goods or services for pandemic-related reasons.

Even if the purchase is something that can be rescheduled, such as a concert or sporting event, the dispute is valid because the terms of purchase have changed. Merchants cannot avoid chargeback liability by providing redeemable credit (such as a voucher to attend a future event); only an actual refund will suffice.

Cardholders cannot dispute purchases for events or services that have been cancelled due to government orders, nor do chargeback rights extend to related but separate charges. In other words, a cardholder may be able to dispute the charge for tickets to a canceled football game, but they can't dispute the charge for the grill they bought for the tailgate party.

Visa has clarified that the following claims are not valid reasons for a dispute:

- The cardholder declined to accept the merchant's offered services out of fears of COVID-19 exposure.
- The cardholder missed a travel booking because they were subject to newly-placed travel restrictions.
- The cardholder was unable to use a non-refundable service, such as a hotel reservation, because they could not get transportation.
- If the cardholder declines or is unable to accept the merchant's offered services and the merchant gives them a voucher for later use, the cardholder cannot obtain a chargeback if the merchant is later unable to honor the voucher due to bankruptcy.

COVID-19 POS Support



Visa has published a number of resources to support sellers through the global COVID-19 pandemic (on [visa.com](https://www.visa.com)).

Policy announcements include multiple options to reduce physical interaction between customers & POS

Expanded Visa's "No Signature" policy to all sellers, globally (i.e. tap, dip or swipe without capturing a signature for any transaction amount)

Visa strongly encourages sellers to no longer capture signatures

- Raised "No CVM" transaction limits in >55 PIN-preferring countries
- Piloting Biometric Cards (on-card thumbprint reader); removes the need for a PIN in PIN-preferring countries
- From 16 October 2020, Retrieval Requests ("request for copy") will be prohibited for all transactions, globally

Expanded Dispute Monitoring Program implemented

- Monitors daily incoming dispute volume & reduces invalid disputes; if necessary, Visa will require issuers to reverse invalid disputes

American Express Network Mandates



American Express's COVID-19 Dispute Updates

American Express postponed the April 2020 publication of its US Merchant Regulations and Canada Merchant Operating Manual and Technical Specifications to July 2020, which means that any compliance mandates set to take effect during that time period were likewise delayed.

To provide some relief to merchants overwhelmed with a jump in dispute rates, American Express extended the response time to 30 days for all disputes received between March and May 2020.



Discover Network Mandates



Discover's COVID-19 Dispute Updates



The updates Discover had planned to release in April 2020 were postponed until July. During the pandemic, Discover has pledged to work with merchants who find themselves unable to respond to all of their disputes in time, on a case-by-case basis. Discover has encouraged merchants in this situation to contact their Discover Network Account Executive.

Beyond that, Discover has offered some guidelines for issuers and acquirers, urging them to review cases carefully and work collaboratively with cardholders and merchants whenever possible.

Universal Mandates



At times, the card networks come to accords and speak with one voice on certain matters of importance to the payments industry.

The return authorization requirement is being adopted by all brands, who will require merchants to submit refunds and credit transactions for authorization. This gives cardholders visibility into the process and reduces customer service inquiries for all parties involved.

Another change impacting all brands is the EMV liability shift for automated fuel dispenser transactions. In October 2020, all gas pump credit card readers will have to be enabled for EMV chips or risk increased chargeback liability.





About Chargeback Gurus

Since 2014, Chargeback Gurus has been helping eCommerce and card-not-present- businesses prevent, fight, and recover their chargebacks. We take the pain out of chargeback management by providing simple, effective solutions that deliver a real return on investment for our clients.

We offer chargeback representment and chargeback prevention services to help companies recover lost revenue, prevent future chargebacks, and increase their bottom line. Our proprietary FPR-360™ technology analyzes over 40 different business data points to identify root causes and help prevent up to 50% of chargebacks, and our Smart Chargeback Representment™ process combines automation, data analytics, and expert analysis to help companies recover up to 70% of their chargebacks.

We understand why chargebacks occur, how to prevent e-commerce fraud, how to respond to chargebacks and recover our clients' lost revenue. Our knowledge and experience have helped us develop unique and effective strategies that minimize the incidence of chargebacks for our clients while maximizing the chances of winning chargebacks.

Today, as both Certified eCommerce Chargeback specialists and Certified eCommerce Fraud Prevention specialists, we utilize our industry experience to help online merchants like you save time and energy and significantly reduce the costs associated with chargebacks.



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