

CHARGEBACK REASON CODES

THE ENCYCLOPEDIA

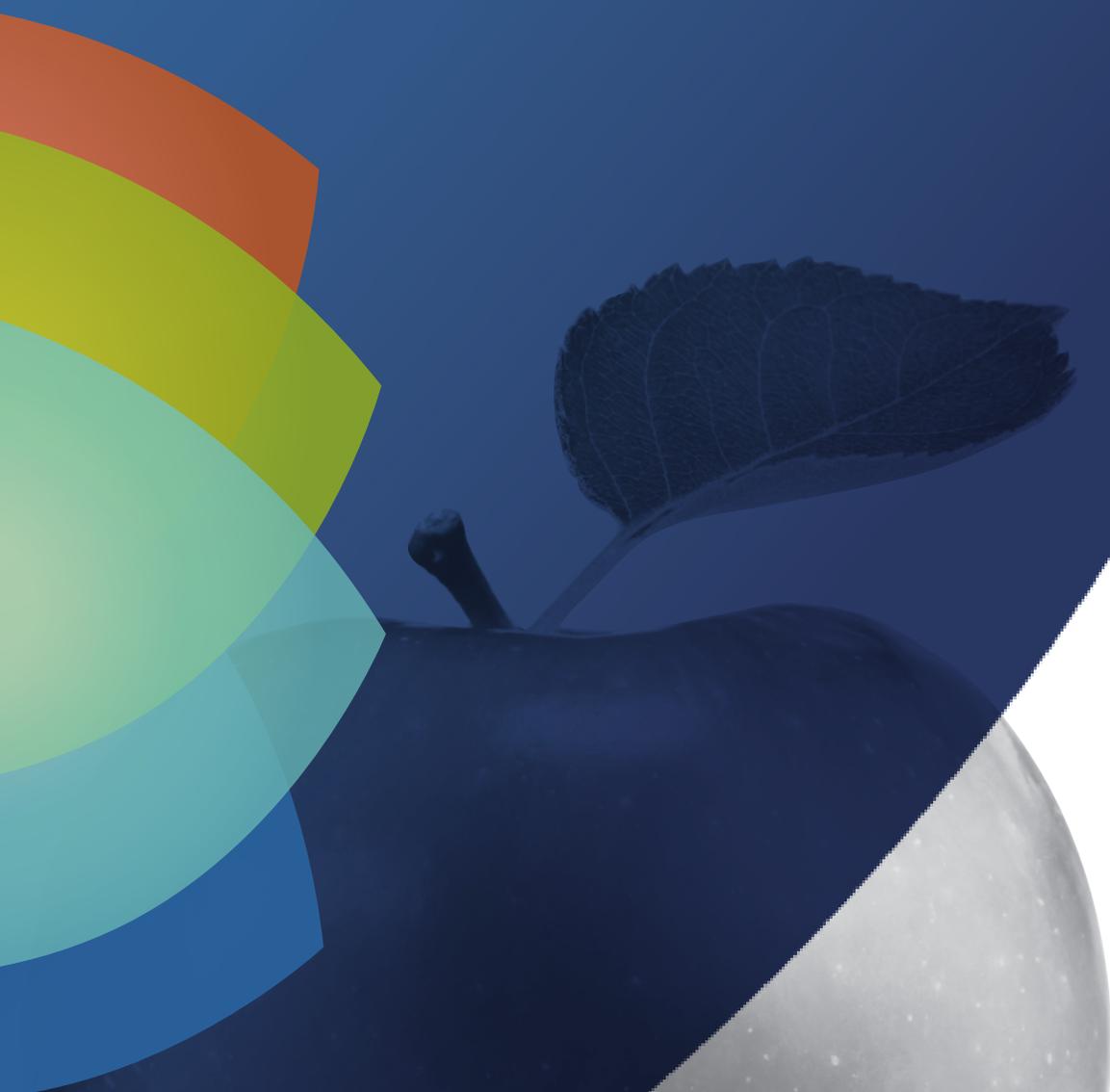


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Introduction



“I received my first chargeback in the year 2000, while operating a call centre service. A client who had been unresponsive for several months issued chargebacks on all of their payments.”

Suresh Dakshina

The chargebacks cited reason code 4855, “Goods or Services Not Provided”, but I knew that I had provided all the services paid for – and that I could prove it.

This began a long fascination with chargebacks – what causes them, how to dispute them, and how to prevent them. In the last 17 years my partner and I, both entrepreneurs, have fought and won innumerable chargebacks in our own enterprises and have gone on to form Chargeback Gurus, a service which allows us to offer our unique skills to businesses around the world. With this company, we have achieved a dispute success rate of up to 75% - well above the average.

Chargeback management can be very taxing on an organization, but I believe that with enough time and resources, anybody can learn to overcome the burden. The first step to understanding chargebacks is to decipher the reason codes. When a business is notified of a chargeback, one of the only pieces of information they are given is a reason code – with no explanation of what it really means.

That’s why we’ve put together this ebook. It is a resource for business owners to cross-reference their chargebacks with, including detailed explanations of the most common chargeback reason codes and our best practices for how to manage them, plus supplementary information such as the reason code rates by industry as per our client data. We have designed this ebook to be an invaluable resource for all businesses fighting the good fight against chargebacks.

Suresh Dakshina

**Suresh Dakshina, PRESIDENT
Chargeback Gurus**

53%

THE RATE AT WHICH
MERCHANTS DISPUTE
CHARGEBACKS.

41%

THE RATE AT WHICH
MERCHANTS WIN
DISPUTES. 1

60%

THE RATE AT WHICH
THE CHARGEBACK
GURUS WIN DISPUTES.

RECOVER YOUR LOST REVENUE

What Causes Chargebacks?

There are countless reasons why someone might dispute a charge on their credit card statement – they may not recognize the transaction, they may have discovered a mistake such as a double-charge, or they may think it's the only way to get a refund. Whatever their reason, it's up to the issuing bank to assign the reason code that tells you why they've reversed the transaction. The bank asks the customer why they are disputing the charge, then assigns the "reason code" which best fits the customer's explanation; typically, the cardholder isn't told what code the issuing bank assigns. With the exception of "Does Not Recognize", a reason code cannot be changed once the issuing bank assigns it to the chargeback.

The problem is, there are about a hundred of these codes between the four biggest card networks – and it's not like a chargeback notification comes with a written explanation for the merchant. So merchants are left to fend for themselves, either using up valuable time and resources to identify each chargeback and investigate the cause, or just accepting these chargebacks as **"the cost of doing business"**.

Prevention is the best defense against chargebacks, but even if you do everything right you will never reduce your chargeback rate to zero, so don't just sit back and eat the cost of every chargeback you receive. You will still get chargebacks that are no fault of your own – caused by "friendly" fraud, buyer's remorse, or an innocent mistake, and these chargebacks can put a great deal of strain on any company, due to:



THE IMMEDIATE COST OF THE CHARGEBACK

In addition to losing the revenue from the sale and the cost of the product, fees charged by the issuing bank can be as high as \$125 per chargeback.



THE LAG

It can take anywhere from 15 days to 6 months for a merchant to be notified of a chargeback. This sudden, unexpected loss of revenue can make it challenging to assess your financial health and to address any problems that may be causing chargebacks until it is much too late.



THE RISK OF LOSING PROCESSING SERVICES DUE TO A HIGH CHARGEBACK RATE

If your chargeback rate rises too high – for most industries, the maximum is 1%, or 1 chargeback per 100 transactions – then your payment processor will flag you as a high-risk merchant, which will cost you more in service charges, or they may cancel your merchant account entirely.

Reducing your losses and keeping your chargeback rate down begins with understanding the reasons for chargebacks. Knowing the reason codes used by all the major card networks can help you recognize which chargebacks are legitimate and which are worth disputing, and point the way toward gathering evidence, presenting your case and winning back some money.

True Cost of Chargebacks: **\$240**

WHEN BANKING FINES, PENALTIES AND ADMINISTRATIVE COSTS ARE FACTORED IN,

CHARGEBACKS COST MERCHANTS \$240 FOR EVERY \$100 WORTH OF PRODUCT LOST².



The “Reason” is Not the Reason

Every chargeback will cite a reason code, and decoding it is the first step to fighting back. But to win, you will need to understand exactly what is going on – and the “reason” doesn’t necessarily match the root cause.

There is any number of situations in which the reason code may not reflect the real cause behind the chargeback. For instance, the customer might have had second thoughts about buying something and wanted to cancel the transaction without going through your customer service department – but when the bank asks, the customer says instead that it was a fraudulent transaction. 99% of the time, the bank will take the customer’s word for it.

A false claim like this is called chargeback fraud or “friendly” fraud. In most instances of friendly fraud, the cardholder claims that the transaction was not authorized, but they may also claim that goods or services were not delivered, were not as described, or were defective.

But the real reason for the chargeback is more sinister, for example:

- They want to keep the product without paying for it.
- They have buyer’s remorse but don’t want to ask for a refund.
- The conditions for a refund haven’t been met (i.e. the time limit had passed).
- A family member made the purchase but the primary cardholder doesn’t want to honor the charge.

[1] <https://risk.lexisnexis.com/insights-resources/research/lexisnexis-2016-true-cost-of-fraud>

As you can see, most of the time there's nothing "friendly" about friendly fraud. Chargebacks exist to protect cardholders from fraud and from businesses that fail to deliver their services, but unfortunately it's quite common for cardholders to take advantage of the chargeback system in order to get something for free. But before you jump to any conclusions: even in cases of friendly fraud, it's possible the cardholder made a mistake, didn't recognize the charge or forgot about making the purchase.

However, the likelihood that a fraud claim is legitimate is lower than you might think. Only 29% of chargebacks citing a reason code in the "fraud" category are true fraud. For those 29%, there's nothing you can do to dispute the chargeback and get your money back, but the 71% that are "friendly" fraud are worth fighting for.



Compiling Evidence

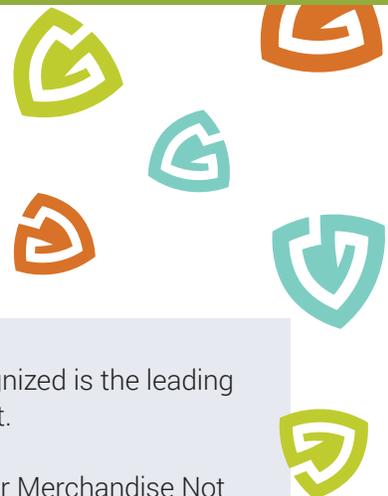
To win a chargeback dispute, you are required to produce "compelling" evidence. For example, for Visa reason code 83, Fraud – Card Not Present, this is defined as "Proof the cardholder participated in the transaction, received the goods or services, or benefitted from the transaction", and most reason codes call for the same kinds of compelling evidence (defined in the card network's product and service rules).

Chargeback Causes by Industry

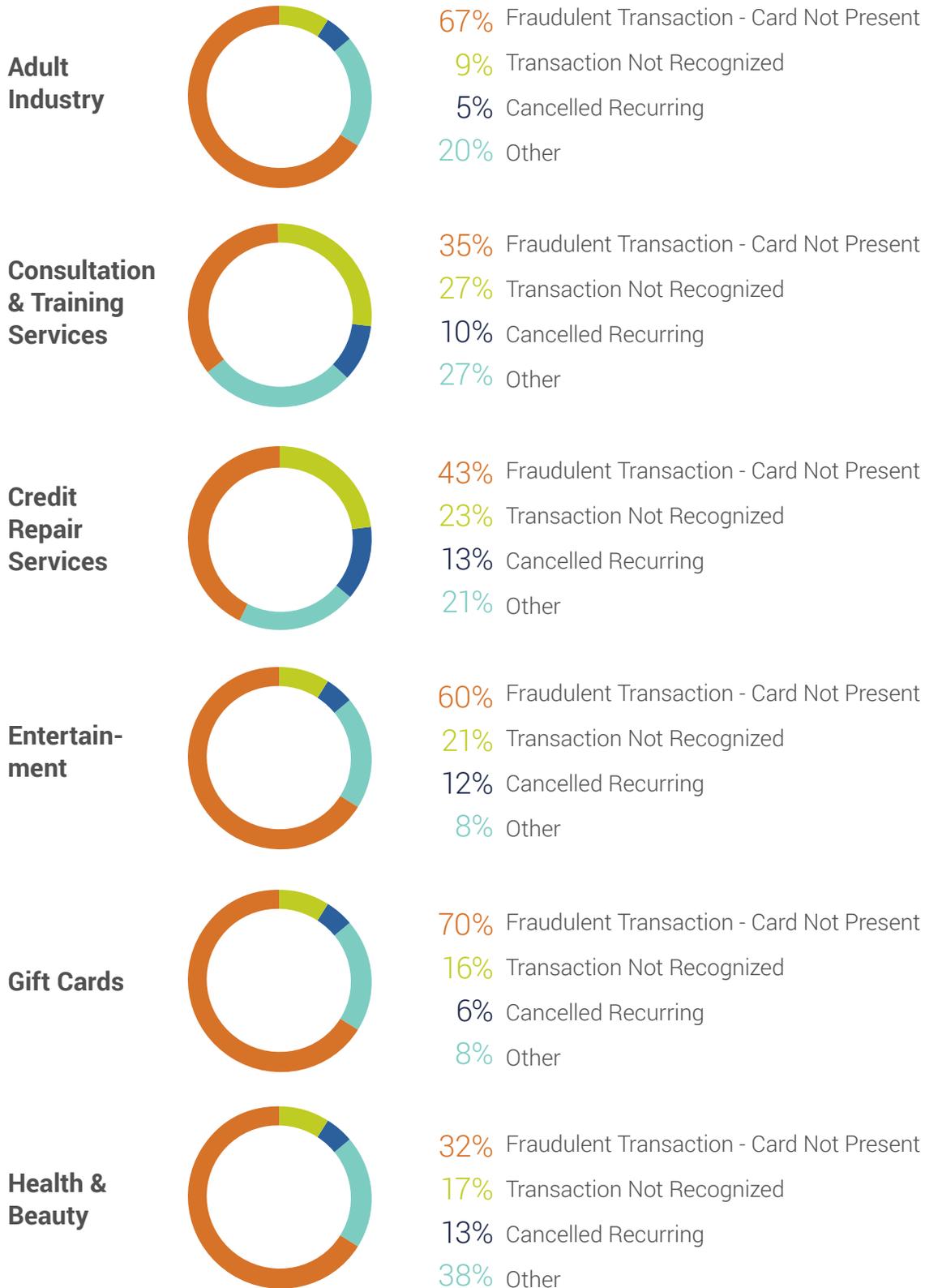
In the chart below, we have identified the top three most frequently occurring chargeback reason codes for 14 different industries based on our data.

These percentages are averaged across the four major card networks – Visa, Mastercard, American Express and Discover.

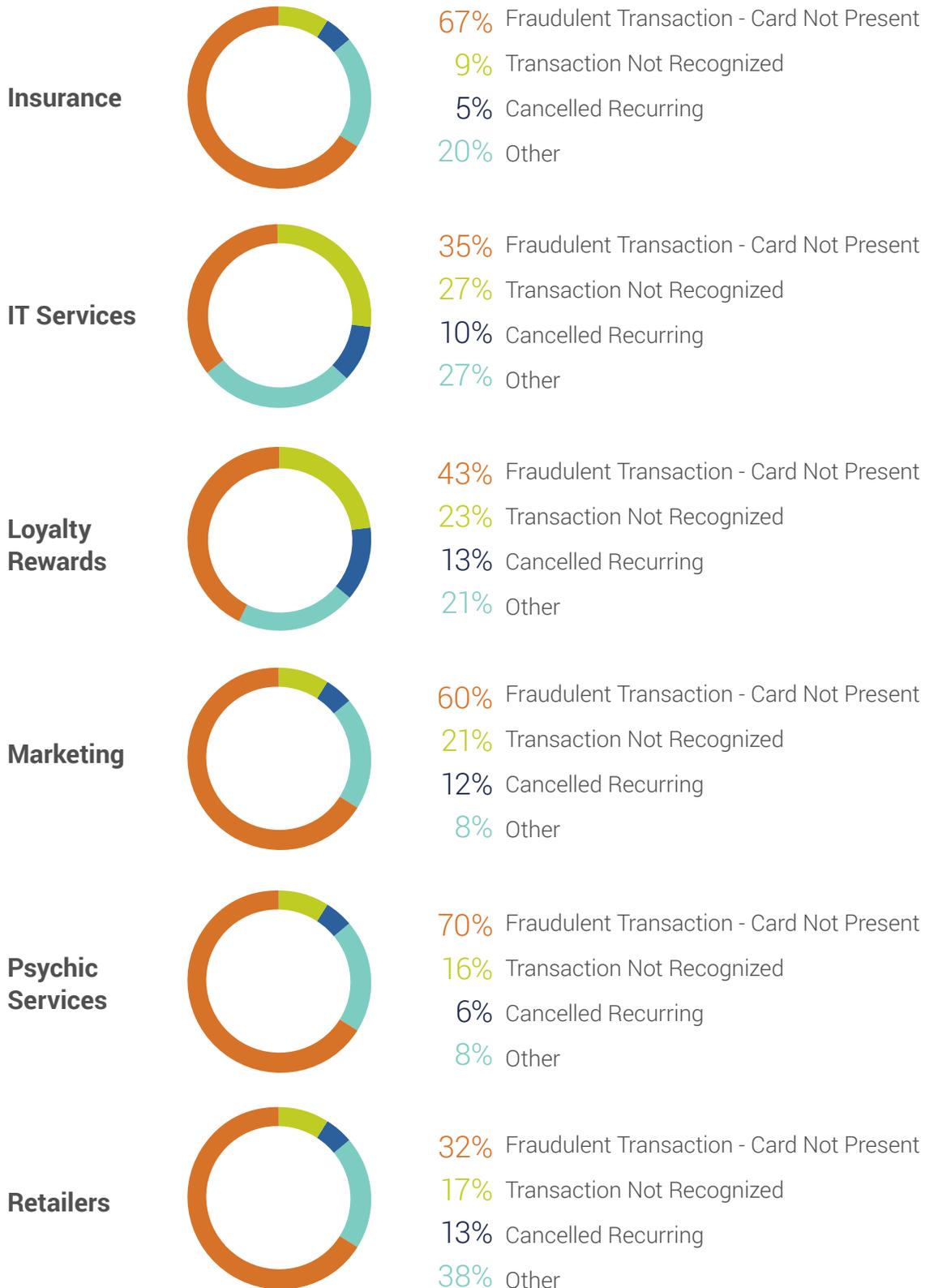
- Fraud – Card-Not-Present (CNP) is the leading cause of chargebacks in 8 out of the 14 industries.
- Credit Not Processed is cited as the leading cause in Insurance, Loyalty Rewards, and Marketing.
- Cancelled Recurring is the leading cause in Credit Repair Services.
- Transaction Not Recognized is the leading cause in Entertainment.
- Service Not Provided or Merchandise Not Received is the leading cause in Travel & Rental.



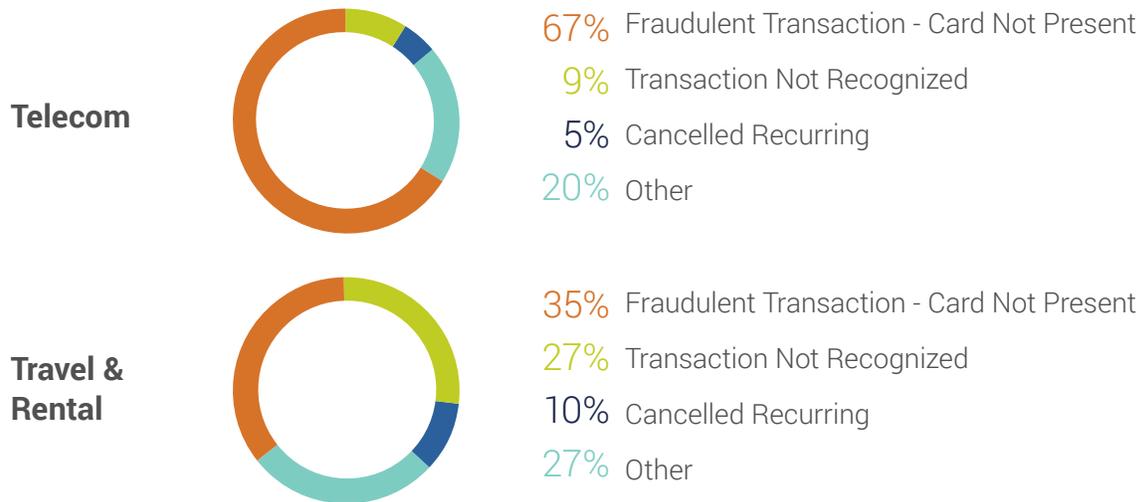
Chargeback Causes by Industry Ctd.



Chargeback Causes by Industry Ctd.



Chargeback Causes by Industry Ctd.



The “Big 6” Reason Codes

Between the four major card networks – Visa, Mastercard, Amex and Discover – there are about a hundred different chargeback reason codes. Some codes indicate fraud, while others indicate expired cards, defective merchandise or incorrect transaction amounts. Some deal exclusively with point-of-sale (POS) transactions, while others refer to card-not-present (CNP) transactions.

Visa and Mastercard organize all of their reason codes into four different categories:



American Express and Discover both have additional categories, but the industry is moving toward a universal four-category system.

Though this may seem like a lot of information to take in, you should keep in mind that most of these reason codes are extremely rare. For most businesses, there are really only six need-to-know codes that you can expect to see with some regularity. We call these the “Big 6”.



1. Fraud - Card Not Present	83	4837	F29	UA02
2. Goods or Services Not Provided	30	4855	C08	RG
3. Cancelled Recurring	41	4841	C28	AP
4. Credit Not Processed	85	4860	C02	RN2
5. Transaction Not Recognized	75	4863	R04	AA
6. Not as Described or Defective Merchandise	85	4860	C02	RN2

The overwhelming majority of chargebacks fall under one of 6 different “reasons”, but there is one that towers over the others. “Fraud – Card Not Present” is the most common chargeback code

by a wide margin. Our data shows that across all industries, 39% of all chargebacks carry a “Fraud – Card Not Present” reason code – in some industries the proportion is as high as 84%.



1. Fraud – Card Not Present

NETWORK	CHARGEBACK REASON	CODE	DESCRIPTION FROM THE CARD NETWORK
	Fraudulent Transaction Card Not Present	83	<i>A complaint from a cardholder in regard to a card-absent transaction, claiming that he or she did not authorize or participate in the transaction</i>
	Fraudulent Transaction No Cardholder Authorization	4837	<i>The cardholder contacted the issuer claiming that the cardholder did not authorize the transaction</i>
	Fraud Card Not Present	F29	<i>Card member denies participating in charges related to mail, telephone, or internet transactions</i>
	Fraud Card Not Present Transaction	UA02	<i>Valid for a chargeback request relating to a cardholder's claim that the cardholder did not approve or participate in a card not present card sale</i>

The bulk of chargebacks come with reason code 83 or 4837. The former is Visa's code indicating an unauthorized card-not-present (CNP) transaction; the latter is Mastercard's code which includes unauthorized transactions for both card-present and CNP transactions. For all card networks, these transactions fall under the "Fraud" category.

This **reason code** is cited when a cardholder contacts their issuing bank to claim that they did not authorize a transaction that took place in a CNP environment (online, over the phone or by mail).

The bank then reverses the transaction, removing the funds from the merchant's account and crediting the cardholder. If the cardholder is telling the truth (and the issuing bank will usually take their word for it) then this is a case of identity theft. In such cases, the merchant is held accountable for the charge because they failed to adequately verify the cardholder's identity before processing the transaction.

But studies have shown that more than two-thirds of these transactions are actually friendly fraud – cardholders taking advantage of the chargeback system by knowingly reversing legitimate transactions in order to get their money back without returning the product. If you believe this to be the case, and you can produce compelling evidence of the legitimacy of the transaction, you can win this dispute and get your money back.

2. Goods or Services Not Provided

NETWORK	CHARGEBACK REASON	CODE	DESCRIPTION FROM THE CARD NETWORK
	Service Not Provided or Merchandise Not Received	30	The card issuer received a claim from a cardholder that merchandise, or services ordered were not received or that the cardholder cancelled the order as the result of not receiving the merchandise or services by the expected delivery date or merchandise was unavailable for pickup.
	Goods or Services Not Provided	4855	The cardholder engaged in the transaction. The purchased goods or services were not received.
	Goods or Services Not Received		Cardholder ordered goods and /or services and never received the requested goods or services and the Card Sale was charged to the Account.
	Non-Receipt of Good or Services	UA02	Cardholder offered goods and/or services and never received the requested goods or services and the Card Sale was charged to the Account.

These reason codes occur when the cardholder tells their issuing bank that they knowingly performed the transaction but claims that the goods or services were never delivered. Visa reason code 30, which applies in these circumstances, may also apply if the cardholder had cancelled the order prior to the payment being processed, but their card was charged anyway.

If you receive this type of chargeback and you are certain the goods or services were delivered, one of the following may have occurred:

- The product failed to arrive within an expected timeframe, so the customer issued the chargeback while the goods were still in transit. They have buyer's remorse but don't want to ask for a refund.
- Your customer was dissatisfied with the goods or services they purchased, even if the product was delivered as promised.
- Your customer is attempting friendly fraud.

2. Goods or Services Not Provided (continued)

Best Practices for Chargeback Prevention and Reduction

For any transaction where delivery occurs after the sale, the expected delivery date range should be clearly indicated on the transaction receipt or invoice and in an email to avoid a pre-emptive chargeback. If the delivery is going to be delayed for any reason, notify the customer in writing and let them know when to expect the delivery. In this case, it may be a good idea to give the customer the option of proceeding with the transaction or cancelling it.

For digital goods which are downloaded via the internet, the best practice is to collect data showing that the software was successfully downloaded and received by the cardholder, verified by their IP address, GEO Location, Device ID and account history/usage.

To help protect yourself against friendly fraud, you'll want to be thorough in collecting proof of delivery. Use a tracking number during shipping and require a signature from the cardholder upon receipt of the package. The existence of a signed delivery slip will go a long way toward discouraging – and fighting, if necessary – a chargeback.

3. Cancelled Recurring

NETWORK	CHARGEBACK REASON	CODE	DESCRIPTION FROM THE CARD NETWORK
	Cancelled Recurring	41	<i>The merchant was notified to cancel the recurring transaction or that the cardholder's account was closed but has since billed the customer</i>
	Cancelled Recurring	4841	<i>The cardholder notified the merchant to cancel the recurring transaction and the merchant continued to bill the cardholder</i>
	Cancelled Recurring	C28	<i>Card Member continues to be billed after he/she claims to have cancelled goods or services</i>
	Cancelled Recurring	AP	<i>Cardholder challenges the validity of Recurring Payments Card Sales after expiration or cancellation of the Recurring Payments Plan agreement</i>

3. Cancelled Recurring (continued)

This type of chargeback is closely associated with subscription-based industries. While Fraud is the leading chargeback reason in almost every industry, Cancelled Recurring is one of the few that occasionally outranks it, such as in the Loyalty Rewards industry where this reason is cited on 27% of Visa and Mastercard chargebacks.

Typically, these reason codes occur when a cardholder cancels their subscription but the cancellation is not entered into your system before the next payment date arrives. As a result, the cardholder is billed by mistake. However, some cardholders view chargebacks as a “hassle-free” way to cancel a payment and may deliberately issue a Cancelled Recurring chargeback instead of contacting you directly.

Best Practices for Chargeback Prevention and Reduction

For a recurring billing, it's very important to keep lines of communication open. Always respond in a timely manner to any customer requests about renewal or cancellation and comply with cancellation requests immediately, ensuring that all current and future billings are cancelled. If an outstanding balance is owed for the services, contact the customer to process that payment manually, and if any credit remains on their account, make arrangements for them to collect it.

To prevent them from going through their card issuer to cancel their subscription, display return and cancellation policies visibly and accessibly, making it as easy as possible for your customers to opt out of recurring billing. Require them to acknowledge the policy via checking an “Accept” or “Agree” button prior to order confirmation – this acknowledgement can later be leverage in a chargeback dispute.



4. Credit Not Processed

NETWORK	CHARGEBACK REASON	CODE	DESCRIPTION FROM THE CARD NETWORK
	Credit Not Processed	41	<i>The merchant was notified to cancel the recurring transaction or that the cardholder's account was closed but has since billed the customer</i>
	Credit Not Processed	4841	<i>The cardholder notified the merchant to cancel the recurring transaction and the merchant continued to bill the cardholder</i>
	Credit Not Processed	C28	<i>Card Member continues to be billed after he/she claims to have cancelled goods or services</i>
	Credit Not Processed	AP	<i>Cardholder challenges the validity of Recurring Payments Card Sales after expiration or cancellation of the Recurring Payments Plan agreement</i>

When a cardholder claims that they returned a product they had purchased but the funds were never refunded to them, they can issue a chargeback on the initial transaction which will cite Credit Not Processed as the reason. This reason can also apply in any instance where the cardholder claims credit is owed to them, which leads it to be one of the most common chargeback reasons in the Insurance industry.

Mastercard's description for their Credit Not Processed reason code, 4860, goes into further detail, explaining that you can also be held at fault in the following circumstances:

- You failed to disclose your return policy at the time of purchase and later refused to issue a refund or cancellation.
- A customer has attempted to return a product or cancel a service but you have been unresponsive.
- You partially refunded a product but did not disclose the reason why the refund was not paid in full.

Best Practices for Chargeback Prevention and Reduction

Consumers expect credits to be delivered instantly. This is simple enough in POS transactions as you can issue the refund using their physical card, but for CNP transactions it's important to issue the credit as soon as possible to prevent customers from disputing the original payment. Make sure credits are properly issued to the same card that was used for the original purchase and send the cardholder a notice that the credit may appear on their next billing statement or the one after that, informing them that it can take 5-10 business days to post a credit.

If merchandise is returned to you, send the customer a notice informing them that you have received it and the credit has been issued. Similarly, if a product is returned or services have been cancelled using an automated system, issue the credit and send the customer a notice informing them that the cancellation request has been received and the credit has been issued. Always include the original transaction and refund transaction date, amount and ID's in the refund notification so they can refer to them if needed.

5. Transaction Not Recognized

NETWORK	CHARGEBACK REASON	CODE	DESCRIPTION FROM THE CARD NETWORK
	Cancelled Recurring	41	<i>The merchant was notified to cancel the recurring transaction or that the cardholder's account was closed but has since billed the customer</i>
	Cancelled Recurring	4841	<i>The cardholder notified the merchant to cancel the recurring transaction and the merchant continued to bill the cardholder</i>
	Cancelled Recurring	C28	<i>Card Member continues to be billed after he/she claims to have cancelled goods or services</i>
DISCOVER	Cancelled Recurring	AP	<i>Cardholder challenges the validity of Recurring Payments Card Sales after expiration or cancellation of the Recurring Payments Plan agreement</i>

As with Fraud – Card Not Present, this chargeback reason is categorized by the card networks as a **fraudulent transaction**. These reason codes are frequently a result of businesses having a bank account under a different name than their Doing Business As (DBA) name. This causes the charge appearing on a customer's credit card statement to be unfamiliar to them. If your brand does not match the name associated with your business account, make a point of informing your customers when they place the order, telling them what to look for on their credit card statement.

Unusually, Mastercard's description of their Transaction Not Recognized reason code, 4863, specifically mentions that the card issuer should make a "good faith effort to identify the transaction for the cardholder".

Best Practices for Chargeback Prevention and Reduction

Transaction Not Recognized, one of the most common chargeback reasons, is also one of the most avoidable. It's crucial that your DBA name is properly identified in the clearing record to ensure that the name appearing on the cardholder's billing statement is correct and recognizable. Work with your acquirer to ensure that your location and phone number also appear on your customers' credit card statements in case they have any questions about the charge.

For businesses selling digital goods, protect yourself from fraud – and friendly fraud – by gathering the data to prove that all software sold was successfully received and downloaded by the cardholder, along with their IP address, GEO Location, Device ID and account history/usage information.

6. Not as Described or Defective Merchandise

NETWORK	CHARGEBACK REASON	CODE	DESCRIPTION FROM THE CARD NETWORK
	Not as Described or Defective Merchandise	53	<ul style="list-style-type: none"> • Merchandise or services did not match what was described on the transaction receipt or other documentation presented at the time of purchase • Not the same as the merchant's verbal description (for a telephone transaction) • The merchandise was received damaged or defective • The cardholder disputes the quality of the merchandise or services • The merchandise was identified as counterfeit by the owner of the intellectual property or authorized representative, a custom's agency, law enforcement agency, other governmental agency or neutral bona fide expert - The cardholder claims that the terms of the sale were misrepresented by the merchant
	Defective / Not as Described	4853	<ul style="list-style-type: none"> • When delivered from the merchant, the goods arrived broken or could not be used for the intended purpose - Goods and services did not conform to their description
	Good / Services Not as Described	C31	<ul style="list-style-type: none"> • Card Member claims to have received goods and/or services that are different than the written description provided at the time of the Charge
	Cardholder Disputes Quality of Goods or Services	RM	<ul style="list-style-type: none"> - Cardholder claims that the quality of goods or services received from the Merchant were not as expected or advertised - Cardholder claims that goods received were damaged or defective, and the Cardholder returned the goods to the Merchant - Cardholder claims that goods or services were not as represented by the Merchant - Cardholder refused delivery of goods or services because the quality of the goods or services was insufficient, however the Merchant submitted a Card Sale to the Account - Cardholder claims that the Merchant delivered Counterfeit Merchandise

6. Not as Described or Defective Merchandise (continued)

A common chargeback reason in the online retail market, the ability to dispute the quality of goods or services protects customers from retailers who sell mislabelled, damaged or counterfeit merchandise or who fail to fulfill a service as promised. This includes cases in which the product was damaged during shipping, the incorrect item was delivered, or the merchandise was identified by the creator, a government agency, or an expert in the field as counterfeit.

Though not categorized as fraud by the card networks, this reason is frequently used by friendly fraudsters. The reason for this is that merchants will typically require a customer to prove that the product is defective or not as described and/or return the product in order to be awarded the refund; the issuing bank, on the other hand, will take the cardholder at their word and issue the chargeback, rarely requiring proof of any kind.

Best Practices for Chargeback Prevention and Reduction

Ecommerce comes with unique challenges caused by the fact that your customers can't physically touch your products before they pay for them. It's critical that descriptions of your products as shown online, in catalogues, on transaction receipt and over the phone are accurate, complete, and in no way misleading. If providing a service that you are for any reason unable to fulfill as promised, contact the customer to renegotiate the terms or to offer a full or partial refund.

Solicit feedback from your customers to gauge how well your products met their expectations to ensure that your descriptions match the perception of real customers. High quality content – written, photography and video – will go a long way, as will including customer reviews on your website. It's also important to regularly review your shipping and handling processes to ensure that orders are being fulfilled accurately and securely.

The Encyclopedia

Categories [D1]— Chargeback reason codes can, for the most part, be divided into four unofficial categories: Fraud, Authorization, Processing Errors, and Consumer Disputes. The industry is gradually moving toward this universal four-category standard, with Visa leading the way – as of April 2018, Visa will transition to a new, simplified set of reason codes which will officially organize disputes into the four categories below:

Fraud refers to any reason codes likely to be related to fraudulent transactions, including POS and CNP transactions. This category is used when the cardholder claims they did not authorize a transaction or do not recognize a transaction but the transaction was authorized by somebody – presumably a fraudster who has acquired the cardholder’s personal information. In reality, most of the chargebacks that fall under this category are cases of friendly fraud, meaning the cardholder did authorize the transaction but is lying about it or has forgotten.

Fraud

Authorization

Authorization chargebacks reflect instances where authorization was not obtained for the transaction. For example, if a merchant has your card information on file and charges your card by mistake when another customer places an order, or if they charge you for an amount exceeding the amount you had agreed to pay.

Processing Errors

Processing Errors refers to chargebacks caused by a mistake in the transaction. This can include duplicate transactions, incorrect charge amount, a credit processed as a charge or vice versa, and other similar situations.

Consumer Disputes

Consumer Disputes include any chargebacks related to the fulfillment of the product and service by the merchant. This includes the product not being delivered in full (or at all), disputes about the quality of the product, cancelled recurring billing and credit not processed disputes.

[D1] Updated to clarify that the categories we’re using are unofficial and to reference Visa’s upcoming update to their reason codes.

List of Reason Codes Ctd.

VISA (before April 2018)

CODE	DESCRIPTION	CATEGORY
81	Fraud – Card-Absent Present Environment	Fraud
83	Fraud – Card-Absent Environment	Fraud
57	Fraudulent Multiple Transactions	Fraud
62	Counterfeit Transaction	Fraud
93	Visa Fraud Monitoring Program	Fraud
72	No Authorization	Authorization
70	Card Recovery Bulletin or Exception File	Authorization
71	Declined Authorization	Authorization
73	Expired Card	Authorization
78	Service Code Violation	Authorization
82	Duplicate Processing	Processing Errors
76	Incorrect Currency or Transaction Code	Processing Errors
74	Late Presentment	Processing Errors
77	Non-Matching Account Number	Processing Errors
86	Paid by Other Means	Processing Errors
80	Incorrect Transaction Amount or Account Number	Processing Errors
30	Services Not Provided or Merchandise Not Received	Consumer Disputes
53	Not as Described or Defective Merchandise	Consumer Disputes
41	Cancelled Recurring Transaction	Consumer Disputes
75	Transaction Not Recognized	Consumer Disputes
85	Credit Card Not Processed	Consumer Disputes
90	Non-Receipt of Cash or Load Transaction Value at ATM	Consumer Disputes

List of Reason Codes Ctd.

VISA (as of April 2018)

CODE	DESCRIPTION	CATEGORY
10.1	EMV Liability Shift Counterfeit Fraud	Fraud
10.2	EMV Liability Shift Non-Counterfeit Fraud	Fraud
10.3	Other Fraud – Card-Present Environment	Fraud
10.4	Other Fraud – Card-Absent Environment	Fraud
10.5	Visa Fraud Monitoring Program	Fraud
11.1	Card Recovery Bulletin	Authorization
11.2	Declined Authorization	Authorization
11.3	No Authorization	Authorization
12.1	Late Presentment	Processing Errors
12.2	Incorrect Transaction Code	Processing Errors
12.3	Incorrect Currency	Processing Errors
12.4	Incorrect Account Number	Processing Errors
12.5	Incorrect Amount	Processing Errors
12.6.1	Duplicate Processing	Processing Errors
12.6.2	Paid by Other Means	Processing Errors
12.7	Invalid Data	Processing Errors
13.1	Merchandise/Services Not Received	Consumer Disputes
13.2	Cancelled Recurring	Consumer Disputes
13.3	Not as Described or Defective Merchandise/Services	Consumer Disputes
13.4	Counterfeit Merchandise	Consumer Disputes
13.5	Misrepresentation	Consumer Disputes
13.6	Credit Not Processed	Consumer Disputes
13.7	Cancelled Merchandise/Services	Consumer Disputes
13.8	Original Credit Transaction Not Accepted	Consumer Disputes
13.9	Non-Receipt of Cash or Load Transaction Value	Consumer Disputes

List of Reason Codes Ctd.

Master Card

CODE	DESCRIPTION	CATEGORY
4837	No Cardholder Authorization	Fraud
4840	Fraudulent Processing of Transactions	Fraud
4849	Questionable Merchant Activity	Fraud
4863	Cardholder Does Not Recognize—Potential Fraud	Fraud
4870	Chip Liability Shift	Fraud
4871	Chip/PIN Liability Shift	Fraud
4807	Warning Bulletin File	Authorization
4808	Authorization-Related Chargeback	Authorization
4812	Account Number Not On File	Authorizations
4834	Point-of-Interaction Error	Processing Error
4831	Transaction Amount Differs	Processing Error
4842	Late Presentment	Processing Error
4846	Correct Transaction Currency Code Not Provided	Processing Error
4850	Installment Billing Dispute	Processing Error
4999	Domestic Chargeback Dispute (Europe Region Only)	Processing Error
4853	Cardholder Dispute	Processing Error
4859	Addendum, No-show, or ATM Dispute	Consumer Disputes
4855	Goods or Services Not Provided	Consumer Disputes
4854	Cardholder Dispute—Not Elsewhere Classified (U.S. Region Only)	Consumer Disputes
4860	Credit Not Processed	Consumer Disputes
4841	Canceled Recurring or Digital Goods Transactions	Consumer Disputes

List of Reason Codes Ctd.

Discover

CODE	DESCRIPTION	CATEGORY
UA02	Fraud – Card Not Present Transaction	Fraud
UA05	Fraud – Chip Counterfeit Transaction	Fraud
UA06	Fraud – Chip and PIN Transaction	Fraud
UA01	Fraud – Card Present Transaction	Fraud
AT	Authorization Noncompliance	Authorization
IN	Invalid Card Number	Processing Errors
LP	Late Presentation	Processing Errors
RG	Non-Receipt of Goods, Services, or Cash	Consumer Disputes
RM	Cardholder Disputes Quality of Goods or Services	Consumer Disputes
05	Good Faith Investigation	Consumer Disputes
AA	Does Not Recognize	Consumer Disputes
AP	Recurring Payments	Consumer Disputes
AW	Altered Amount	Consumer Disputes
CD	Credit/Debit Posted Incorrectly	Consumer Disputes
DP	Duplicate Processing	Consumer Disputes
NF	Non-Receipt of Cash from ATM	Consumer Disputes
PM	Paid by Other Means	Consumer Disputes
RN2	Credit Not Processed	Consumer Disputes
DC	Dispute Compliance	Other

List of Reason Codes Ctd.

American Express

CODE	DESCRIPTION	CATEGORY
F29	Card Not Present	Fraud
F10	Missing Imprint	Fraud
F14	Missing Signature	Fraud
F24	No Card Member Authorization	Fraud
F30	EMV Counterfeit	Fraud
F31	EMV Lost/Stolen/Non-Received	Fraud
A01	Charge Amount Exceeds Authorization Amount	Authorization
A02	No Valid Authorization	Authorization
A08	Authorization Approval Expired	Authorization
P01	Unassigned Card Number	Processing Errors
P03	Credit Processed as Charge	Processing Errors
P04	Charge Processed as Credit	Processing Errors
P05	Incorrect Charge Amount	Processing Errors
P07	Late Submission	Processing Errors
P08	Duplicate Charge	Processing Errors
P22	Non-Matching Card Number	Processing Errors
P23	Currency Discrepancy	Processing Errors
C08	Goods/Services Not Received or Only Partially Received	Consumer Disputes
C02	Credit Not Processed	Consumer Disputes
C04	Goods/Services Returned or Refused	Consumer Disputes
C05	Goods/Services Canceled	Consumer Disputes
C14	Paid by Other Means	Consumer Disputes
C18	"No Show" or CARDeposit Canceled	Consumer Disputes
C28	Canceled Recurring Billing	Consumer Disputes
C31	Goods/Services Not As Described	Consumer Disputes
C32	Goods/Services Damaged or Defective	Consumer Disputes
M10	Vehicle Rental – Capital Damages	Other
M49	Vehicle Rental – Theft or Loss of Use	Other
M01	Chargeback Authorization	Other
R03	Insufficient Reply	Other
R13	No Reply	Other
FR2	Fraud Full Recourse Program	Other
FR4	Immediate Chargeback Program	Other
FR6	Partial Immediate Chargeback Program	Other

Transaction Modifiers

As the industry moves toward the four-category standard, it requires the consolidation of reason codes. A side-effect is that individual reason codes need to become more broad and therefore require transaction modifiers. The more a card network consolidates its reason codes, the more modifiers are required – as a result Mastercard and Visa (who are leading the charge on consolidation) have the most modifiers.

A transaction modifier is a specific aspect of a card sale which changes what kind of evidence is required to dispute a chargeback. Take Mastercard reason code 4837, for instance, which represents a chargeback categorized as Fraudulent Transaction – No Cardholder Authorization. This includes both card-present and card-not-present transactions – a very broad scope. As a result, Mastercard has included several modifiers which change what qualifies as “compelling evidence” depending on the industry and/or the specific circumstances of the transaction.

In order to respond to chargebacks effectively, you will need to be aware of any transaction modifiers that pertain to you. Across the four major card networks, there are 20 different reason codes which could have modifiers impacting the evidence you will be required to provide:

Transaction Modifiers (continued)

NETWORK	CODE	DESCRIPTION	TRANSACTION MODIFIERS
VISA	30	Services Not Provided or Merchandise Not Received	• Airline Transaction
VISA	81	Fraud – Card-Present Environment	• Airline Transaction, Below-Floor Limit, CP and Key-Entered, Digital Goods, Merchant assigned MCC 5815-5818
VISA	83	Fraud – Card-Absent Environment	• Airline Transaction, CP and Key-Entered, Digital Goods Merchant assigned MCC 5815-5818, Secure Electronic Commerce Transaction (US Domestic)
VISA	82	Duplicate Processing	• ATM Transaction, Telephone Service Transaction – Unattended Cardholder-Activated Terminal
VISA	72	No Authorization	• Authorization Data Invalid, Exceeds Floor Limit
VISA	53	Not as Described or Defective Merchandise	• Counterfeit Merchandise, Misrepresented Terms of Sale, Not as Described
VISA	76	Incorrect Currency or Transaction Code	• Credit Refund, DCC Selected by Merchant, DCC Unknown/Refused, Incorrect Transaction Code, Transaction Currency Mismatch
VISA	80	Incorrect Transaction Amount or Account Number	• Transaction Amount Altered, Transaction Amount Incorrect
	4853	Cardholder Dispute	• Addendum/"No-Show" Dispute, Counterfeit Merchandise, Credit Not Processed, Digital Goods Purchase of USD 25 or Less, Non-Receipt, Not As Described/Defective, Recurring Transaction, Timeshare Cancellation, Transaction Not Completed
	4834	Point-of-Interaction Error	- Addendum/"No-Show" Dispute, Counterfeit Merchandise, Credit Not Processed, Digital Goods Purchase of USD 25 or Less, Non-Receipt, Not As Described/Defective, Recurring Transaction, Timeshare Cancellation, Transaction Not Completed
	4859	Addendum, No-show, or ATM Dispute	- ATM Transaction
	4837	No Cardholder Authorization	- CNP Airline Transaction, Customer Profile, Digital Goods Download, Ecommerce Transaction: Partial Shipment or Balance Due, Recurring Transaction, Site to Store
	4855	Goods or Services Not Provided	- Digital Goods Purchase of USD 25 or Less, European Transaction for Travel Services
	4841	Canceled Recurring or Digital Goods Transactions	- Recurring Transaction – Digital Goods

Transaction Modifiers (continued)

NETWORK	CODE	DESCRIPTION	TRANSACTION MODIFIERS
	F29	Card Not Present	• Airline Transaction
	C08	Goods/Services Not Received or Only Partially Received	• Airline Transaction, Digital Goods Download, Site to Store
DISCOVER	RG	Non-Receipt of Goods, Services, or Cash	• Airline Transaction, Card Not Present, Site to Store
DISCOVER	UA02	Fraud – Card Not Present Transaction	• Card Not Present, Site to Store
DISCOVER	RM	Cardholder Disputes Quality of Goods or Services	• Card Not Present, Site to Store
DISCOVER	UA01	Fraud – Card Present Transaction	• Site to Store

Conclusion

Chargeback lag – the delay of as much as 6 months between the transaction and the merchant being notified of a chargeback – can wreak havoc on your accounting, skew your performance indicators, and force you to keep a great deal of your profit on reserve rather than reinvesting it in your business. And letting your chargeback rate rise even a little bit can damage your relationship with your payment service provider and cost you even more in the long run.

So don't accept chargebacks as the cost of doing business. When you make chargeback management a priority, not only do you significantly reduce the negative consequences of chargebacks, but you can also learn a lot about your industry, your customers, and yourself.

Keeping track of reason code rates can help you to identify the areas where your business can be improved:



REASON CODE 53: YOU MAY NEED TO UPDATE YOUR PRODUCT LISTINGS ON YOUR WEBSITE, REVIEW YOUR ORDER FULFILLMENT PROCESS, OR FIND A NEW DELIVERY SERVICE.



REASON CODE 4863: YOUR BUSINESS NAME AS IT APPEARS ON CREDIT CARD STATEMENTS MAY BE UNRECOGNIZABLE TO YOUR CUSTOMERS.



REASON CODE 41 & REASON CODE 85: REVIEW YOUR BOOKKEEPING TO ENSURE THAT CANCELLATIONS AND REFUNDS ARE INITIATED IN A TIMELY MANNER.

And monitoring fraud – reason codes 83, 75, 4837 and 4836 – can teach you how to identify legitimate chargebacks from cases of “friendly” fraud. If your rate of fraud chargebacks is unusually high, it's likely that your customer verification process is too lax, but strong fraud prevention tools won't stop friendly fraudsters.

Chargebacks can have a tremendous impact on businesses, costing an estimated \$2.40 for every dollar lost.

This means: the lower your chargeback rate, the higher your proportion of friendly fraud. That's why it's important to collect as much proof-of-transaction and proof-of-receipt evidence as you can, so that you can teach those friendly fraudsters that you are no easy target. No matter how well you run your business, eventually you'll see some chargebacks, so make it a practice to collect as much information as you realistically can for every transaction.

Most of all, pay attention to reason codes. They don't only show you the areas where you can improve and streamline your business – they point the way toward gathering evidence, presenting your case and winning back some money.

The Key KPI

62% of businesses identified their chargeback rate as the single most important Key Performance Indicator (KPI) for their fraud management[1].

[1] https://www.cybersource.com/content/dam/cybersource/2017_Fraud_Benchmark_Report.pdf

About the Gurus



Srii Srinivasan, CEO Chargeback Gurus

An industry veteran at minimizing chargebacks and fraud for card-not-present transactions, Sriivasan specializes in helping high-risk merchants optimize operations overhead, identify vulnerabilities and reduce fraud and chargeback revenue loss. As a payments, ecommerce and software development expert, Srinivasan leads a team of 120 delivering the fastest-growing chargeback representation and prevention services in the United States.

Srinivasan holds a degree in Computer Science Engineering and is a seasoned speaker and consults enterprise businesses on revenue increase, automation and fraud minimization. She was recently featured in Inc. Magazine's October 2017 issue, among Inc. 5000's fast-growing businesses.



Suresh Dakshina, PRESIDENT Chargeback Gurus

A pioneer in data analytics and industry-specific risk management, Suresh Dakshina is the President of Chargeback Gurus. He is a certified e-commerce fraud prevention specialist and a Certified Payments Professional who knows firsthand the challenges business owners face, especially when it comes to chargebacks and fraud. Suresh holds a Master's degree from University of Southern California and has consulted Fortune 5000 companies for over a decade on chargeback and fraud minimization. Suresh Dakshina is a veteran speaker and works closely with Card Networks such as Visa, American Express on chargeback process optimization and compelling evidence.

