



A MERCHANT'S GUIDE TO

PayPaltm

CHARGEBACKS





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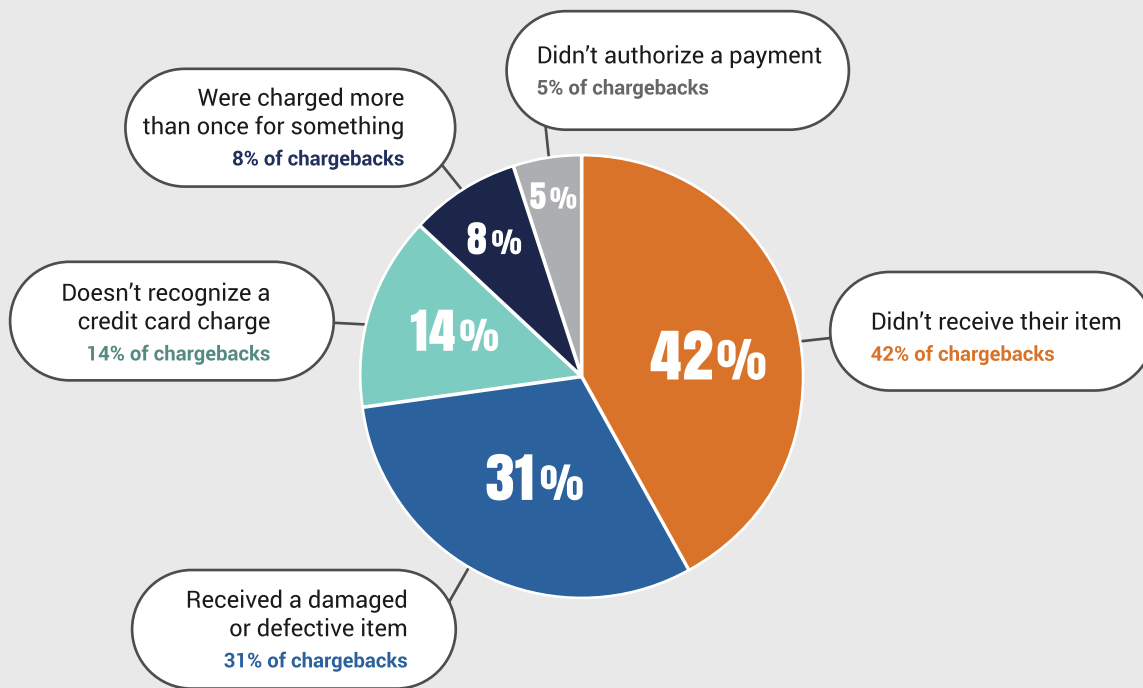
The (PayPal) Chargeback Dilemma

Merchants today are finding out far too late about the risks and realities of chargebacks.

Businesses that process e-commerce and other card-not-present transactions—including the over 17 million who use PayPal for payments—are quickly learning that chargebacks can threaten their very survival.

According to our own internal analysis, here are the top 5 reasons why customers file chargebacks when using PayPal:

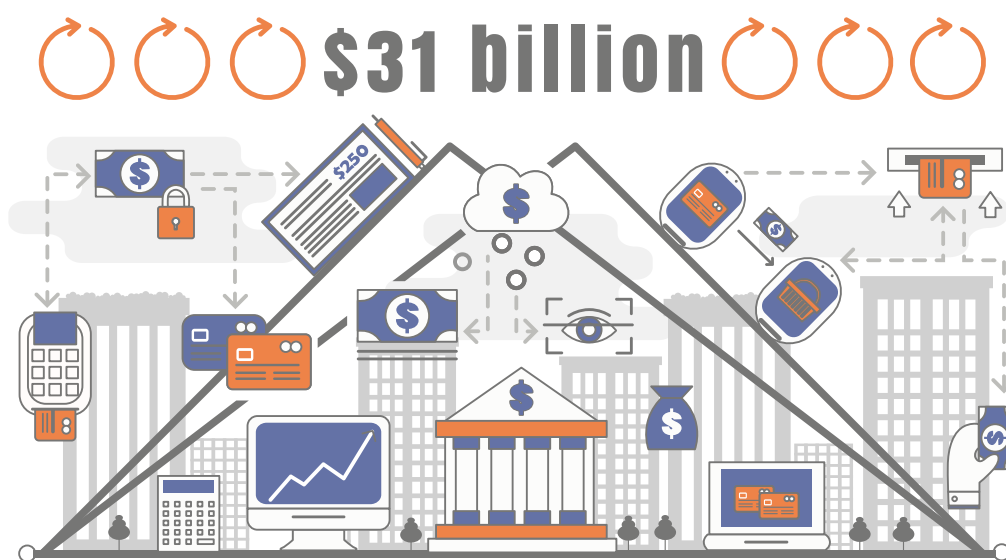
Top 5 Reasons for PayPal Chargebacks





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In 2017, chargebacks were a \$31 billion problem, but the financial impact from chargebacks can be felt beyond just the actual transaction amounts. If you factor in merchant costs related to chargebacks, as well as the effect on issuers, acquirers, and consumers, the true financial cost is more than \$150 billion annually. Not only do chargebacks equate to billions in lost sales every year, but because of associated fees—the costs to manufacture, market and ship the product, and the potential damage to valuable merchant accounts—they typically mean a financial loss of 2.5 times the original transaction amount.



Chargebacks exist to offer a consumer protection, but widespread abuse of this system has led to the current situation. As a merchant, the burden of proof lies entirely on you —it's your job to address each chargeback, and when disputing, supply the requisite evidence that you fulfilled your end of the bargain. In order to handle any PayPal dispute, claim or chargeback effectively, you must first take steps to understand what they are and how the process works.



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PayPal Transaction Issues: Disputes, Claims & Chargebacks

While PayPal is one of the most secure ways for merchants to receive online payments, sometimes issues with transactions arise that need to be resolved. These can include disputes, claims, bank claims, or even chargebacks.



Disputes

If a Buyer opens a dispute in the PayPal resolution center, the Seller is expected to respond to the message immediately and either issue a refund or otherwise resolve the dispute. If the Buyer is not satisfied with the resolution offered by the Seller, the dispute can escalate to a claim.



Claims

When a Buyer does not accept the Seller's attempts to resolve a dispute, they have 20 days to escalate the dispute to a claim. When a dispute becomes a claim, PayPal's claim resolution center will gather information from both parties, investigate the case, and make the final determination.



Bank Claims

Bank claims occur whenever a Buyer uses a debit card or their bank account to purchase goods or services, and then calls their bank directly to file a claim. At this time, the money is taken out of the merchant's bank account. To fight the case, they must submit compelling evidence to PayPal's resolution center.



Chargebacks

This occurs whenever a customer uses a credit card to purchase goods or services, and then calls their credit card issuer to dispute the charge (usually, they have to do this within 120 days). If the merchant wants to dispute the chargeback, it's their responsibility to submit compelling evidence that the charge was valid. The case documents are uploaded by the merchant into PayPal's resolution center and the final decision is made by the issuer. Once a determination has been made, PayPal is notified, who then notifies the merchant on the case status.





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PayPal Chargeback Dispute Process



1. **Buyer** calls their credit card Issuer and files a dispute
2. **Issuing bank** notifies PayPal's merchant bank
3. **PayPal's merchant bank** notifies PayPal of dispute and withdraws funds from PayPal
4. **Seller** is notified about dispute via email and in the resolution center, and funds related to the chargeback are placed on a hold
5. **Seller** submits compelling evidence to resolution center
6. **Evidence** is sent to PayPal chargeback division for review
7. **PayPal** sends compelling evidence to Buyer's credit card Issuer
8. **Issuer** reviews compelling evidence and makes decision on the case
9. **Issuer** notifies Buyer and PayPal
10. **PayPal** notifies Seller about the case status via email and updates status in resolution center



PAYPAL CHARGEBACK DISPUTE TIME LIMIT

Even though card networks can allow up to 14–30 days to dispute a chargeback, PayPal requires merchants to respond to chargebacks within 10 days. This way, PayPal's chargeback team can review the compelling evidence and still have enough time to send it on to the issuing banks.

PAYPAL SELLER (CHARGEBACK) PROTECTION PROGRAM: WHAT IS & ISN'T COVERED

If you sell a product to a buyer, and the transaction is later disputed, you may be covered under PayPal's Seller Protection Program. If the transaction qualifies for the Seller Protection Program, the merchant is entitled to retain the full purchase amount and PayPal will waive any related chargeback fees paid. There is no limit on the number of transactions for which you can receive coverage. Refer to the PayPal's transaction details page to determine which transactions are eligible for coverage under this program.

There is no charge to the merchant for enrolling in the Seller Protection Program, which offers the following benefits to the Seller:



- **Security for merchants**, since cardholder credit card data is not shared with the merchant for transactions paid using the Buyer's PayPal account



- **24/7 monitoring** where all PayPal transactions are reviewed by PayPal's fraud experts



- **End-to-end transaction encryption** to avoid transaction and account takeover attacks



- **Protection** against some claims and chargebacks on transactions that qualify under the Seller Protection Program



MERCHANT QUALIFICATION CRITERIA

- Merchant sells tangible physical goods
- Merchant's primary address is in the United States

NON-QUALIFYING MERCHANT CRITERIA

- Merchant sells digital goods and services
- Merchant sells counterfeit products
- Merchant accepts payments as a donation
- Merchant sells financial products
- Merchant accepts payments via PayPal VT, PayPal Here, PayPal Business Payments, PayPal Payouts or Mass Pay





TRANSACTION QUALIFICATION CRITERIA

- The item sold must be a tangible physical product
- The primary address of the PayPal merchant must be in the United States
- Items must be shipped to the shipping address listed in the transaction details page. If the buyer requests a change to the shipping address later or calls the shipping carrier to change the delivery address, those items will not be qualified
- In case of a claim or dispute, all relevant documents pertaining to the transaction must be sent to PayPal or uploaded to the resolution center in a timely manner. The time frame for providing the compelling evidence will be specified in PayPal's email correspondence
- Custom orders or pre-order items must display the shipment date on the order listing page or must be shipped within 7 days from the transaction date
- International orders must have the delivery confirmation proof and the delivery address must match the shipping address on PayPal's transaction page





NON-QUALIFYING ITEMS

- Vehicles, including motorcycles, caravans, aircraft, and boats
- Pickups or deliveries made in person
- Digital goods such as music or computer game downloads
- Claims or chargebacks arising from items being significantly different from how the merchant described them
- Direct card payments not made through a PayPal account
- Payments made using “friends and family functionality”
- Items that are sent after PayPal has advised the Seller not to release the item
- Items that are not shipped to the recipient address as stated on the transaction details page

QUALIFICATION CRITERIA BASED ON DISPUTES

Items Not Received Claim & Unauthorized Transaction Claim

In order to be covered under the Seller Protection Program, merchants must meet all the terms listed in the transaction qualification criteria, plus the criteria listed below:



- **The payment must be marked** as “eligible” or “partially eligible” for PayPal’s Seller Protection on the Transaction Details page



- **The merchant must provide proof** of shipment including the date, delivery address matching the shipping address (as listed in the Transaction Page), and address of the recipient, showing at minimum the city, state, country, and zip code



- **The merchant must provide the date** of delivery and successful delivery confirmation proof for orders less than \$750 in value (including tax and shipping cost). For orders over \$750, signature confirmation must be provided along with delivery confirmation



CLAIMS NOT COVERED, REGARDLESS OF MERCHANT TYPE

- Received damaged or defective item
- Charged more than once for something
- Item not as described
- Counterfeit item claims
- Claims arising due to item delivered in person



PayPal Chargeback Fee

PayPal does not assess a chargeback fee for transactions that are protected under the PayPal Seller Protection Program and transactions that are funded using a credit or debit card. However, if the transaction is not eligible for PayPal Seller Protection, PayPal will assess a chargeback fee (for facilitating the chargeback process) regardless of whether the buyer is successful in pursuing the chargeback with the card issuer. The chargeback fee is \$20 for all transactions in US dollars and varies for international transactions (as listed in the table). The chargeback fee will be deducted from the merchants' PayPal account regardless of the case decision.



Chargeback Fees

CURRENCY	CHARGEBACK FEE	CURRENCY	CHARGEBACK FEE
Australian Dollar:	22 AUD	New Zealand Dollar:	28 NZD
Brazilian Real:	35 BRL	Norwegian Krone:	125.00 NOK
Canadian Dollar:	20.00 CAD	Philippine Peso:	900.00 PHP
Czech Koruna:	400.00 CZK	Polish Zloty:	65.00 PLN
Danish Krone:	120.00 DKK	Russian Ruble:	640 RUB
Euro:	16 EUR	Singapore Dollar:	28.00 SGD
Hong Kong Dollar:	155.00 HKD	Swedish Krona:	150.00 SEK
Hungarian Forint:	4,325 HUF	Swiss Franc:	22 CHF
Israeli Shekel:	75.00 ILS	Taiwan New Dollar:	625 TWD
Japanese Yen:	1,875 JPY	Thai Baht:	650.00 THB
Malaysian Ringgit:	65 MYR	U.K. Pounds Sterling:	14.00 GBP
Mexican Peso:	250 MXN	U.S. Dollar:	20.00 USD





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Handling PayPal Disputes, Claims & Chargebacks

A buyer has up to 120 days to file a chargeback, depending on the card type, and on some occasions may have up to a year, depending on the nature of the transaction.

The key to disputing any PayPal chargeback is providing the right compelling evidence.

Merchants using PayPal, or any other payment processor must use a secure system to store customer transaction data such as invoices, delivery confirmations, transaction details, refunds, and any communications exchanged between the merchant and customer.



When deciding to fight a PayPal transaction, the merchant must identify whether it's a dispute, claim, or chargeback. The required responses and decisions made on such cases can be quite different. When a dispute is made by the buyer, the seller can directly interact with the buyer to resolve the issue before the case turns into a claim or chargeback. If the dispute escalates to a claim, PayPal has full authority to review the buyer's complaint and the seller's evidence to make an autonomous decision based on what has been provided.

If the buyer decides to call and file a dispute directly with their issuing bank, PayPal is at the mercy of the issuing bank. The compelling evidence provided to PayPal will be sent to the issuer directly. The decision on credit card and bank disputes (for ACH transactions) are made by the issuing banks, and PayPal will reflect the decision made by these issuers.



A MERCHANT'S GUIDE TO PAYPAL CHARGEBACKS



HANDLING PAYPAL DISPUTES

- Seller has 20 days to resolve the dispute with the Buyer
- If the dispute is resolved with the Buyer, the Buyer needs to mark the claim as resolved
- If the Buyer is not happy with the dispute resolution, they have 20 days from the dispute date to escalate to a claim
- If the Buyer escalates to a claim, PayPal will then intervene

HANDLING PAYPAL CLAIMS

- Physical Goods: Seller must provide proof of delivery, confirmation that the shipping address matches the delivery address, and signature confirmation (for orders over \$750) to PayPal. Seller must also provide proof of partial or full refund if issued.
- Digital Goods: Seller must provide proof of product download or product usage. Seller must provide proof of partial or full refund if issued.
- Digital Services: Seller must provide the service agreement signed by the Buyer that outlines the deliverables and an acknowledgement agreement that states that all the deliverables were completed and received satisfactorily.
- Service Providers: For orders less than \$200, it is recommended that the Seller gets a service acknowledgement receipt from the Buyer to provide as compelling evidence. For orders over \$200, the Seller should get a signed agreement from the Buyer with the list of deliverables and a service acknowledgement receipt after the service is rendered.



Handing PayPal Chargebacks

PHYSICAL GOODS

To successfully win a PayPal physical goods chargeback, we recommend providing the following documents as evidence:

- Original item description or auction description including photos
- Transaction receipt with shipping and billing information
- Seller Protection verified information (if transaction qualifies)
- Product shipment tracking number with shipment time stamp
- Product delivery receipt with delivery address matching transaction shipping address (signature confirmation may be needed for orders over \$750)
- Correspondence between the Buyer and the Seller, if any
- Proof of refund initiated prior to dispute, if any
- Proof of replacement product shipment, if any
- Short one-page cover letter explaining the Seller's reason for disputing the chargeback





DIGITAL GOODS

To successfully win a PayPal digital goods chargeback, we recommend providing the following documents as evidence:

- Original item description or auction description including photos
- Transaction receipt with billing information
- Copy of the Seller's return policy and terms & conditions
- Product usage report or download information (must contain reference to customer's email, name, or IP address match)
- Product delivery receipt with delivery address matching transaction shipping address (if the digital good was shipped)
- Correspondence between the Buyer and the Seller, if any
- Copies of previous successful transactions not in dispute (for recurring billing)
- Proof of refund initiated prior to dispute, if any
- Short one-page cover letter explaining the Seller's reason for disputing the chargeback





DIGITAL SERVICES

To successfully win a PayPal digital services chargeback, we recommend providing the following documents as evidence:

- Copy of service agreement signed by the Buyer and Seller, outlining all the deliverables and timeline
- Transaction receipt with the Buyer's billing information
- Service cancellation policy and terms of service copy
- Correspondence between the Buyer and the Seller, if any
- Service delivery acknowledgement signed by the Buyer (for one-time transactions)
- Copies of previous successful transactions not in dispute (for recurring billing)
- Proof of services offered to the Buyer (for digital marketing service providers or similar)
- Proof of refund initiated prior to dispute, if any
- Short one-page cover letter explaining the Seller's reason for disputing the chargeback





SERVICE PROVIDERS

The following documents are recommended to successfully win a PayPal chargeback if you are a service provider such as a carpenter, mechanic, plumber, etc.:

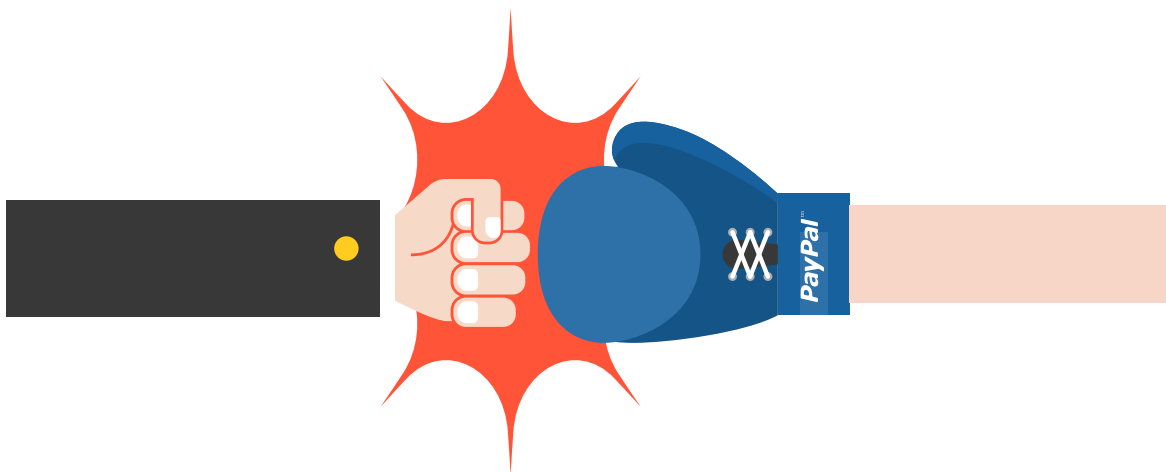
- Copy of service agreement signed by the Buyer and Seller, outlining all the deliverables and timeline
- Transaction receipt with the Buyer's billing information
- Correspondence between the Buyer and the Seller, if any
- Service delivery acknowledgement signed by the Buyer (for one-time transactions)
- Copies of previous successful transactions not in dispute (for recurring billing)
- Proof of replacement item or new item replaced or delivered to Buyer
- Proof of refund initiated prior to dispute, if any
- Short one-page cover letter explaining the Seller's reason for disputing the chargeback





A MERCHANT'S GUIDE TO PAYPAL CHARGEBACKS

5 Best Practices to Avoid PayPal Disputes, Claims & Chargebacks



- 1 Set realistic expectations** with your customers about your products, delivery time frame, refund policy, and terms of service
- 2 Avoid shipment or service delays.** If unavoidable, communicate with your Buyer to inform them about delays, especially during holidays
- 3 If the product or service is not delivered,** a prompt refund is recommended to avoid disputes, claims, or chargebacks
- 4 If the product or service is delivered and a dispute is raised,** identify the nature of the issue and communicate with the Buyer in an attempt to resolve the issue, providing valid reasoning and evidence when applicable
- 5 Have a service agreement in place** that outlines deliverables and acknowledges when services have been rendered



A MERCHANT'S GUIDE TO PAYPAL CHARGEBACKS

5 Ways to Minimize & Reverse PayPal Disputes

- 1 Respond to inquiries and disputes on time.** Disputes are often escalated to claims or chargebacks due to a lack of response from the merchant. Be diligent about providing the right support to your customers. Do your best to resolve any disputes, no matter the reason, because claims and chargebacks often turn out to be expensive for merchants.
- 2 Enroll in PayPal's Seller Protection Program.** Since abuse can happen on both sides (Buyer & Seller), PayPal offers protection for merchants via the PayPal Seller Protection Program. This program is restricted to certain merchants based on geography and other factors. Enrolling in this program can provide protection against fraud, claims, and chargebacks.
- 3 Provide any compelling evidence PayPal requests on time.** When a chargeback is initiated by the Buyer, the Seller has 10 days to respond. Ensure that you upload all the compelling evidence, based on your business type, to PayPal's resolution center within the allotted timeframe. PayPal will not allow you to upload any new evidence to the resolution center once the deadline has passed.





- 4 Call the Buyer to resolve a chargeback.** Merchants can either call or email the Buyer to resolve a chargeback. For a credit card dispute, you can request that the Buyer cancel the dispute they filed with their issuing bank. If the customer cancels the dispute, PayPal will receive the bank funds in their account. It may take PayPal up to 80–90 working days to release the funds back to the merchant, even if the dispute was cancelled. The 90-day hold provides confirmation to PayPal that no dispute will be made in the future.
- 5 Participate in PayPal community activities.** PayPal offers programs that are geared towards helping merchants run a profitable online store. Every Wednesday you can enroll in a live chat event where you can talk to PayPal program experts and ask them questions. Also, the community is a great way to get support— not just from PayPal, but from other PayPal merchants who might have valuable information to pass along.





A MERCHANT'S GUIDE TO PAYPAL CHARGEBACKS

PayPal Chargeback Fraud & Scams

Merchants use PayPal because it is a safe and secure way for their customers to purchase goods and services online without having to input their debit/credit card details or account information each time. It's also a convenient way for merchants to get paid, but is it safe? Here are five scams to be aware of when using PayPal.

PayPaltm





Shipping Address Scam



This happens when a scammer asks for items to be shipped to an invalid delivery address after money has been placed into a merchant PayPal account.

After several attempts to deliver the items unsuccessfully, the item is flagged as undeliverable in the delivery company's system. The scammer then contacts the shipping company and gives them a new delivery address. When the scammer gets the items, they file a complaint with PayPal that the item was not delivered. The merchant has no proof that the items were delivered since the transaction detail shows the original address. PayPal's Seller Protection only covers the shipping address the system has on file, and therefore a merchant loses not only the items, but also the money.

SCAM



Overpayment Scam



This happens when a scammer makes a payment to a merchant's PayPal account for more than the cost of the item. They then apologize for overpaying and ask for the remaining balance to be paid to their bank account. When the merchant makes the payment into the scammer's bank account, the scammer then files a complaint with PayPal saying that their account was compromised, and that they did not mean to make a payment to the merchant. PayPal then reimburses the scammer their money and the merchant is out the "overpayment" amount paid to the scammer's bank account.

SCAM



Fake Email Scam



This happens when a scammer sends a merchant an email from PayPal showing that they paid money into the merchant's PayPal account and asserts that PayPal is holding the money and will not release it until the merchant sends a shipment tracking number. PayPal is not an escrow service and does not work this way. The scammer is hoping the merchant will rush to ship the item and email the tracking number to them. Once the item is shipped, it's too late, and the scammer has the item they didn't actually pay for.

SCAM



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Phishing Email Scam



This happens when a scammer sends a merchant an email from PayPal showing that funds have been transferred into their PayPal account, and that once the merchant clicks on the confirmation button (leading to a fake PayPal site), the funds will be made available to them. When the merchant enters their login credentials on the fake PayPal site, the scammer steals them and is able to access the merchant's PayPal account to make payments or withdraw money.

SCAM



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Hacked PayPal Scam



This happens when PayPal sends a merchant an email stating that money has been deposited into their account for a purchased item. The merchant logs into PayPal and sees the money, so they ship the item. Weeks later, the merchant is notified by PayPal that the money has been withdrawn from their account due to fraud. It turns out that the scammer had hacked into someone else's PayPal account and used it to make a payment for the item. When PayPal discovers the hacked account, they may reimburse the money.

SCAM



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Actionable Steps to Prevent PayPal Chargeback Fraud & Scams

- 1 Before accepting payments, look out for red flags.** Rush shipments, partial payments, and payments from multiple PayPal accounts are some of the signs that fraud may be occurring.
- 2 High value and high demand items are known to face high fraud rates.** Look for matching shipping and billing addresses before shipping out orders.
- 3 Customers with valid credentials may still defraud merchants** by engaging in “friendly fraud.” When shipping expensive and high demand items, insist on signature confirmation.
- 4 Enroll in PayPal’s Seller Protection Program** where your transactions will be monitored and reviewed by experts for fraud (restrictions apply for certain merchants).
- 5 Blacklist customers who file a dispute or make a fraud claim.** Fraudsters are known to attack Sellers at least 2 to 3 times if no action is taken by the Seller.





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PayPal Chargeback & Fraud Protection Options



When it comes to fighting and preventing PayPal chargebacks and fraud, there are essentially four options that merchants have at their disposal.

Let it Go

Accept the chargeback as a cost of doing business. For chargebacks that have a legitimate basis (true fraud or merchant error, for instance), this is usually the best approach. It may also be advisable if you get chargebacks very infrequently.

Fight with an In-house Team

This is recommended if you have high volume or high value chargebacks. The advantages are data security and minimal cost, but it can be difficult for an in-house team to keep up with all of the policy changes banks and card networks make to the chargeback process, and to adequately respond to all chargebacks within the required timeframe.



Use an Automated Tool

Automated and semi-automated tools are available for disputing chargebacks. These can be valuable tools for small companies that deal with a low number of chargebacks, but it's not a viable option for medium-sized and larger businesses. These tools have a relatively low win rate, provide limited insights about your company's vulnerabilities, and are limited in how well they are able to analyze the root causes of your chargebacks.

Hire a Chargeback Management Company

The right company will have a solid knowledge of the industry as well as the tools and resources needed to effectively fight chargebacks and identify their root causes. They can be available 24/7 and should be able to provide useful suggestions, reports, and insights that can help you identify your vulnerable areas and incur fewer chargebacks. The downside is that these companies can be expensive, and the wrong company can drain your money while providing little in the way of useful representation and actionable information.





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About Chargeback Gurus

Chargeback Gurus helps businesses fight, recover, and prevent chargebacks from PayPal and other payment processors.

We take the pain out of chargeback management by providing simple, effective solutions that deliver true ROI 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. Our Smart Chargeback Representment process combines automation, data analytics, and expert analysts to help companies recover up to 70% of their chargebacks.

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