



Tyro EFTPOS

Merchant Guide to Chargebacks and Disputes

What is a Chargeback?

A Chargeback is a reversal of a credit card transaction and usually occurs when a customer raises a dispute with their financial institution (also known as the Issuer) in relation to a purchase made on their credit card. Some chargebacks may be initiated by the Issuer in relation to closed accounts or invalid credit card numbers.

A chargeback may cause the amount of the original sale and a chargeback fee to be deducted from the merchant's account.

Chargebacks are initiated for a variety of reasons including:

- Transaction not recognised by the cardholder
- Duplicated transactions
- Goods/Services not received or faulty
- No authorisation obtained
- Fraud enquiries
- Legal proceedings
- Point-of-Sale errors

Reasons for Chargebacks

The reasons why chargebacks arise vary greatly but are generally the result of a customer being dissatisfied with their purchase or due to illegal or fraudulent activity/use of their card.

What is a Retrieval Request?

A retrieval request occurs when a cardholder's bank requests a legible copy of the sales receipt/invoice used to process a transaction.

Key Rules for Retrieval Requests

Card Present Transactions: Merchants must provide a legible copy of the terminal receipt with cardholder signature.

Card Not Present Transactions: Merchants must provide legible copies of all documentation relating to the sale. This can include invoices, proof of delivery, quotations, emails, faxes and other correspondence with the cardholder.

Timeframes for Retrieval Requests

Visa International and MasterCard International have set timeframes for resolution of disputes, which all financial institutions must adhere to. It is imperative that we receive the requested transaction documentation within the timeframes stated on our letters. This is usually 15 days in total, including a 2nd request letter sent after 7 days. Merchants can forward their reply by mail, fax or email.

Please note if the retrieval request is not fulfilled within the specified time frame, the Issuer is permitted to exercise their right to chargeback the transaction on the basis that the requested information or item was not received. If a merchant fails to reply to the retrieval request in time and a chargeback is processed the merchant has no rights or ability to reverse the chargeback

What happens next?

Once we receive your response to the retrieval request, we send it to the Issuer, via Visa and MasterCard. The Issuer will then verify the documentation with their customer.

If the chargeback is invalid it will be declined and returned to the Issuer.

If the chargeback is valid the chargeback amount is debited from the merchant's account and written notification is provided to the merchant.

Tips for minimising the risk of chargebacks

- Always respond to chargeback and retrieval requests as quickly as possible and within the timeframe.
- Provide legible documentation when responding to retrieval requests. Make sure you can see the credit card number (or truncated credit card number), transaction date, transaction amount and cardholder signature.
- Keep your customer records updated to avoid chargebacks relating to closed accounts, cancelled Direct Debit Authorities. Keep copies of invoices, proof of delivery, quotations, emails, faxes and other correspondence.
- Use a clear Trading Name that a customer will recognise.
- Check expiration dates on all credit cards. Never accept an expired credit card.
- Always obtain authorisations and ensure the authorisation is for the full amount of the sale.
- Do not accept declined transactions. Note: Do not split a declined transaction into smaller amounts to avoid authorisation, this will result in chargeback.
- Communicate with customers to try to establish mutually satisfactory solutions to problems relating to the quality of goods or services provided to avoid the chargeback process.
- Contact the customer to confirm legitimacy of large or suspicious orders.
- Always get signed proof of delivery. For delayed delivery make sure signature is obtained from the cardholder at point of delivery.
- Only charge the customer's account when the goods are shipped or if delayed delivery is required, wait to process the transaction until shipped.
- Clearly state your refund/return/cancellation policy on invoices/receipts, store displays and websites. Obtain cardholder signature or acknowledgement to these terms and conditions where possible.
- Exercise caution when taking foreign orders. Orders from Asia, the Middle East and Africa may represent higher risk.
- Card Present Transactions: Swipe the credit card through your terminal and obtain a signature for the purchase. **DO NOT MANUALLY ENTER THE CREDIT CARD NUMBER.** Ensure you check the cardholder's signature against that on the actual credit card.
- Card Not Present Transactions: Obtain as much information as possible about the cardholder. This can include full name, address, phone numbers (including landline), credit card number, name of bank, expiry date, CCV, date of birth, etc. You may want to check the name and address in a phone directory if the transaction or location appears unusual. It is also advisable to obtain the purchaser and cardholder's signature on some correspondence, for example a faxed order confirmation.

Always remember that the liability for all card not present transaction chargebacks rests with the merchant. Therefore the more information you gather to satisfy yourself that the transaction is valid the more chance you have of identifying fraud and reducing chargeback risk. It is in your interest to ensure that you have sound fraud detection steps and risk minimisation policies in place for your sales people.