

## **Best Practices for Avoiding Chargebacks (Card Not Present Merchants—Internet, Call Center, Mail Order)**

**#1 non-fraud reason for chargeback costs to card-not-present merchants  
is that the merchant didn't respond to the request for paperwork!**

### **Checkout/Website**

- Ask for both a billing and shipping address and the customer's phone number
- Collect CVV2/CVC2
- Use Verified by Visa or MasterCard SecureCode
- Properly disclose all return, warranty and guarantee policies, as well as shipping and processing fees
- REQUIRE a customer to initial or acknowledge the cancellation and refund policies prior to purchase completion

### **Authorization**

- Authorize every sale on the order date
- Ask customer for another payment type if an authorization is "declined" (DO NOT repeat authorization, split into smaller amounts, attempt to obtain authorization later or otherwise force the transaction through)
- Use Address Verification Service (AVS) and Card Verification (CVV2/CVC2) (a response of 'U' means that the issuer does not support AVS or CVN and gives the right to represent to the issuer for this reason)
- Re-authorize if ship date is greater than 30 days

### **Email Confirmation**

- Email notification after sale is confirmed; include shipping and billing info with delivery date and return policy
- Keep customers informed about order status if shipment is delayed and the new expected delivery date
- Email an Order Confirmation Notice to the cardholder prior to shipping and processing settlement

### **Delivery**

- Do not ship overseas unless you have a successful history doing it
- Ship to the AVS address and get a signed delivery receipt

### **Settlement/Credit**

- Submit charges in a timely manner when purchase is eligible to settle
- Do not submit a settlement request until the merchandise ships
- Ensure that customer service phone number appears on the cardholder's credit card statement
- Ensure that the merchant name on the receipt matches the merchant name on the statement
- Issue credits promptly when credit is owed; notify cardholder when the credit is issued

### **Response**

- Respond to inquiries from cardholders promptly; cancel recurring transactions promptly upon request
- Respond to Merlin (or other chargeback manager) with the requested documentation within 10 days
- Make sure that the documentation is legible
- Provide proof of positive AVS and CVV2/CVC2/CID
- Provide proof of delivery and signature, if available
- Provide any other information pertinent to the specific chargeback

### **More Information:**

**Visa** has a free website that merchants can use to learn more about chargebacks.

[http://usa.visa.com/business/accepting\\_visa/ops\\_risk\\_management/dispute\\_resolution.html](http://usa.visa.com/business/accepting_visa/ops_risk_management/dispute_resolution.html)

Also, Visa provides their current [Card Acceptance and Chargeback Management Guide](#) online.

If chargebacks are excessive, Visa will place the merchant in their Visa Monitoring Program.

**MasterCard** has a free website that merchants can use to learn more about chargebacks. The following link is to the current MasterCard Rules Manual.

[http://www.mastercardmerchant.com/docs/accept\\_mastercard/merchant\\_rules.pdf](http://www.mastercardmerchant.com/docs/accept_mastercard/merchant_rules.pdf)

If chargebacks are excessive, MasterCard will place the merchant in their Excessive Chargeback Program.

**American Express, Discover and JCB** are closed loop systems where the card association is also the issuer, so the rules are different.