

Visa Chargeback Rules

White Paper by DIMOCO Payment Services

New Visa Chargeback Rules coming in April 2018

On April 15, 2018, Visa's new rules on chargebacks, called Visa Claims Resolution or VCR will come into effect.

This new program has already gone live in Hong Kong and New Zealand in October 2017. Now these new rules will be migrated to all the remaining countries.

It is not clear at this point if MasterCard also plans to introduce new chargeback rules.

How it works



Source: <https://usa.visa.com/dam/VCOM/download/merchants/visa-claims-resolution-efficient-dispute-processing-for-merchants-VBS-14.APR.16.pdf>

What are the reasons for changing the existing chargeback rules?

The main reason for Visa to change the existing chargeback rules was to simplify the dispute process whilst reducing not only the overall number of chargebacks but also the time to resolve these chargebacks. Visa Claims Resolution was designed to change the process from a litigation-based model to a liability-assessment model.

Main changes in upcoming Visa Chargeback Rules

1. Visa consolidated the existing 22 chargeback reason codes into four new groups, namely:



Fraud



Processing Errors



Authorization



Consumer Disputes

Glancing at the four new groups, it turns out that one of the most used chargeback reason codes, 'RC 75 – Transaction not recognized', will be discontinued.

Visa now requires the issuers to use the existing data in the Visa portal to assist the cardholder to recognize the transaction instead of disputing the transaction immediately. This represents a clear advantage for the merchant but could probably lead to increased chargebacks in the new fraud group.

One key message for merchants to avoid disputes would be to communicate with the end-customers before issues arise.

2. Visa will be stricter on chargebacks from the same credit card. For Card-Not-Present transactions, Visa will now only allow 35 fraud chargebacks from the same credit card within 120 days.
3. A big change for merchants is the reduced timeframe for their response to disputes. Instead of the current response time limit of 45 days, Visa cuts this dispute-window by one-third to only 30 days and in 2019 Visa plans to reduce the 30-day window to 20 days. Merchants should be aware that the response time limit includes the reaction time of both the acquirer and the merchant, this could result in the merchant having a limited timeframe to respond appropriately to the chargeback.

4. Two new workflows were created to process disputes with reduced communication between end-customers, issuers, acquirers and merchants.

- Allocation

Fraud and authorisation disputes will be processed via the allocation workflow. Automated checks on Visa's side will ensure the rejection of invalid disputes. Invalid disputes could be disputes on transactions that have already been refunded or transactions with expired timeframes that are automatically invalid. Visa will block these disputes from becoming a chargeback.

On the other hand, all disputes which are accepted by VCR will be the merchant's liability. In that scenario, pre-arbitration is the only possibility for the merchant to object the chargeback.

- Collaboration

Processing errors and consumer disputes will be processed via the collaboration workflow. Both processing errors and the consumer disputes categories imply collaboration and interaction between all involved parties and there is no change from the current handling of such issues.

Reducing Chargebacks

DIMOCO Payment Services recommends the following actions to reduce chargebacks:

- **Choose a meaningful and relevant billing descriptor**

A billing descriptor is simply the way your merchant or business name appears on the credit card statement of the end-customer. It should be easy to identify your company based on that information. Needless to say, if end customers don't recognise a transaction with your merchant or business name on their credit card statement, they will surely dispute this transaction without letting you know.

- **Take advantage of 3D Secure**

Verified by Visa and Mastercard SecureCode are additional methods of authentication during the payment process. 3D Secure (3DS) implies a shift in liability from the merchant to the issuer. As a merchant you have got protection against chargebacks from the new fraud group defined by Visa.

- **Manage recurring charges**

Inform your customers about recurring charges or subscriptions in advance, make sure that this information is not only available in the terms and conditions section of your website but that it's also visible throughout the website. In the case of free trials, let the end-customer know upfront when the charges will begin, with which frequency and for what amounts.

- **Provide customer support**

Providing contact information is essential, if customers are not able to get in contact with you there is a high risk of chargebacks. Try to offer different contact channels and clearly inform customers how they can contact you.

- **Accurate product and service description**

Try to describe your products or services with as much relevant information as possible. Always include clear terms and conditions associated with the stated pricing. With this clarity you can reduce chargebacks with the reason codes 'Not as described' and 'Service not provided'.

- **Fair refund policy**

Offer your customers a fair refund policy according to the European law for customer protection.

If you would like to receive more information, do not hesitate to get in touch with us.

DIMOCO Payment Services

DIMOCO Payment Services is a Payment Service Provider (PSP) processing global payments, including credit cards, online bank transfers and SEPA direct debit for online merchants, offering a combination of payment methods, tailored industry-specific solutions, transaction risk management tools and flexible value added services.

Information on license: DIMOCO Payment Services is a financial institution and has been granted a ZaDiG License under Point 7 of the Annex to EU Payment Service Directive (2007/64/EC)



Thomas Beinhart

Senior Risk Manager

thomas.beinhart@dimoco.eu