



Member Service Group

Payment systems solutions to help grow your business



Chargeback Protection Guide

Frequently Asked Questions

Listed below are commonly asked questions by merchants regarding retrieval requests, chargebacks and rejected items.

Retrieval Requests

1. What are they?

A request received by your credit card processor from an Issuing Bank requiring a complete and legible copy of the sales draft and/or invoice, bearing the account number that was processed.

2. What do I do with it?

Retrieve the requested sales draft and send a copy of the receipt along with the retrieval request form in the envelope provided by your credit card processor as expediently as possible.

3. How long do I have to respond?

Your credit card processor must receive the item by the date specified on the retrieval request form or within 25-days from the Central Processing Date that is listed on the consolidated retrieval request report that contains more than one request.

Chargebacks

1. What are they?

A chargeback is a transaction returned to the Acquirer/Merchant from the Issuing Bank/Cardholder. The chargeback cycle is initiated by an Issuing Bank when it determines, for a given reason, that an account number does not exist or that a transaction presented (posted) to its Cardholder's account is in question or is in violation of established credit card processing operating regulations. Once a chargeback has been received, do not issue a credit.

2. How long can this process take?

Depending on the reason code given, time frames may vary (refer to the specific chargeback reason code within this manual).

3. What happens?

Funds may be deducted from your DDA account for the total amount of the chargeback, plus any applicable processing fees. These deductions may be reimbursed if you supply proper documentation within the allotted time frames to remedy the chargeback and documentation meets the requirements for a reversal/representation. What is a representation? Returning the chargeback to the Issuing Bank.

Rejected Items/Transactions

1. What are they?

Transactions that were processed through your credit card terminal but were rejected at the time of processing due to various reasons (incorrect account number length, invalid account number, information missing on your credit card processor's system, etc.).

2. What do they mean to me?

That particular transaction amount will not be deposited to your DDA account.

3. How can I fix a reject?

Look up the appropriate credit card reject reason code and reprocess accordingly.

Recommended Practices for Credit Card Transactions

• **Verify Card Logos**

Examine all cards you receive and make sure they are ones the store is authorized to accept. Check all major credit cards for a card brand logo, which may be located on the front or back of the card. Always look for the hologram on these cards: MasterCard, VISA, Discover Card®/Novus, American Express®, Diners Club®, Carte Blanche® and JCB®. Do not accept the card if the hologram is not present.

• **Verify Credit Card Number**

Employees should always compare the embossed number on the credit card to those that are displayed or printed on the receipt. If they do not match, obtain another form of payment. Before completing a Manual Cash Disbursement Transaction, record the four-digit number printed above or below the embossed account number on the front of the sales draft. Then, compare it to the first four digits of the embossed Account Number. If they are not the same, do not complete the transaction.

• **Verify Identification**

The only acceptable form of identification (ID) is a State and Federal Government issued driver's license, passport, or military ID. All ID's must have an expiration date and a picture that reasonably resembles the cardholder or card applicant. The Card Associations state that the ID must bear the customer's signature and a comparison should be made to the signature on the back of the credit card. If the ID does not have a picture, a second form of ID must be requested. For Manual Cash Disbursement Transactions, the form of ID must be recorded on the front of the sales draft along with any serial number, expiration date, jurisdiction of issue, name (if different than the embossed name) and address.

• **Verify Signature**

Always verify that the signature on the back of the card is reasonably similar to the signature on the sales draft and that the spelling is identical. If ID is present, verify the signature on the ID to the signature on the credit card.

- **Floor Limit**

The floor limit is the same regardless of the card brand (VISA, MasterCard or Diners Club). All sales must be run through your credit card terminal, or through the appropriate voice authorization system if your system is not functioning or the network is not available.

- **Expiration Date**

Check to ensure that the transaction is completed after the valid from date and before the expiration date. However, if an authorization approval is received on an expired card using the expired date, the sale may be accepted and processed.

- **Card Stripe Does Not Work or POS/Terminal Can Not Read/Authorize Card**

If the terminal is down, call the voice authorization center for approval. If the terminal cannot read the magnetic stripe, manually key the account number for authorization approval. For any transaction that is not electronically authorized (this includes call referral authorizations), complete, manually imprint and obtain the cardholder's signature on the sales draft.

- **Card-Not-Present/Card-Absent Environment**

A transaction is completed with the cardholder and the card not present. Examples would be mail/phone orders, E-commerce, telephone service transactions, recurring transactions, etc. Please refer to [Fraud Management Article](#).

- **Signature Panel is Blank**

Both MasterCard and VISA require all cards to be signed. If the cardholder has any questions, you should instruct them to contact their Issuing Bank. If the back of the card is not signed, you must do the following:

1. Ask the cardholder for some form of current government identification, such as a passport or driver's license. MasterCard states not to record this information. VISA requires the merchant to record type of ID along with any serial number and expiration date on the sales draft.
2. Require the cardholder to sign the card prior to completion of the sale. If the cardholder refuses to sign the back of the card, refuse the sale. Do not complete the sale if the cardholder refuses to sign.
3. Verbiage on the signature panel, for example "See ID", is considered a blank signature panel.
4. A digitized signature on the face of the card does not take the place of a signed signature panel.
5. Compare the signature on the ID with the signature on the card. If the ID has a photograph, ensure that it reasonably resembles the customer presenting the card.
6. Before completing the sale, obtain an authorization (even if amount is below the floor limit).

- **Authorizing Transactions**

All transactions that equal or exceed the floor limit must be authorized. If you receive a decline message from an electronic system (terminal), do not call the voice authorization center and attempt to override. Do not let the cardholder talk you into doing so. Do not process a decline transaction in an effort to obtain an authorization. Do not process the transaction once a decline message has been received.

- **Return or Exchange Policy Disclosure is important.**

The cardholder should know in writing what your refund/return policy is. The Card Associations require that the refund/return policies must be printed in close proximity to (and with at least 1/4" high letters) the signature line on the sales draft. If the return policy is written on the back of the sales draft, have the cardholder initial the back and keep a copy for your records. If there are multiple return policies on the back, have the cardholder initial the parts that apply to their purchase and keep a copy for your records. Refunds must be given in the same manner as the purchase. Example: a credit card purchase would result in a credit card refund to the same account number. Do not issue cash back, a check or refund to a different account number on a credit card purchase.

- **Records Retention Policy Effective on December 04, 2000**

VISA requires a merchant to retain the sales draft for 12-months from the processing date. MasterCard and VISA International require a merchant to retain the sales draft for 18-months from the processing date. Note: The only exception to the retrieval request retention time frame period is in a "Point of Compromise" compliance case. For Retrieval, Chargeback, Arbitration and Compliance purposes, your credit card processor will recommend retaining sales drafts and/or invoices for two years in the event an Issuing Bank may submit a case on the last day of the 18-month time frame.

- **Card Looks Suspicious**

If you are suspicious about a transaction or a cardholder, call the voice authorization center and request a "Code 10" authorization. You will be asked a series of "yes" and "no" questions. Usually, the Issuing Bank is called, and they may ask to speak to the cardholder. Follow all instructions carefully. You will be advised whether the transaction is approved or declined. Hold the card until you receive instructions. You may be eligible for a reward for recovering a fraudulent card if instructed to do so by the Issuing Bank. Your safety comes first, and not all merchants support card pickup or pay cashiers for the recovered cards. Do not take chances!

Warning signs:

1. Signature panel has been altered or erased.
2. Embossed numbers on the card have been flattened and re-embossed.
3. Hologram has been damaged.
4. Four printed numbers on the card do not match the first four embossed numbers of the account number.
5. The printed account number on the signature panel does not match the embossed account number on the front of the card.
6. Embossed account number does not match the account number printed on the receipt.
7. Cardholder is pushy and demanding a higher credit limit.
8. Cardholder purchases up to their credit limit and returns in a few days for more.
9. Cardholder seems unconcerned about the price or features of the purchase.

- **Authorization Codes**

The authorization code comes from the Issuing Bank or authorized stand-in vendor. These codes must be entered into the terminal and recorded on the sales draft exactly as displayed or provided by the authorization center. Do not drop or replace any alpha or numeric values of the authorization code when entering it into your terminal. Leading zeros are significant.

- **Signed and Imprinted Sales Draft**

When your credit card processor requests a signed and imprinted sales draft, a document that contains both the cardholder's signature and manual imprint of the embossed account number is needed. Both signature and imprint should be on the front of the sales draft. (Note: a full, unaltered mag stripe reading is the equivalent of a manual imprint).

- **Accepting Credit Cards**

When accepting a credit card you cannot:

1. Assign a minimum or maximum purchase amount.
2. Collect on or refinance an existing debt.
3. Add a surcharge or fee.
4. Restrict use (i.e. for sale or discounted items).
5. Use a credit card to guarantee a check.
6. List cardholder's personal information on the sales draft, unless the transaction type calls for it, an authorized operator instructs you to do so, or the VISA signature panel is unsigned.
7. Deny the purchase because cardholder refused to provide personal information such as telephone number, home address or social security number.
8. Require a cardholder to forfeit their right to dispute a transaction.

- **Asking for Personal Information**

You may ask for personal information if:

1. You request it for all payment methods, credit cards as well as cash and checks, subject to local laws. However, Card Association regulations prevent a merchant from making it a condition for credit card transactions only. In this instance, you cannot reject the transaction if the cardholder refuses to provide personal information.
2. You need an address or telephone number to deliver the merchandise.
3. You need an address to utilize Address Verification Service for a mail order/telephone order (MO/TO) transaction.
4. The authorization operator instructs you to do so.
5. It is a Manual Cash Disbursement transaction.
6. Card signature panel is unsigned when presented at time.

Do not complete or process the transaction if cardholder refuses to provide personal information.