



## Avoiding Credit Card Chargebacks

If you accept credit card payments, chances are good that you will eventually see a chargeback against your merchant account.

A chargeback occurs when your merchant account provider reverses a charge and removes funds from your account after a customer disputes the charge.

Often a customer will forget they made a purchase from you. Or they don't recognize your company name on the credit card statement. Or they simply need to reduce their credit card bill, and are using a chargeback to do so.

Whatever the case, the customer's chargeback can cause you some serious problems - even put you out of business - if you exceed the 1% chargeback threshold set by most merchant account providers.

To reduce the number of chargebacks, make sure customers recognize the company name that appears on their charge card statement - especially if that name is different than shown on your web site.

Be sure to include contact information on your web site so customers can contact you if they have questions about their charges.

And use the comment field when submitting an electronic charge, to note information about the purchase and your company - as this will appear on the credit card statement.

Taking these steps can reduce chargebacks and make the 1% difference that helps you keep your merchant account.

## Here are my 16 tips for avoiding e-commerce chargebacks:

### 1. Get a Positive AVS Match

Always do an **Address Verification Service (AVS)** check with the card issuer and make sure that you received a positive AVS match of the address and the ZIP code. Otherwise, do not proceed with the transaction.

### 2. Ship to the Billing Address

The AVS only confirms the validity of the billing address. If the shipping address is different, there is no way of telling whether or not it is legitimate.

### 3. Obtain a Delivery Confirmation

You need to obtain evidence that your shipment was delivered and received. A signed shipping receipt would do the trick.

### 4. Authenticate Your Customers

Use **MasterCard SecureCode** and **Verified by Visa** to authenticate the identity of participating cardholders. These two services protect you from certain types of chargebacks.

### 5. Get the Card Security Code

You absolutely must get the three-digit code on the back of Visa, MasterCard and Discover cards and the four-digit one on the front of American Express cards. It confirms that the cardholder is in physical possession of the card at the time of the transaction.

### 6. Process Refunds Quickly

If you have to make a refund, do it quickly. It won't make the experience any more pleasant, but it will prevent a customer dispute, which is the prelude to chargebacks.

### 7. Provide Refund Details in Writing

Email your customer and tell her when the refund was issued and at what amount. Give her a cancellation number, if applicable, and any other information you think relevant.

### 8. Clearly Identify Yourself on Your Customer's Statement

If your customer does not recognize the name of your business on her credit card statement, she will dispute the associated the transaction. Simple as that. Your processor can manage the way your name appears on credit card statements through the billing descriptor. Make sure it is set up correctly.

### 9. Post Your Phone Number on Your Website's Home Page

It is essential that your customer service phone number is easy to locate. If there is an issue, you want your customer to contact you first, before she contacts her bank. Make it easy for her and make sure that someone answers quickly.

### 10. Obtain Acceptance of the Terms and Conditions of the Sale

Your customer must explicitly agree to the terms of the sale, before it is completed. Have her click on an "Agree" or "Accept" button, before taking her to the checkout.

## **11. Obtain an Explicit Permission for Participation in Recurring Plans**

Only set up recurring payment plans after your customer has agreed to it. A signature would be best, but a checked box would also do.

## **12. Notify Customers Before Processing Recurring Payments**

In recurring and installment plans you need to send billing notices prior to the processing of each payment. Always inform your customer of the date the payment will be processed and the amount.

## **13. Have a Customer-Friendly Cancellation Policy**

If you provide subscription or membership-based services, make it easy for customers to cancel their participation. A “no-questions-asked” policy is strongly recommended.

## **14. Obtain an Authorization Approval for Each Recurring Payment**

Even though you already have obtained an authorization approval for the first payment of the recurring or installment plan, you will have to do it again for each subsequent payment. Remember, credit card information can change and when it happens, you need to request that your customer updates her account.

## **15. Avoid Using Voice Authorizations**

Voice authorizations bypass your processor’s system and cannot be used in chargeback re-presentments.

## **16. Do Not Settle a Transaction if the Authorization is More Than 7 Days Old**

Sometimes you will have to wait before settling a transaction, most often when the shipping is delayed. If the original authorization is more than seven days old, request a new one, before settling the transaction.