



**cloudwalk**

## **CHALLENGE 1**

**Gabriel Soliguetti**

# PAYMENT INDUSTRY

The payment industry is a financial sector that cares about electronic payment transactions. Include companies that provide credit cards, debit cards, electronic transfers and online transactions.

## 1.1. MONEY FLOW

The money flow is the movement of funds from the customer to the merchant through various intermediaries, such as issues, gateways, acquirers and payment processors. The money flow follow these steps:

- The payer starts a transaction using some payment method, that could be credit card, debit card or an online wallet.
- The merchant captures this transaction information and sends it to the acquirer.
- The acquirer is the entity that provides the payment processing. It captures the information sent by the merchant and sent to the card network.
- The card network sends the request to the issues (the card provider) for verification of funds and approval.
- The issuer sends back the approval/decline message to the card network.
- The card sends the issuer's message to the acquirer.
- The acquirer sends the message to the merchant, which will be responsible to inform the customer if the transaction was approved or not.

Each of these entities has a role and mechanisms to detect some transaction's problem, such as suspect transactions and behaviors.

## 1.2. PAYMENT FLOW ENTITIES

- **Customers:** The end-users of the services. They can be individuals or companies that are doing some kind of purchase.
- **Merchants:** Is the seller or service that accepts payments from the customers. They also can be individuals that are selling something, physical

stores, online services and much more.

- **Gateways:** is the technology that collects the transaction information from customers, such as card number, expiration date and security code from their credit cards. This step can be not directly involved in the money flow, but is important because they have mechanisms that could avoid fraudulent transactions and save money from merchants. After all gateways' analysis, the data is sent to the acquirers.
- **Sub-acquirers:** Is a company that processes transactions and transmits to other players of the money flow. This is an intermediary between merchants and acquirers, that collects and transfers the funds from the transactions. Can be a good solution for small sellers to intermediate the technical and regulatory complexities of an acquirer.
- **Acquirers:** Is the entity that will process the transaction, capture and transmit transaction data, obtain the authorization from issues, deposit funds to the merchant accounts and charge their fees.
- **Card Network:** Is the entity that maintains the systems that enable electronic payments around the world. They also provide transaction's authorizations, ensure payment standards in different countries and can also be a step of payment security with their own mechanisms.
- **Issuer:** Is the financial institution that provides credit and debit accounts to the end-users. They verify, approve or deny transactions and also have their own security mechanisms.

### 1.3. CHARGEBACKS

A chargeback is a return of money to the end-user after completing a credit card transaction, after the end-users dispute it in contact with the issuer. Can occur for different reasons, such as commercial disagreement, fraud or unknown charges. It can have negative consequences for both end-users and merchants. The end-user for not recovering their money after the dispute, and for the merchant for loss of revenue and reputation, they also pay fees to refund the money and deal with the end-user's complaints.

The chargebacks are not purchase cancels, because with a cancellation the customers and merchants don't suffer any consequences. The customer recovers their money and the merchants do not lose their revenue.

When an end-user wins a dispute, the money needs to pass through all the money flow again and the entities lose resources to process those disputes, so this

generates feeds throughout all the entities. All the fees are charged from the merchant

## PROBLEM

*A client sends you an email asking for a chargeback status. You check the system and see that we have received his defense documents and sent them to the issuer, but the issuer has not accepted our defense. They claim that the cardholder continued to affirm that she did not receive the product, and our documents were not sufficient to prove otherwise.*

*You respond to our client informing that the issuer denied the defense, and the next day he emails you back, extremely angry and disappointed, claiming the product was delivered and that this chargeback is not right.*

***Considering that the chargeback reason is “Product/Service not provided”, what would you do in this situation?***

## DEALING

- **Customer Experience**

I would start apologizing to our client for the situation and the bad experience and would try to explain that the final decision depends exclusively on the issuer, who is responsible for analyzing the merchant's documents and the end-user's complaints. This is important to align the end-user about the expectatives of a dispute.

- **Check new possibilities**

I would ask the client if he has any comprobatory documents that show the delivery of the product, like a tracking number, or a receipt assigned by the customer, or a packing photo or a logistic declaration, etc. Any documents that could prove that the products were delivered successfully.

If the merchant has new evidence, I would ask to send fast to open another defense with the issuer into the ETA stipulated by chargeback rules. But if the merchant has no evidence or the issuer maintains the negative decision, is important to align that the merchant should pay all the fees of the chargeback according the terms and condition of serve, and offer support and orientation about how avoid future chargebacks, improving product's description, the way the merchant delivers their products and give ways to maintain a good communication with buyers and discuss ways to request confirmation about product delivery.

