

RFC: Security Deposit Implementation

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Status: Active (Draft for Review)

Reviewers: Payments Team, Lusine Movsisyan ([Please find my summary in the end](#))

Objective:

Our objective is to implement a better solution to collect Security Deposits without incurring unnecessary transaction costs, aligning with industry standards and meeting guests' and Guest Experience (support) expectations.

Background:

Currently, our prototype charges guests the full Security Deposit amount (200 euros) upfront and refunds it after checkout, incurring two transaction fees per reservation. Often, refunds are unnecessary due to guests' good behavior, signaling unjustified transaction fees. This process is limited to Booking.com reservations in selected risky properties (~700 arrivals/month).

Comment: Clearly explained, but consider specifying exactly how much the current transaction fees cost per month to provide clarity on potential savings.

Relevance/Motivation:

- Transaction Fees: High due to double charges (initial charge and subsequent refund).
- Guest Experience: Guests expect industry-standard pre-authorization holds rather than direct charges.
- Manual Effort: Manual interventions due to occasional automation failures.

Scope & Assumptions:

- Apaleo as the source of truth.
- Initially applies only to Booking.com reservations.
- Mandatory use of 3D secure transactions.
- Pre-authorization requirement clearly communicated through relevant guest channels.

Goals:

- Reduce transaction fees significantly.
- Improve guest experience through standard practices.
- Automate deposit release, minimizing manual intervention.
- Develop flexible processes adaptable to broader usage.

Comment: Consider specifying measurable goals (e.g., exact percentage reduction targeted in transaction fees, support ticket reduction goal).

Non-Goals:

- No changes for upsell or partial payment processes beyond security deposits.

Proposed Solutions:

Option 1 (Preferred solution): Separate Security Deposit Page via GuestHub

1. When a reservation requiring a deposit is made, the guest receives an email directing them to a dedicated “Security Deposit Collection” page hosted in GuestHub.
2. The page prompts for credit card details using our Adyen checkout component (3DS required).
3. We store those details securely and show a deposit “status” on the GuestHub. If no card is on file, the deposit status is incomplete.

4. Short-Term: We add a transitory charge to the invoice in Apaleo to mark the deposit as an open balance.
5. Guest Experience can track incomplete deposits by looking at Apaleo or by referencing our internal system.
6. Long-Term: We eventually remove deposit line items from Apaleo invoices and track deposit status internally.
7. 24 hours before arrival, the system attempts a 200 EUR pre-authorization hold.
8. If the guest never completes the deposit step, Guest Experience can follow up or cancel the reservation if needed.
9. On the guest's departure date (by 6pm), the hold is automatically released unless there's a partial or full capture needed for damages.

Pros	Cons
<p>Easier initial implementation, not heavily coupled with existing Online Check-In flow.</p> <p>Clear, self-contained deposit page that can be rolled out or updated independently.</p> <p>Guest Experience staff can direct specific "suspicious" guests to this page for deposit collection.</p>	<p>Not fully integrated into the main guest journey (i.e., separate link or page might create friction).</p> <p>Potentially more communication overhead (one extra email/link to manage).</p>

Option 2: Integrated Online Check-In

1. During Online Check-In, we ask for credit card details for the security deposit.
2. We store the details securely (3DS).
3. Either do the pre-authorization 24 hours before arrival (if check-in is done early) or immediately (if check-in is on arrival day).
4. If deposit fails or is not completed, the guest cannot finish check-in or retrieve access codes.

Pros	Cons
<p>Well integrated: single point for both check-in and deposit steps.</p> <p>Potential synergy for future ID verification or additional 3DS-based checks.</p> <p>Less chance for the guest to “miss” the deposit if it’s baked into the essential check-in process.</p>	<p>Might complicate an already robust check-in flow, especially if not all properties need a deposit.</p> <p>Guests who do last-minute check-in may run into deposit issues late in the process and contact support.</p> <p>More complex edge cases for manual check-in.</p>

Technical & Operational Considerations:

- Pre-authorization period limits between 5-28 days; additional handling for long stays required.
- 3D Secure and PCI compliance through Adyen.
- Minimize guest confusion via clear communication.

Comment: Clarify if additional PCI compliance requirements are needed for secure tokenization and storage.

Risks & Mitigations:

- Guest confusion and operational overlaps managed through clear communications and conditional logic.

Rollout & Migration Plan:

- Initial rollout for Booking.com risky properties via GuestHub.
- Evaluate results before further expansion.
- Potential later integration into online check-in if beneficial.

Timeline:

- Q2-Q3 2025: Initial GuestHub rollout.
- Q4 2025: Results analyzed for potential further actions.

Open Questions:

1. How will partial captures be efficiently managed internally?
2. What's the approach for long-stay reauthorizations?
3. Define retry logic for failed pre-authorizations.
4. Future plans for integrating deposits fully with Online Check-In?
5. Any specific legal considerations for deposit holds?
6. How should reauthorization attempts be communicated?
7. Should internal tooling for deposit management be enhanced?
8. Should deposit release timing remain fixed at 6pm or configurable?
9. Verify proper activation of 3DS for deposit holds.

My General Feedback

I reorganized the original RFC into a more structured and reader-friendly format by splitting it into clearly defined sections and highlighting each option's advantages and disadvantages in bullet points. This structure not only simplifies the review process but also helps identify any missing information more efficiently. I have also included a dedicated Questions section to address open questions.

In addition, I recommend incorporating a cost analysis and projected timeline for each option. These factors are often critical in guiding business decisions and ensuring that stakeholders can accurately assess both the short-term and long-term benefits of each proposal.