

MOVE App

Refund Mechanic Feasibility Report

Confidential — January 30, 2026

1 Executive Summary

Core Question: Can a fitness app charge \$12.99/month and refund 90% (\$11.69) when users hit their goals?

Area	Verdict
Technical (Stripe)	<input checked="" type="checkbox"/> FULLY FEASIBLE — Partial refunds supported, no chargeback impact
Technical (Apple)	<input type="checkbox"/> NOT FEASIBLE — Apple controls all refunds, developers cannot issue
Legal (MSB)	<input checked="" type="checkbox"/> LOW RISK — Not money transmission (refund to same party)
Legal (MTL)	<input checked="" type="checkbox"/> LOW RISK — All 50 states: seller's exemption applies
Custody	<input checked="" type="checkbox"/> NO SPECIAL OBLIGATIONS — Not escrow, standard revenue accounting

Bottom Line: The refund mechanic IS feasible using **direct payments (Stripe)**. Apple In-App Purchases cannot support this model. No MSB or money transmitter licensing required.

2 Technical Findings

2.1 Stripe: Fully Supported ✓

2.1.1 Key Capabilities

- **Partial refunds** are natively supported via `stripe.refunds.create()`
- Any amount up to the original charge can be refunded
- **Refunds do NOT count toward chargeback ratios** — this was the primary concern

2.1.2 Chargeback Risk Assessment

Metric	Threshold	Impact
Visa VAMP	0.5% non-compliant	Refunds excluded from calculation
Mastercard ECM	1.0% + 100 disputes	Refunds excluded from calculation
Your refund volume	90% of successful users	Zero impact on dispute ratios

2.1.3 Implementation

```
const refund = await stripe.refunds.create({
  payment_intent: 'pi_xxx',
  amount: 1169, // 90% of $12.99 in cents
  reason: 'requested_by_customer',
  metadata: { type: 'goal_achievement_reward' }
});
```

2.1.4 Recommendation

Use Stripe direct payments (not Apple IAP) for full control over the refund mechanic.

2.2 Apple In-App Purchases: Not Feasible ✗

2.2.1 Critical Limitation

Developers CANNOT programmatically issue refunds through Apple's APIs.

The `beginRefundRequest()` API only allows users to **request** refunds — Apple makes all approval decisions.

2.2.2 Financial Problem

Even if refunds were possible:

- Apple takes 30% commission (Year 1) = You receive \$9.09
- Refunding \$11.69 when you only received \$9.09 = **Net loss of \$2.60 per successful user**

2.2.3 Alternative Approaches (if Apple IAP required)

1. **Subscription Extension API** — Give 27 free days instead of cash
2. **In-app credits** — Reward with premium features
3. **Tiered pricing** — Price drops based on performance

3 Legal Findings

3.1 Money Services Business (MSB): LOW RISK ✓

3.1.1 Why This Is NOT Money Transmission

Money transmission requires transferring funds **from Person A to Person B**.

MOVE refunds money **to the same person who paid**. This is a conditional rebate, not transmission.

3.1.2 Key Legal Basis

- **31 CFR § 1010.100(ff)(5)** — Requires transmission “to another location or person”
- **“Integral to services” exemption** — 31 CFR § 1010.100(ff)(5)(ii)(F) explicitly exempts fund movements integral to providing services
- **Precedents:** Cashback cards, manufacturer rebates, gym refunds all work identically

3.1.3 Recommendation

Frame as “performance discount” rather than “earning money” in marketing materials.

3.2 State Money Transmitter Laws: LOW RISK ✓

3.2.1 50-State Analysis Summary

Jurisdiction	Risk Level	Notes
Federal (FinCEN)	LOW	No third-party transfer = not MSB
New York	MEDIUM-LOW	Aggressive regulator, but logic applies
California	LOW	Clear seller’s exemption in § 2010
Texas	LOW	Requires “to another person”
Florida	LOW	Explicitly requires intermediary function
All other states	LOW	Standard commercial refund

3.2.2 Why Seller’s Exemption Applies

- Company is refunding its **own service fees**
- No intermediary function (not holding funds for others)
- Same party on both sides of transaction

3.2.3 Recommendation

Obtain formal legal opinion before 50-state launch (\$10K-25K) for additional protection.

3.3 Fund Custody: No Special Obligations ✓

3.3.1 Key Findings

- **NOT an escrow arrangement** — Fails all escrow tests (no neutral third party, no segregated funds)

- **Funds become company revenue** upon payment — The \$11.69 is a liability, not “customer funds”
- **Bankruptcy risk:** Users become general unsecured creditors (lowest priority)

3.3.2 Accounting Treatment

- Book \$12.99 revenue
- Accrue refund liability based on expected completion rate
- If 60% complete goals: \$7.01 liability, \$5.98 net revenue per user

3.3.3 Recommendation

Include clear Terms of Service language that funds are not held in escrow or trust.

4 Alternative Mechanics (If Direct Refunds Don't Work)

If Apple IAP must be used, or for risk mitigation, consider these alternatives:

Rank	Model	Why It Works
1	Credit Model — Earn \$11.69 toward next month	Same psychology, avoids all refund complications
2	Tiered Pricing — Price drops \$12.99 → \$1.30 if goals hit	Same outcome, different framing
3	Deposit Model — Only charged \$1.30 if goals hit	Strongest psychology but requires web billing

4.0.1 Credit Model Details

- Users see **dollar amounts** (not points)
- Credits **auto-apply** to next billing cycle
- No redemption friction
- Precedent: Beeminder, DietBet, HealthyWage all use financial stakes

5 Recommendations

5.1 Recommended Implementation Path

Primary: Use Stripe direct payments for the refund model

Fallback: If App Store distribution required, use Credit Model instead of cash refunds

5.2 Action Items

No.	Action	Priority
1	Set up Stripe payment processing	HIGH
2	Draft Terms of Service with refund terms + no-escrow language	HIGH
3	Implement refund API integration with goal tracking	HIGH
4	Obtain formal legal opinion for 50-state operation	MEDIUM
5	Build Credit Model as backup for App Store version	MEDIUM
6	Frame marketing as “performance discount” not “earning money”	LOW

5.3 Summary

The MOVE refund mechanic is **technically and legally feasible** with the right implementation approach:

- **✓ Use Stripe** for payment processing (not Apple IAP)
- **✓ No MSB/MTL licensing required** — it's a refund to the same party
- **✓ No chargeback risk** — refunds don't count toward dispute ratios
- **✓ Straightforward accounting** — liability accrual model
- **⚠ Get legal opinion** before national launch for additional protection

— End of Report —