

Understanding and Preventing Chargebacks and Retrievals



Retrieval Requests

Introduction

Retrieval requests are an unfortunate part of doing business and can negatively affect a merchant's bottom-line. If a merchant accepts credit cards, they will more than likely experience a retrieval request at some point. Retrieval requests happen for a number of reasons, not all of them related to fraud or poor business practices. Fortunately, retrievals can be minimized by understanding what they are, how to respond to them and how to protect your business from potential losses as a result of them.

This guide will provide a better understanding of the retrieval request process and how to prevent retrievals in the future. This guide is intended to be used as an informational tool and does not guarantee a merchant will never experience a retrieval request. Should a merchant have any questions concerning a retrieval request, they can contact a Sterling Payment Technologies Representative at (301) 631-6891 or via fax at (301) 631-6717 between the hours of 8:00 A.M. to 5:00 P.M. EST Monday through Friday.

What is a Retrieval Request?

A retrieval request is an inquiry by the cardholder to their credit card company (Issuing Bank) questioning a transaction. On behalf of the cardholder the issuing bank may ask for the merchant to supply a copy of supporting documents including but not limited to a sales draft, signed receipt, invoice and/or proof of delivery for investigation purposes. The retrieval request is the first step in the chargeback process. When a request is received by the merchant, a legible copy of the sales draft must be faxed/mailed back to the fax number/address on the letter within the specified time frame. If the transaction was a Card Not Present transaction, (phone order, online order, etc.) a substitute sales draft may be provided. The following information must be included on all sales draft and substitute sales drafts:

- Cardholder Account Number
- Card Expiration Date
- Merchant Name
- Merchant Location (city and state)
- Transaction Date
- Transaction Amount
- Description of Merchandise or Services
- Authorization Code
- Cardholder Signature (if applicable)

How does a retrieval request occur?

A retrieval request occurs when a customer disputes or requests additional information about a transaction that appears on his or her credit card statement. The customer contacts his or her credit card issuer to initiate the request.

What are some common reasons for retrieval requests?

- Cardholder disputes the quality of merchandise.
- Cardholder disputes the receipt of merchandise.
- The card used was fraudulent.
- The amount charged was incorrect.
- Processing errors were made during the transaction.
- Proper authorization was not obtained.

If a merchant receives a retrieval request, what should they do with it?

Timeliness is very important in responding to a retrieval request in order to potentially avoid a chargeback to the merchant's account. A merchant should immediately gather the originating documentation for the transaction in question. A legible copy of the requested documents should be mailed or faxed to:

Sterling Payments
Retrieval & Chargeback Department
P.O. Box 540
Myersville, MD 21773
Fax: (301) 631-6717

How long do merchants have to respond to retrieval requests?

Sterling is under strict time limitations established by MasterCard, Visa and Discover. It is very important for a merchant to respond to the retrieval request by the date indicated on the notification letter. Sterling must receive a response within ten (10) days from the date of the notification letter. If a merchant fails to respond to a retrieval request he or she may receive a chargeback debited by the issuing bank for the transaction in question. There is no recourse available to the merchant for chargebacks received due to failure to respond to a retrieval request.

How long should a merchant retain copies of the sales drafts/receipts?

Sales drafts should be retained for 3 years from the processing date of the transaction. In addition, all requested sales drafts must be legible, thus it is important to keep all sales drafts in a safe and secure location.

Are funds deducted from a merchant's bank account as a result of a retrieval request?

No, a retrieval request is just a request for information about a particular transaction that appears on a customer's credit card statement. The amount of the retrieval request is not deducted from a merchant's bank account.

How will a merchant be notified of a retrieval request?

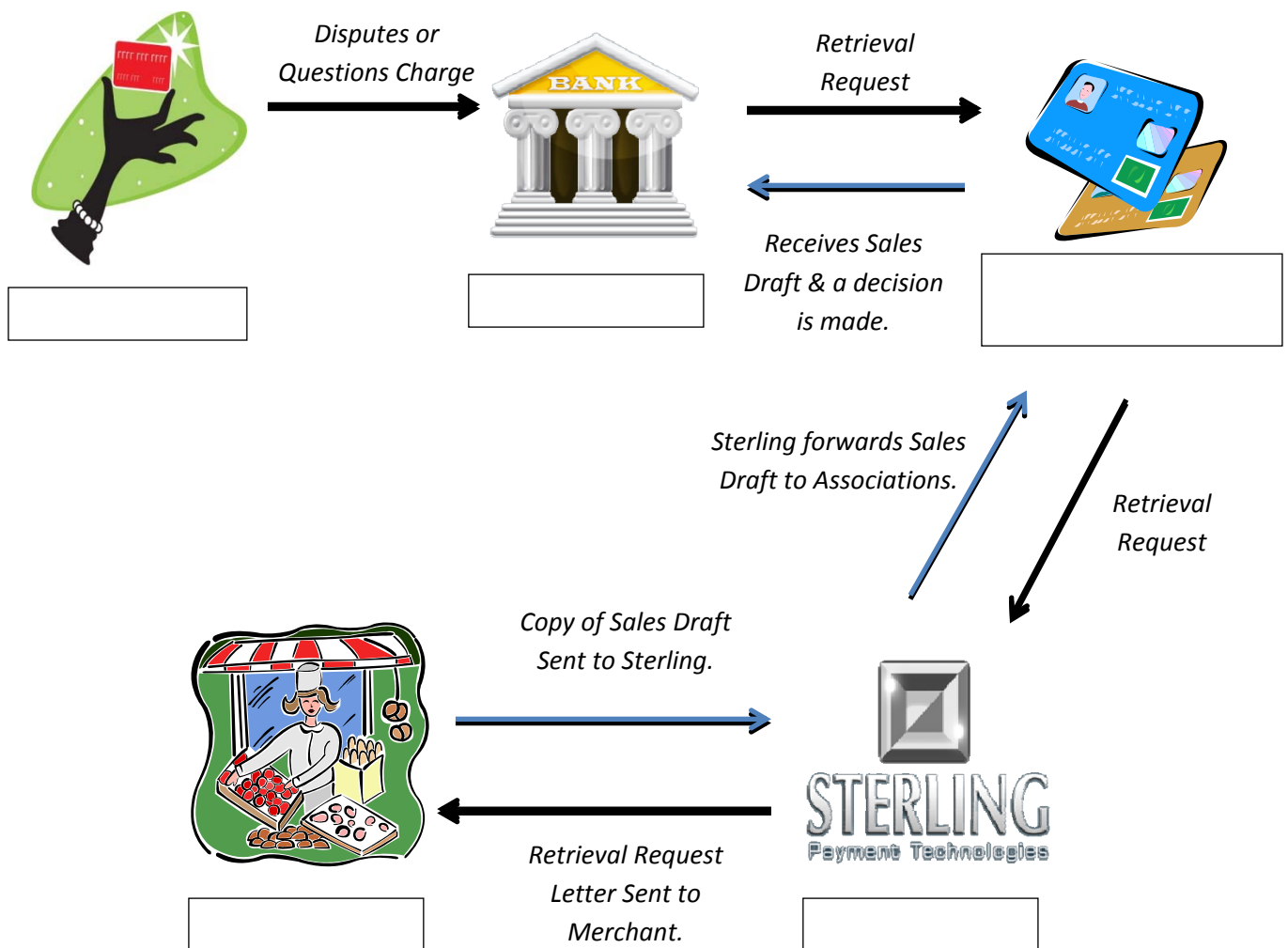
A merchant will receive a notification letter for each retrieval request. The letter provides the card holder's account number, transactions date and dollar amount to assist the merchant in locating the requested sales draft.

Understanding a Retrieval Request Letter

1	Mail or Fax Response To: Sterling Payment Technologies Retrieval & Chargeback Department P.O.Box 540 Myersville, MD 21773	RETRIEVAL REQUEST		
	Fax: (301) 631-6717	07/24/2011		
		Acme Inc. 123 Main St. Tampa, FL 33607		
2	Your Case Number is: 2011234567890	3		
	Your Merchant Number is: 777123456789			
4	Immediate action must be taken to avoid a possible debit to your account.			
5	A retrieval request was initiated by the card issuing bank. Failure to provide the requested information by 08/03/2011 can result in a non-receipt of information chargeback. MasterCard/Visa/Discover regulations do not allow reversal of this type of chargeback.			
	Transaction Date 05/19/2011	Transaction Amount \$330.00	Card Holder Number 4321XXXXXXX1234	Processing Reference 5423589/426548352365/412359
	Posting Date 05/19/2011	Bin/Ica 1010189	Request ID 51012345678900	
9	Airline Ticket Number	Original Reference		
12	Retrieval Reason Legal or Fraud Analysis			
14	*****THIS IS A RETRIEVAL REQUEST FORM*****			
	A retrieval request is a request made by a cardholder's bank for information. You are required by MasterCard/Visa/Discover to fulfill this request. Please return a legible copy of the sales draft (not the original) for the transaction referenced here, along with this letter, to the fax number or address shown above. If responding to multiple requests via fax transmission, please ensure each fulfillment within the transmission is preceded by the appropriate retrieval letter. Should you have any questions concerning this request, or if the merchant information above is incorrect, please contact Sterling Payment technologies representative at (301) 631-6891. Our hours are from 8:00 A.M. to 5:00 P.M. EST.			

Life Cycle of a Retrieval Request

The life cycle of a retrieval request begins as an inquiry initiated by the cardholder directly to their issuing bank. The cardholder may be questioning a transaction and is requesting additional information. The issuing bank will initiate a retrieval request asking for supporting documentation to validate the transaction. The issuing bank will send the retrieval request electronically to the Card Association (Visa, MasterCard or Discover), who then sends to Sterling. Sterling will create a retrieval request notification letter and send to the merchant via U.S. mail. When a retrieval request is received, the merchant will send a legible copy of the requested supporting documentation (sales draft, signed receipt, invoice, proof of delivery, etc.) to Sterling. Sterling will forward the supporting documentation to the Card Association, who will send the documentation to the cardholder's issuing bank. Upon receiving the sales draft, the issuing bank will make a decision based on the Card Association's rules and regulations.



Chargebacks

Introduction

Chargebacks are an unfortunate part of doing business and can negatively affect a merchant's bottom-line. If a merchant accepts credit cards, they will more than likely experience a chargeback at some point. Chargebacks happen for a number of reasons, not all of them related to fraud or poor business practices. Fortunately, chargebacks can be minimized by understanding what they are, how to respond to them and how to protect your business from potential losses as a result of them.

This guide will provide a better understanding of the chargeback process and how to prevent chargebacks in the future. This guide is intended to be used as an informational tool and does not guarantee a merchant will never experience a chargeback. Should a merchant have any questions concerning a chargebacks, he or she can contact a Sterling Payment Technologies Representative at (301) 631-6891 or via fax at (301) 631-6717 between the hours of 8:00 A.M. to 5:00 P.M. EST Monday through Friday.

What is a Chargeback?

A chargeback is the process an issuing bank uses to handle a customer disputed transaction with a merchant. A chargeback will cause the amount of the disputed transaction amount and any chargeback fees to be debited from the merchant's bank account. Issuing banks are given certain rights under the Card Associations' rules to reverse a transaction.

What are some common reasons for Chargebacks?

- Merchant did not fulfill a retrieval request.
- Cardholder disputes the quality of merchandise.
- Cardholder disputes the receipt of merchandise.
- The card used was fraudulent.
- The amount charged was incorrect.
- Processing errors were made during the transaction.
- Proper authorization was not obtained.

How is a merchant notified of a Chargeback?

A merchant will be sent a notification letter on the date the chargeback was debited from their bank account. The letter will identify the amount and reason for the chargeback.

Can a Merchant do anything to dispute the chargeback?

Merchants may be able to dispute a chargeback dependent upon the chargeback reason code. The dispute of a chargeback is referred to as a representment. In order to represent a chargeback, it must be performed within a specific time frame as allowed by the chargeback reason code. All requested information must be provided by the merchant in the rebuttal/reversal request response.

If a merchant receives a chargeback, what should they do with it?

Timeliness is very important in responding to a chargeback in order to remedy (refund) a chargeback back to a merchant's account. Under certain conditions, a merchant can represent supporting documentation to Sterling in order to substantiate a transaction. A merchant should immediately gather the originating documentation for the transaction in question. A legible copy of the sales draft and rebuttal letter should be mailed or faxed to:

Sterling Payments
Retrieval & Chargeback Department
P.O. Box 540
Myersville, MD 21773
Fax: (301) 631-6717

How long does a merchant have to respond to a chargeback?

Sterling is under strict time limitations established by MasterCard, Visa and Discover. It is very important for a merchant to respond to the chargeback as directed by the date indicated on the chargeback debit advice letter. In order to remedy a chargeback, it must be performed within a specific time frame indicated by the chargeback reason code. All chargeback reason codes have different time frames.

Why is a merchant not notified of the dispute prior to the chargeback being processed?

A chargeback is generated directly from the cardholder's bank. Sterling is unaware that a dispute has been initiated by the cardholder until the charge is processed. The cardholder is not always required to notify a merchant of their dispute prior to contacting their issuing bank, nor is a retrieval request required prior to processing a chargeback, as per the Card Associations' rules and regulations.

Should a merchant issue a credit to the cardholder upon receiving a chargeback?

If a merchant receives a chargeback, they should not issue credit to the cardholder. The cardholder has already received a credit from their issuing bank upon processing the chargeback.

What should a merchant do if they have already issued a credit to the cardholder prior to the chargeback date?

If a merchant has issued a credit to the cardholder prior to the chargeback date, then the merchant should include the credit transaction information and a copy of return sales draft in their rebuttal letter. Upon verification of the credit transaction, the merchant will receive a credit to their bank account if all information is received within the required timeframe.

1 Mail or Fax Response To:
Sterling Payments
Retrieval & Chargeback Department
P.O. Box 540
Myersville, MD 21773

Fax: (301) 631-6717

2 Chargeback Debit Advice
Respond By: 8/27/2011

8/18/2011

3 Your Case Number is: 2011234567890

4 This is a notification of a first chargeback initiated by the issuing bank: JPMorgan Chase Bank N.A. – Debit
6 Reason: Not As Described or Defective Merchandise

10 Type:	Retail Sale 7	8 Cardholder Number:	4867XXXXXXXX1234 9
Merchant Name:	Acme Inc.	Reference Number:	24221234567890987654321 13
Merchant #:	434123456789	2 nd Reference Number:	Card Holder Name: 17
Transaction Amount:	\$220.00 11	Transaction Date:	8/11/2011 19
Chargeback Amount:	\$220.00 15	Posting Date:	8/11/2011 17
Original Reference:		Resolved Date:	8/17/2011 20
Airline Ticket Number:		Received Date:	8/15/2011

18 * Your account has been adjusted because:
Cardholder received damaged/defective merchandise; or merchandise was not as described.
Supply rebuttal addressing each cardholder claim and supporting documents.

21 PLEASE BE AWARE:
You must supply chargeback rebuttal documentation no later than 8/27/2011. Failure to do so could result in the forfeiture of your reversal rights established by current Visa/MasterCard/Discover rules and regulations.

22 For faster processing, fax your reversal request. Please complete and attach this form to any documentation supporting your case. Should you have any questions please contact the chargeback department at (301) 631-6891.
Please note that we may have printed documentation on the back side of each page.

Acme Inc.
123 Main St.
Tampa, FL 33607

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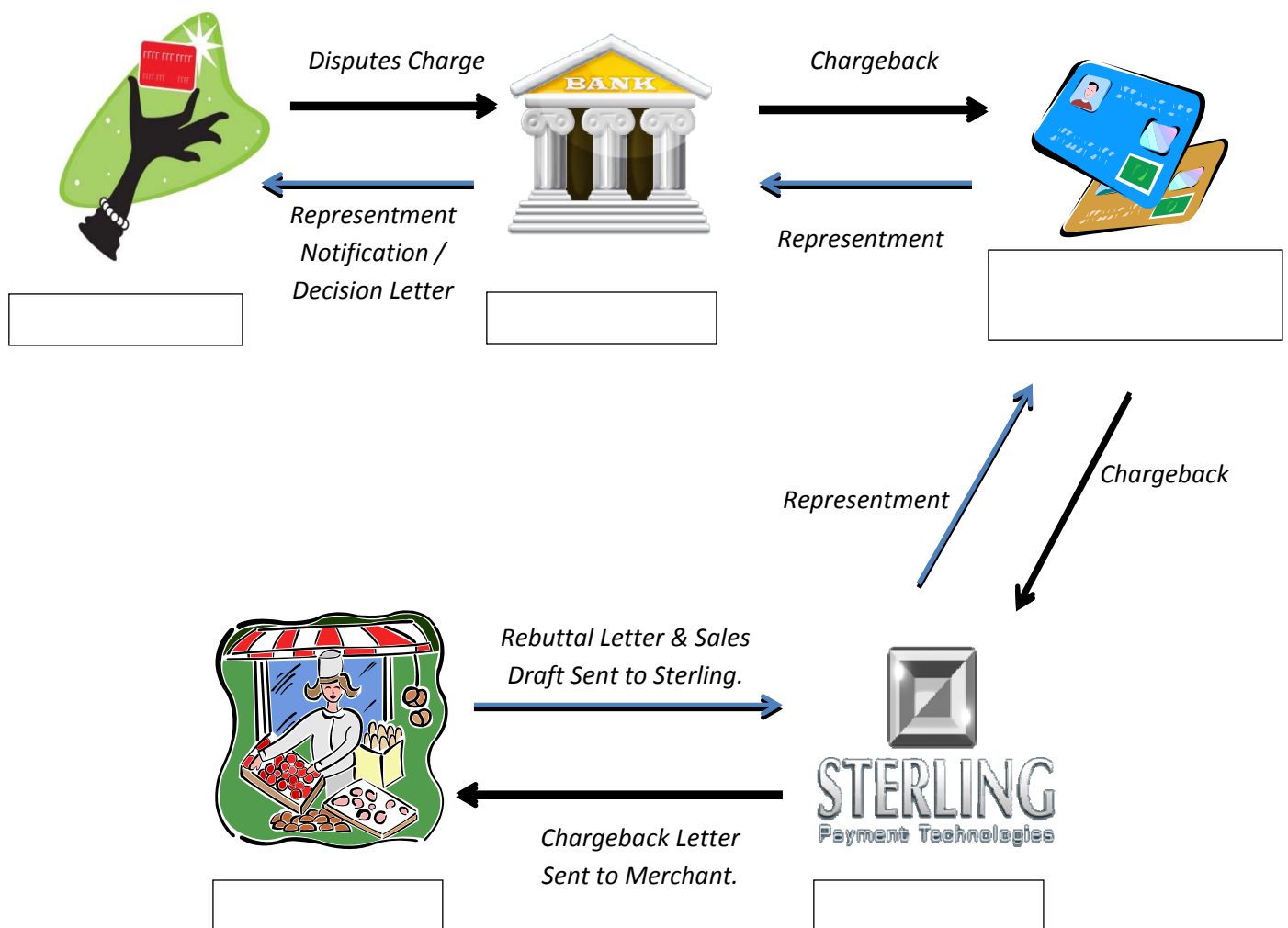
MERCHANT ACTION NECESSARY TO REMEDY CHARGEBACK

- Cardholder received damaged/defective merchandise; or merchandise was not as described. Supply rebuttal addressing each cardholder claim and supporting documents.
- If a full or partial credit was issued, an explanation must be provided, along with your rebuttal to the chargeback.

Contact Person: _____
 Telephone No: _____ Fax No: _____
 Reversal Reason (if insufficient space, please attach a separate sheet with your reason):

Life Cycle of a Chargeback

The life cycle of a chargeback begins as an inquiry initiated by the cardholder directly to their issuing bank. The cardholder may be questioning a transaction and is requesting a refund. The issuing bank will initiate an immediate debit to the merchant's bank account for the amount of the transaction in question. The issuing bank will send the chargeback debit advice electronically to the Card Association (VISA, MasterCard or Discover), who will send it to Sterling. Sterling will create a chargeback debit advice notification letter and send it to the merchant via U.S. mail. Merchants may rebut a chargeback dependent upon the chargeback reason code. The rebuttal of a chargeback is referred to as a representment. In order to rebut a chargeback, it must be performed within a specific time frame as allowed by the chargeback reason code. All chargeback reason codes have a different time frame. When a chargeback is received, a merchant will need to send the representment (rebuttal response letter and sales draft) to Sterling. Sterling will forward the documentation to the Card Association, who will send it to the cardholder's issuing bank. Upon receiving the documentation, the issuing bank and/or cardholder will either remedy (refund) or reject the representment based on the Card Associations' rules and regulations.



Tips for Preventing Chargebacks and Retrievals

If you accept mail order payments:

Mail order transactions attract a higher risk of chargebacks and are more prone to errors. Because the card or cardholder is not present, chargebacks that arise can be difficult to defend. To help you minimize the risk to your business:

- Call customers to confirm the card number, expiration date and other purchase details.
- Always arrange delivery of goods yourself, using a reputable carrier, and obtain a signed and dated proof of delivery.
- Never release goods to a third party – such as a taxi driver or messenger allegedly sent by the cardholder.
- If a customer decides to collect the goods, cancel the original transaction, and proceed with a new transaction as a normal over-the-counter sale.
- Ensure that your order forms have a space for a mandatory cardholder's signature, card number, expiration date, cardholder's full name and address and the security code from the signature strip on the reverse of the card.
- Store all transactions securely so you can access them at a later date, if needed.

If you take telephone orders:

Phone orders are at higher risk of chargebacks because the card or cardholder isn't present and, even if you obtain authorization, there's no guarantee of payment.

To protect your business from transaction disputes and manual errors, we recommend you:

- Ask customers to repeat their card number, and then read it back to them.
- Arrange delivery of goods yourself, using a reputable courier and obtain a signed and dated proof of delivery.
- Never release goods to a third party - such as a taxi driver or messenger even if they say they've been sent by the cardholder.
- Make sure you record the card number, expiration date, the security code from the signature strip on the reverse of the card, cardholder's name and address and the time and date of the order.

If you process point of sale payments:

Ensuring that your staff is trained and that transaction information is stored properly, will help reduce the impact chargebacks can have on your business.

- When a card has been swiped through the POS terminal, check the last four digits of card number on the printed receipt to the number on the front of the card.
 - Check the expiration dates to ensure it is valid.
 - If the card doesn't swipe or is not readable by the terminal, take a manual imprint of the card details to prove it was present at the time of the transaction. If the card number has to be keyed in, make sure the correct number is entered.
 - If obtaining a signature, always check it against the back of the card.
 - If the value of the transaction is over your floor limit, always seek authorization to reduce the risk of a chargeback.
 - Never reveal your floor limit.
-

If you sell online:

You can take additional measures to prove authenticity of the card and cardholder:

- Authorize every transaction.
- Collect as much information about the customer as possible, for example, by asking customers to register before they buy.
- Double check card details – especially the card number and the expiration date.
- Incorporate security measures into your website's payment page to reduce the chances of processing an invalid card number.
- Monitor the number and transaction amounts of orders from individual customers. Online fraud often involves placing a small number of modest orders to check if they'll go through, then dramatically increasing the volume and value before the fraud is discovered.
- Double check orders from international users – as standards of regulation and security differ from one country to the next.
- Be aware of the risk level for your products. High risk items have a resale value close to the original purchase price and are often prone to fraudulent transaction.
- Arrange delivery through to a physical address (Not a P.O. Box) by reputable courier.
- Do not allow goods to be collected by a third party e.g. taxi drivers or messengers allegedly sent by the cardholder.

What restaurants can do

Restaurants can have a high occurrence of chargebacks, so you need to be prepared and aware of the risks of:

Bill sharing

- When customers want to split the bill, take care not to process all charges to the same card.
- Ensure all card details are checked and transactions authorized.

Alteration of transaction amounts

- Never adjust a transaction amount without the cardholder's consent.
- Ensure the customer has authorized any gratuity added to the bill.

Taking telephone orders (Take-out or Delivery Services)

- Always keep a record of the cardholder's name and address.
- If it's your policy to check the card upon delivery, make sure that the account number given matches with the card presented and that the signature on the card is the same as that on the receipt.

Higher risk situations

- A transaction that's above your floor limit or high transaction average.
- Foreign issued credit card.

What hotels can do

If you process transactions for payment without the cardholder being present at the time, there is always a slightly increased risk of error or a future chargeback. Here's some additional guidance for businesses in the hotel industry:

Taking reservations

- Always obtain the guest's name, address, and card number, expiration date and provide a reservation code/number.
- Confirm the booking details verbally and in writing (or email), giving details of your cancellation policy.
- If the booking was made through a third party, such as a travel or booking agent, please ensure they advise their client of your policies.

Dealing with cancellations

- A cancellation received 72 hours prior to the reservation date must be accepted and a cancellation code or number issued, and confirmed in writing if your guest requests this.
- Provide a copy of your cancellation policy in writing to guests at the time of booking as this information may be asked for as proof that it has been provided if a dispute is received at a later date.

In the event of a no-show

- For non-arrivals, you can charge one night's stay as long as you've held the room until check out time the following day.
- It is important that the words "no show", the cardholder's name, card number and expiration date are listed when completing the transaction receipt.

Estimated authorizations

- You're allowed to estimate the final transaction amount and receive authorization before the guest checks out.
- Enter the transaction via your POS terminal and encourage the guest to sign the receipt.
- Your POS terminal has the ability to store this information until you're ready to finalize the bill.
- At check out, if the final bill is below the authorized amount, amend the amount accordingly and process the transaction as normal.
- If the final total has increased by more than 15%, then another authorization code must be obtained for the difference. You must ensure you keep a note on the guest's records of all dates, codes and amounts that authorization was obtained.

Check outs

- Always request a signature – without one on the final bill.