

KNOWLEDGE ARTICLE

MySchoolBucks - Chargebacks - Pre-Arbitration

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This article will go over how a chargeback proceeds into pre-arbitration and what your options are when this happens.

Pre-Arbitration

When a chargeback settles in favor of the merchant, the cardholder has an opportunity to dispute the same charge a second time, this is called pre-arbitration. This article is meant to address these second disputes, and provide information about your resolution options. For information about our standard chargeback process please read **MySchoolBucks - Chargebacks - Chargeback Process** (<https://help.heartlandschoolsolutions.com/s/article/MySchoolBucks-Chargebacks-Chargeback-Process>).

Pre-arbitration is not common; in most cases, our chargeback team is able to respond to the chargeback and the issuing bank will either settle the dispute in favor of the cardholder or the merchant; that is typically where the chargeback process ends. However, if a chargeback does proceed into pre-arbitration, you will receive a pre-arbitration chargeback notification letter in the mail.

Below is an example of what one of these pre-arbitration notices will look like.



IMPORTANT INFORMATION: PLEASE READ

Please include this letter as your first page when submitting documentation by Fax. This will help prevent delays as we process your dispute. Thank you.

DISPUTE NOTIFICATION – REQUEST FOR DOCUMENTATION

This is a VISA Incoming Pre-Arbitration.

The cardholder or card issuer continues to dispute the below transaction and your account may be adjusted.

DISPUTE REASON	: 13.7 Cancelled Merchandise/Services		
CASE NO	: 1333800353	ADJUSTMENT AMOUNT	:
DISPUTE AMOUNT	: 25.25 USD	ADJUSTMENT DATE	:
TRANSACTION DETAILS :			
CARD NUMBER	: [REDACTED]	TRANSACTION TYPE	:
TRANSACTION AMOUNT	: 25.25 USD	ORIGINAL REFERENCE NO	: [REDACTED]
TRANSACTION DATE	: Nov 16, 2023	DEPOSIT CONTROL	:
TRANSACTION POST DATE	: Nov 16, 2023	INVOICE TICKET NO	: 66KBE3PK5QZXW6Q
AUTHORIZATION CODE	: 64707D	FRONT END ID	:
MERCHANT ID	: [REDACTED]	STORE NUMBER	:
UNIQUE ID	: [REDACTED] SCHOOLS-	REMARKS	:
	MEALS		:

Please review the case details and advise us how you want to proceed with this dispute by affixing your name and signature on your selected option. Only signed responses received on time will be processed.

I _____ accept this dispute and I will accept the debit for the dispute. I will no longer issue a refund to avoid any duplication of debit to my account.

I _____ do not accept this dispute. I acknowledge my responsibility for the filing and administrative fee imposed by VISA up to \$500 if/when the case is pursued and not ruled in my favor. I understand my account will be debited for the dispute and fees accordingly.

ACTIONS NEEDED:

Dear Merchant, the original chargeback case has been continued to Pre-Arbitration status. Should you wish to pursue this case, please select the option above that states you agree to be charged the Card Brand Ruling fee should the case not be found in your favor. If you choose to pursue, we recommend providing proof that the cardholder was aware and agreed to your cancellation policy.

Complaint provided by Issuer/Cardholder: Merchant did not remedy the chargeback with proof that the cancellation and refund policies were properly disclosed to cardholder at the time of the transaction. The merchants are required to remit refunds in the form of original payment. Please issue credit and advise.

If you do not respond by the date on this letter, your account will be debited due to no response.

A chargeback that proceeds into pre-arbitration will go through the following path:

1. A cardholder disputes a payment charged to their credit card; the merchant is debited for the charge and the cardholder is reimburse
2. The merchant receives the chargeback notification letter and responds to the bank with evidence validating the charge
3. The issuing bank settles the dispute in favor of the merchant; the merchant is credited for the charge and the cardholder loses the initial reimbursement
4. The cardholder contacts their bank to dispute the charge a second time and the chargeback proceeds into pre-arbitration
5. The merchant receives a pre-arbitration chargeback notification letter and must decide whether or not to pursue the dispute any further
 1. Challenge the chargeback further - The merchant can fight the second dispute in an attempt to get the funds back
 1. Merchant wins - The debit remains with the cardholder's account and the merchant keeps the funds they were credited back from the initial win, winning is only possible if the merchant can provide documentation signed by the cardholder
 2. Cardholder wins - The merchant is debited for the charge and the cardholder is reimbursed, the merchant is also charged a fee of up to \$500.00 for pursuing the case further when not ruled in the merchant's favor

2. Accept the chargeback - The merchant can accept the chargeback, allowing the cardholder to keep the funds; the merchant is debited for the charge and the cardholder is reimbursed
3. Don't respond - If the merchant does not respond to the pre-arbitration letter, the representment time will expire within 30 days and should be treated like a lost chargeback; the merchant is debited for the charge and the cardholder is reimbursed

Note: If Mastercard is the card brand, the chargeback proceeding into pre-arbitration will cause the merchant to be charged Mastercard's \$15.00 pre-arbitration fee. This fee incurs regardless of winning or losing the second dispute. For more information on Mastercard disputes please read [MySchoolBucks - Chargebacks - Mastercard Disputes](https://help.heartlandschoolsolutions.com/s/article/MySchoolBucks-Chargebacks-Mastercard-Disputes) (<https://help.heartlandschoolsolutions.com/s/article/MySchoolBucks-Chargebacks-Mastercard-Disputes>).

Responding to Pre-Arbitration

As part of our service to you, Heartland represented the original chargeback on your behalf. If a chargeback proceeds into pre-arbitration, that indicates that the issuing bank originally settled the chargeback in your favor after reviewing the response we submitted, but the cardholder disputed the same charge a second time.

If the chargeback enters pre-arbitration, Heartland will not respond any further on your behalf; it is up to you to decide what you want to do from here.

There are two options for you to consider.

Challenging the Chargeback Further

If you decide to pursue the chargeback further, the bank will require a signed statement from the cardholder that the charge is valid. If you are able to obtain confirmation from the cardholder, we will need a signed sales receipt which we can provide to the issuing bank, as well as the pre-arbitration letter signed by the school district.

We do not recommend that you contest the second dispute unless you are able to obtain written confirmation from the cardholder. By signing the pre-arbitration letter and continuing to contest the dispute you must agree to the following statement found on the letter:

"I _____ do not accept this dispute. I acknowledge my responsibility for the filing and administrative fee imposed by [CARD BRAND] up to \$500 if/when the case is pursued and not ruled in my favor. I understand my account will be debited for the dispute and fees accordingly."

By agreeing to this and pursuing the dispute further you are acknowledging the possibility of a \$500.00 fee if the bank ultimately settles the dispute in the cardholder's favor. If you consent to these conditions, please send your documentation (receipt signed by the cardholder, and pre-arbitration letter signed by the district) to hsschargebacks@e-hps.com so that we can submit it to the bank on your behalf.

Note: The parent you are in contact with and the cardholder may not be the same individual, for instance many MySchoolBucks users will have a spouse's card information on their account. If you do decide to pursue the chargeback further please be certain that the person who signed the receipt is the true owner of the card that was charged.

If you challenge the pre-arbitration, there are two possible outcomes.

The Chargeback is Won: If the bank settles the pre-arbitration in your favor, you will keep the funds that were credited back to you when we initially won, and the debit will remain with the cardholder.

The Chargeback is Lost: If the bank settles the pre-arbitration in the cardholder's favor, the cardholder will be reimbursed once again, and you will be debited. Additionally you will be charged a \$500.00 fee because the case was pursued and not ruled in your favor

Accepting the Chargeback

If you do not want to risk the \$500.00 fee, you may want to consider accepting the chargeback rather than challenging it further. If you decide that you do not wish to proceed with challenging the dispute, please feel free to let us know and we will accept the chargeback on your behalf. When we accept the chargeback, we recommend that you treat it as though we “lost” the dispute.

For example, if the disputed charge was a meal payment, you may want to remove the funds from the affected student’s lunch account. Likewise, if the disputed charge was for one of your store products, understand that the product that was purchased is no longer paid for, and you may want to discuss this with the parent.

Note: If we do not hear from you about accepting the pre-arbitration, that is okay. The representment time for the chargeback will eventually expire and a member of our chargeback team will contact your district to let you know that the dispute ultimately settled in favor of the cardholder so that you can take action accordingly.

Contacting the Parent

You may want to consider the alternative route of contacting the parent to discuss the dispute with them. If the cardholder contacts their bank to cancel the dispute, this would settle the dispute in your favor.

Keep in mind that although they may be related, the MySchoolBucks user and the cardholder are not always the same individual. The person who calls the bank to cancel the dispute must be the cardholder.

Note: On occasion a parent may claim that they will cancel, or have already canceled the dispute with their bank, however our chargeback team can check the status of the dispute and see whether or not that is the case. In the event that the cardholder does not follow through with canceling the dispute, and you did not challenge or accept the dispute, the chargeback representment time will expire and you will be notified about the loss.

Additional Information

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