

Chargeback Handling Procedures

Document Type: Operations Manual

Owner: Risk & Operations Team

Last Updated: October 5, 2024

Version: 2.3

Overview

This document outlines Skyro's procedures for handling payment chargebacks. Chargebacks occur when customers dispute transactions with their card issuers, and funds are forcibly returned to the customer.

Chargeback Basics

What is a Chargeback?

A chargeback is a reversal of a credit or debit card transaction, initiated by the cardholder through their issuing bank. The merchant (our customer) is debited for the transaction amount plus a chargeback fee.

Common Chargeback Reasons

Fraud-related:

- Card stolen or lost
- Transaction not authorized by cardholder
- Fraudulent use of card details

Service/Product Issues:

- Product not received
- Product significantly different from description
- Defective or damaged product
- Service not rendered

Processing Errors:

- Duplicate charge
- Incorrect amount charged
- Credit not processed

Friendly Fraud:

- Customer doesn't recognize charge
- Family member made purchase without knowledge
- Customer forgot about transaction
- Buyer's remorse

Chargeback Lifecycle

1. **Customer disputes transaction** with their bank (Day 0)
2. **Bank initiates chargeback** and debits merchant account (Day 1-3)
3. **Merchant receives notification** from Skyro (Day 3-5)
4. **Merchant submits evidence** to dispute chargeback (within 7-14 days)
5. **Bank reviews evidence** and makes decision (30-90 days)
6. **Final decision** issued (merchant wins or loses)

Financial Impact

Costs per Chargeback:

- Transaction amount: \$X (varies)
- Chargeback fee: \$15-25 (passed to merchant)
- Time cost: ~2 hours of staff time
- Potential account termination if ratio too high

Acceptable Chargeback Rate: <0.65%

- Industry average: 0.6%
- Warning threshold: 0.9%
- Suspension threshold: 1.5%

Skyro's Role

What We Do

1. **Monitor chargeback rates** for all merchants
2. **Notify merchants immediately** when chargeback occurs
3. **Provide platform** for submitting evidence
4. **Track chargeback lifecycle** and outcomes

5. **Alert merchants** at risk of exceeding thresholds
6. **Provide data and insights** to reduce chargebacks

What We Don't Do

- We cannot prevent chargebacks from being filed
- We don't make the final decision (bank does)
- We don't guarantee winning disputes
- We're not responsible for merchant's chargeback rate

Notification Process

Immediate Notification (Within 24 Hours)

When a chargeback is received:

1. **Email sent to merchant** with details:
 - Transaction ID and amount
 - Chargeback reason code
 - Customer information
 - Due date for response
 - Link to dispute portal
2. **Dashboard notification** appears in merchant portal
3. **Webhook sent** (if merchant has configured)

Notification Contents

Subject: Action Required: Chargeback on Transaction [ID]

Body includes:

- Chargeback ID
- Original transaction details
- Amount in dispute
- Reason code and description
- Evidence submission deadline
- Instructions for responding

- Link to dispute portal

Evidence Submission

Response Timeline

- **Standard timeline:** 7 business days
- **Expedited (fraud):** 48 hours
- **Extensions:** Not available

Late submissions: Automatically forfeit - merchant loses by default

Required Evidence by Reason Code

Code 83: Fraud - Card Not Present

- Proof of delivery (tracking number, signature)
- IP address and geolocation
- AVS/CVV match results
- Customer communication history
- Previous successful transactions from same customer
- Device fingerprint data

Code 53: Not as Described/Defective

- Product description from listing
- Photos of actual product sent
- Customer communication acknowledging receipt
- Refund/return policy
- Shipping information

Code 30: Services Not Provided

- Service agreement or contract
- Proof of service delivery (screenshots, logs, reports)
- Customer usage data
- Communication history
- Terms and conditions

Code 12: Duplicate Processing

- Proof charges are for separate transactions
- Invoices showing different order IDs
- Different delivery dates/addresses
- Explanation of charges

Code 37: Fraudulent Transaction

- Same as Code 83
- Additionally: fraud detection scores and reasoning

Evidence Submission Process

1. **Log into merchant dashboard**
2. **Navigate to Chargebacks section**
3. **Select chargeback to dispute**
4. **Complete evidence form:**
 - Select evidence type for each item
 - Upload supporting documents
 - Provide written explanation
 - Review and submit
5. **Receive confirmation** email

Evidence Best Practices

Do:

- Submit clear, legible documents
- Provide comprehensive evidence
- Use professional language
- Include all relevant information
- Submit before deadline
- Follow specific requirements for reason code

Don't:

- Submit irrelevant documents
- Include customer payment information
- Use emotional or unprofessional language
- Miss the deadline

- Submit partial evidence
- Forget to explain how evidence supports your case

Supported File Formats

- PDF (preferred)
- JPEG/PNG images
- Excel/CSV spreadsheets
- Maximum file size: 25MB per file
- Maximum 10 files per chargeback

Chargeback Decision Outcomes

Merchant Wins

- **Result:** Funds returned to merchant, chargeback fee refunded
- **Timeline:** 30-90 days for funds to return
- **Notification:** Email and dashboard update

Merchant Loses

- **Result:** Customer keeps refunded amount, merchant pays chargeback fee
- **Impact:** Loss recorded in merchant account
- **Next steps:** Review why lost, improve processes

Partial Win

- **Result:** Partial refund to customer, reduced chargeback fee
- **Rare:** Only in specific circumstances

Merchant Support

Chargeback Prevention

We provide tools and guidance to help reduce chargebacks:

Best Practices:

1. **Clear billing descriptors** (match business name)
2. **Detailed product descriptions** on website
3. **Prompt customer service** to resolve issues before chargeback
4. **Clear refund policy** and easy refund process
5. **Delivery confirmations** and tracking
6. **Fraud prevention** tools (AVS, CVV, 3D Secure)
7. **Transaction receipts** sent to customers

Skyro Tools:

- Fraud detection alerts (high-risk transactions)
- Chargeback analytics dashboard
- Automated chargeback alerts
- Evidence template generator
- Historical win/loss analysis

Chargeback Analytics

Available in merchant dashboard:

- **Chargeback rate** (percentage of transactions)
- **Chargeback volume** over time
- **Reason code breakdown**
- **Win/loss ratio**
- **Average dispute amount**
- **Comparison to industry benchmarks**

Risk Management

Monitoring Thresholds:

Green (Healthy): <0.65% chargeback rate

- Standard processing, no action needed

Yellow (Warning): 0.65%-0.9% chargeback rate

- Email warning sent to merchant
- Recommendation to review processes
- Offer consultation with risk team

Orange (At Risk): 0.9%-1.5% chargeback rate

- Account flagged for review
- Mandatory consultation with risk team
- May implement temporary holds on funds
- Rolling reserve may be required (10% of volume)

Red (Critical): >1.5% chargeback rate

- Account suspended (new transactions blocked)
- Existing transactions held for 90 days
- Merchant enrolled in monitoring program
- May lead to account termination

Getting Off Monitoring Program

Requirements to exit monitoring:

1. Chargeback rate below 0.9% for 3 consecutive months
2. Completion of risk consultation
3. Implementation of recommended improvements
4. No fraud incidents in monitoring period

Preventing Chargebacks

Proactive Strategies

Communication:

- Send order confirmation emails immediately
- Provide shipping updates and tracking
- Send delivery confirmation
- Follow up after delivery
- Make customer service easy to reach

Transparency:

- Clear billing descriptor (appears on statement)
- Detailed product descriptions and photos
- Transparent pricing (no hidden fees)
- Clear refund and return policies

- Accurate delivery timeframes

Fraud Prevention:

- Use AVS (Address Verification System)
- Require CVV for card-not-present transactions
- Enable 3D Secure for high-risk transactions
- Flag and review high-risk orders
- Use Skyro's fraud detection tools

Fulfillment:

- Ship orders promptly
- Use trackable shipping methods
- Require signature for high-value items
- Package items securely
- Inspect items before shipping

When Customer Contacts You**Before they file a chargeback:**

1. Respond quickly (within 24 hours)
2. Listen to their concern
3. Offer resolution (refund, replacement, credit)
4. Document the interaction
5. Follow through on promises

Friendly Fraud Prevention:

- Send reminder emails before recurring charges
- Make cancellation easy
- Use clear billing descriptors
- Provide detailed receipts
- Keep communication history

Escalation Procedures***When to Escalate to Skyro***

Contact our risk team if:

- Chargeback rate approaching 0.9%
- Unusual spike in chargebacks
- Specific customer filing multiple chargebacks
- Need help with evidence submission
- Questions about chargeback process
- Suspected organized fraud ring

How to Contact Us

- **Email:** chargebacks@skyro.com
- **Phone:** 1-800-SKYRO-CB (1-800-759-7622)
- **Slack:** #merchant-support (for integrated merchants)
- **Dashboard:** Submit support ticket

Response Time:

- Email: Within 24 hours
- Phone: Immediate (business hours)
- Urgent cases: Within 2 hours

Representment (Second Dispute)

What is Representment?

If a merchant loses a chargeback and believes the decision was incorrect, they can file a second dispute (representment).

Representment Eligibility

- Available only for certain reason codes
- Must have new evidence not submitted originally
- Only one representment allowed per chargeback
- Additional \$15 fee if representment is lost

Representment Process

1. Request representment through dashboard
2. Provide new evidence

3. Pay representment fee (\$25)
4. Wait for final decision (60-120 days)

Success Rate

- Average representment win rate: 25%
- Only recommended if strong new evidence available

Reporting and Compliance

Monthly Reports

Merchants receive monthly chargeback reports including:

- Total chargebacks filed
- Chargeback rate
- Win/loss ratio
- Reason code breakdown
- Recommendations for improvement

Card Network Monitoring

Visa: Visa Dispute Monitoring Program (VDMP)

- Threshold: 0.9% chargeback rate
- Review: Monthly
- Consequences: Fines, increased fees, program enrollment

Mastercard: Excessive Chargeback Merchant (ECM)

- Threshold: 1.5% chargeback rate
- Review: Monthly
- Consequences: Similar to Visa

Our Role:

- Monitor merchant compliance with card network rules
- Alert merchants before thresholds are reached
- Help merchants implement improvement plans
- Report to card networks as required

Frequently Asked Questions

Q: How long do I have to respond to a chargeback?

A: 7 business days for most chargebacks, 48 hours for fraud-related. Check the specific deadline in your notification email.

Q: Can I issue a refund after receiving a chargeback?

A: No, the funds have already been returned to the customer. Issuing a refund would result in the customer receiving a double refund.

Q: What happens if I don't respond to a chargeback?

A: You automatically lose the dispute, and the customer keeps the refunded amount. You also pay the chargeback fee.

Q: How long until I know the outcome?

A: Typically 30-90 days after submitting evidence. You'll receive email notification when a decision is made.

Q: Can Skyro help me win chargebacks?

A: We provide tools, templates, and guidance, but the final decision is made by the card issuing bank. We cannot guarantee outcomes.

Q: What if my chargeback rate is too high?

A: We'll work with you to identify issues and improve processes. Persistent high rates may result in account restrictions or termination.

Q: Do I have to pay the chargeback fee even if I win?

A: No, if you win the dispute, the chargeback fee is refunded to you along with the transaction amount.

Q: Can I talk to the customer directly?

A: Yes, and we encourage it! Often disputes can be resolved by contacting the customer before the bank makes a decision.

Resources

Internal Links:

- Chargeback dashboard: dashboard.skyro.com/chargebacks
- Evidence submission portal: dashboard.skyro.com/chargebacks/submit
- Analytics and reporting: dashboard.skyro.com/analytics/chargebacks

External Resources:

- Visa chargeback reason codes: visa.com/chargebacks
- Mastercard chargeback guide: mastercard.com/chargebacks
- Chargeback best practices: skyro.com/resources/chargebacks

Training:

- Chargeback prevention webinar: Register at skyro.com/webinars
- One-on-one consultation: Email chargebacks@skyro.com
- Chargeback workshop: Quarterly, announced via email

Document History

- v2.3 (October 2024): Updated thresholds and card network rules
- v2.2 (July 2024): Added representment section
- v2.1 (April 2024): Enhanced evidence requirements
- v2.0 (January 2024): Major rewrite for new platform
- v1.0 (October 2023): Initial version

Next Review: January 2025