

# Chargeback Handling Procedures

**Document Type:** Operations Manual

**Owner:** Risk & Operations Team

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## 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 representation fee (\$25)
4. Wait for final decision (60-120 days)

## ***Success Rate***

- Average representation 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](https://dashboard.skyro.com/chargebacks)
- Evidence submission portal: [dashboard.skyro.com/chargebacks/submit](https://dashboard.skyro.com/chargebacks/submit)
- Analytics and reporting: [dashboard.skyro.com/analytics/chargebacks](https://dashboard.skyro.com/analytics/chargebacks)

## External Resources:

- Visa chargeback reason codes: [visa.com/chargebacks](https://visa.com/chargebacks)
- Mastercard chargeback guide: [mastercard.com/chargebacks](https://mastercard.com/chargebacks)
- Chargeback best practices: [skyro.com/resources/chargebacks](https://skyro.com/resources/chargebacks)

## Training:

- Chargeback prevention webinar: Register at [skyro.com/webinars](https://skyro.com/webinars)
- One-on-one consultation: Email [chargebacks@skyro.com](mailto: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