

Understanding and Preventing Charge-backs

Charge-back: A procedure wherein a cardholder's issuing bank electronically charges a transaction back to the merchant in accordance with Visa/MasterCard regulations. Some of the most common Charge backs occur due to:

- 1) Fraudulent card use
- 2) A cardholder disputes an unrecognized charge on the monthly statement
- 3) A cardholder disputes a charge on his/her monthly statements for undelivered or damaged merchandise/services
- 4) Duplicate transactions.

Preventing Charge-backs

Manual Imprinters

This is one of the most important and effective ways of preventing charge-backs. NAB requires all retail merchants to have a manual imprinter. A signed, manual imprint is proof that a card was present at the same time of the sale. Manual imprinters should be used when keying in sale due to:

- 1) Broken equipment
- 2) Company deliveries/trade shows
- 3) A damaged magnetic stripe on a customer's card
- 4) Terminals without printers attached
- 5) All voice-authorized transactions

Store Policy Printed on Electronic Receipts

Printing your store's return/refund policy on sale receipts can help prevent or even reverse certain charge backs and stop merchandise return. NAB will program your terminal to print your store's policy on the receipts.

Fraudulent Credit Cards

If you suspect a card is fraudulent, please call your authorization center and ask for a "Code 10 authorization". You will then receive further directions. Many issuing banks have reward programs for identifying a fraudulent card.

Retrieval Requests

You must respond promptly to all retrieval requests (within 5 days of receipt) and include a legible copy of the signed sales draft for the sale in question. Your name, merchant and phone numbers should be clearly marked on all correspondence. Please note: illegible copies are considered "not responded to".

Charge-back Prevention Checklist:

- ❑ After swiping a card, verify that the embossed number on the card matches the number on the terminal display
- ❑ If the stripe is unreadable, take a manual imprint (dated) of the card and key the card number into the terminal
- ❑ If sale is keyed in, the customer must sign the imprinted, dated copy of the card, not the printed sales slip from the terminal. This proves the cardholder and card were present at the time of the sale.
- ❑ Verify that the customer's signature on the card matches the signature on the receipt.
- ❑ Close out your terminal daily. This can prevent charge backs and unwanted surcharges.
- ❑ Review the return policy with the customer and point it out on the receipt.

Other Helpful Hints

- ❑ Funding and charge back disputes for American Express and all other non-bankcards must be handled directly with those companies.
- ❑ Visa/MasterCard debit cards should always be swiped. These cards cannot be voice authorized or keyed in.
- ❑ Keep an organized file of all sales drafts and batch reports by date. It is the responsibility of the merchant to store these records for a period of 3 years. Information for charge backs and retrievals may be requested for up to 18 month after an actual transaction takes place.