

# Tips for Processing Transactions and Reducing Chargeback Exposure

This information is provided to NAEDA as a courtesy of NOVA Information Systems, Inc.

## All Transactions

- V/MC **require** merchants to keep copies of all sales drafts and be able to supply a copy if requested for up to 12 months.
- Merchants may avoid chargebacks for non-receipt of requested item by responding to request for drafts immediately. Be aware that some retrieval requests on foreign credit cards may come back to you for a different amount than the original transaction amount charged to the credit card due to the evolving currency exchange rate on a daily basis. In addition, the transaction date listed on the retrieval request may not be exact, therefore, you should always check for the transaction receipt at least three days prior and three days after the date listed on the retrieval request letter. If you have difficulty locating a transaction receipt, you should immediately contact the NOVA Chargeback Department to verify the information on your retrieval notice.
- The issuer is required to supply only the date, transaction dollar amount and the card number on all retrieval or chargeback requests. They are not required to provide the cardholder's name nor does NOVA have access to it since the information was not supplied by the issuing bank with the original request. **Drafts should be filed in transaction date order for easier retrieval of the documentation should you be requested to supply a copy.**
- Balance all batches daily in order to reduce chargebacks for duplicate processing.
- If you have a special policy regarding returns or refunds, be sure it is clearly posted at the point of sale and printed on the sales receipt in letters approximately 1/4 inch high and in close proximity to the cardholder's signature line. However, doing so does not limit the cardholder's rights to challenge under applicable laws.
- **Quality disputes can best be resolved directly with the cardholder** - *i.e., Not As Described, Defective Merchandise, Cardholder Dispute Not Elsewhere Classified, Services Not Rendered*

## Face to Face Transactions

- **Obtain an imprint of the credit card if the transaction is manually keyed into the terminal.** Be sure to complete the imprinted draft (dollar amount, date, auth, signature, etc.) so that the issuing bank will be able to tie it back to the draft printed from the terminal.
- When a card is swiped, hold the card in your hand until the receipt prints out to verify the following:
  - Verify the embossed number on the credit card matches the card number on the draft.
  - Verify that the four digits above/below the embossed card number match.
  - Compare the signature on the sales draft with the signature on the back of the card. If you cannot tell whether the signatures are the same, ask to see an other form of identification and compare the second signature or the photo images with that of the customer.
- Get authorization for the full amount of the sale. **Do not split a declined transaction into smaller increments to obtain an authorization.** If an authorization request is declined, request another form of payment. An authorization code does not guarantee that a transaction will not be disputed later. An authorization code simply identifies that the amount of credit requested for this particular transaction is available on the card. An authorization code does not protect you in the event of a chargeback regarding unauthorized transactions or disputes involving the quality or delivery of goods and services.
- Verify the valid to/from dates on the card.

**MORE TIPS ON PAGE 2 ▼**

### MO/TO & E-Commerce Transactions

(where credit card is not present)

- Verify the cardholder's address by using the address verification system (AVS). Your terminal can be set up for the AVS program, which allows you to include an AVS request with an authorization request. You will receive a result code indicating whether the address given matches (exactly, partially, or not at all) the address the issuer has on file for that account.
- If using a Visa card, verify the card verification value (CVV2) printed on the back of the VISA card. Your terminal can be set up for the CVV2 program. You will receive either a "match" or "no match" response from the card-issuing bank if CVV2 is provided at the time of authorization.

**NOTE:** Use of CVV2 and AVS can lessen a MO/TO/Internet merchant's risk of chargebacks by providing better information on which the merchant can make better business decisions. However, CVV2 and AVS do not eliminate chargebacks nor absolve the merchant of his liability for chargebacks associated with processing credit card transaction.

**For more information about AVS and CVV2, contact your customer service representative.**

- Obtain authorization for the full amount of the sale. Getting an authorization for a telephone/mail order or Internet transaction does not guarantee against chargebacks for lost or stolen cards or other types of cardholder disputes.
- **Send merchandise with a carrier that required the "ship to" person to sign for the package as acknowledgment of receipt of the delivery.** (Always ship to the cardholder at his billing address)
- Charge the account at the time the merchandise is shipped.
- Since MO/TO transactions are not face to face, it cannot be determined that it is truly the cardholder who is authorizing the sale.

### Be alert to the customer who:

- Makes indiscriminate purchases without regard to size, color, style or price.
- Questions the sales clerk about the floor limit or makes several individual purchases that approach, but do not exceed, the floor limit.
- Is unnecessarily talkative or delays a selection repeatedly, until the clerk is upset.
- Hurries a clerk at quitting time.
- Purchases a large item, such as a color television console, and insists on taking it immediately instead of having it delivered - even when delivery is included in the price.
- Pulls a card from a pocket rather than a wallet.
- Signs the sales draft in a deliberate or unnatural manner.
- Appears too young to be making purchases with a credit card.
- Buys clothing without trying it on for size or declines alterations included in the price.
- Charges expensive items on a newly valid credit card.
- Does not have a driver's license or tells you that it is in the car, or provides only a temporary license without a photo.
- Asks no questions on major purchases.
- Makes purchases, leaves the store, and returns to make more purchases.
- Makes purchases right at opening or at the last minute when store is closing.
- Uses a card belonging to a friend or relative.
- Buys high-ticket items with a request to be sent next day air or picked up by a runner at a later time.
- Uses U.S. credit cards and requests the merchandise to be shipped to an address outside the U.S.

**NOTE:** Any or all of the above can occur in a perfectly legitimate transaction. Common sense is the best guide for spotting suspicious behavior.

Please visit the following Web sites for additional information regarding credit card fraud, chargeback processing and other helpful hints:

MasterCard - [www.mastercard.com/business](http://www.mastercard.com/business)  
 VISA - [www.visabrc.com](http://www.visabrc.com)