

# Understanding Chargebacks



 **CHARGEBACK Advocacy<sup>SM</sup>**  
REDUCING TRANSACTION RISK

PART ONE

Visa Chargeback Codes & Action

Bankers Insurance Group  
Global Institutional Solutions

## Chargeback Reason Codes

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SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## How to use the information in this paper

### Important sections

In this section, each chargeback reason code includes the following information:

- **Definition.** Each chargeback is defined. The definition will help you understand what happened from the card issuer's perspective; that is, what conditions or circumstances existed that caused the card issuer to issue a chargeback on the item.
- **Most Common Causes.** This section looks at the chargeback from the merchant's perspective; that is, what may or may not have been done that ultimately resulted in the item being charged back. The "Causes" sections are short and may be helpful to you as quick references and/or for training purposes.
- **Merchant Actions.** This section outlines specific steps that merchants can take to help their acquirers remedy the chargeback, prevent future recurrence, and address customer service issues. You will also be advised under what circumstances—that is, circumstances where there is no remedy available—you should accept financial liability for the charged back item. Merchant actions are further classified by the staff functions within your establishment most likely to be responsible for taking the actions.

### Delegation of action

- ◆ **Back-Office Staff.** The employees responsible for your general operations, administration, and processing of chargebacks and copy requests.
- ◆ **Point-of-Sale Staff.** The employees responsible for accepting payment from customers for goods and services at the point of sale. For card-absent environments, point-of-sale staff refers to order desk staff who receive and process orders.
- ◆ **Owner/Manager.** The employee(s) responsible for the policies, procedures, and general management of your establishment. Owners and managers may also be responsible for training.

### Acronyms

The suggestions and recommendations for merchant actions are further classified by action type.

- **(PR) Possible Remedy.** Steps you could take to help your acquirer re-present (resubmit) a chargeback item.
- **(NR) No Remedy.** You must accept the chargeback.
- **(PM) Preventive Measures.** Possible steps you could take to minimize future recurrence of the particular type of chargeback being discussed.
- **(CS) Customer Service.** Suggestions that may help you provide enhanced service to your customers.

#### Disclaimer

The chargeback information in this section is current as of the date of printing. However, chargeback procedures are frequently updated and changed. Your merchant agreement and Visa International Operating Regulations take precedence over this manual or any updates to its information. For a copy of the Visa International Operating Regulations visit [www.visa.com/merchant](http://www.visa.com/merchant).

SOURCE: **Visa.** *Chargeback Management Guidelines for Visa Merchants.* 2011.



## Reason Code 30

### Services Not Provided or Merchandise Not Received

#### Definition

The card issuer received a claim from a cardholder that merchandise or services ordered were not received or that the cardholder cancelled the order as the result of not receiving the merchandise or services by the expected delivery date (or merchandise was unavailable for pick-up).

#### Most Common Causes

##### The merchant:

- Did not provide the services.
- Did not send the merchandise.
- Billed for the transaction before shipping the merchandise.
- Did not send the merchandise by the agreed-upon delivery date.
- Did not make merchandise available for pick-up.

#### Merchant Actions

##### Back-Office Staff

##### Merchandise Was Delivered

(PR) If the merchandise was delivered by the agreed-upon delivery date, contact your acquirer with details of the delivery or send your acquirer evidence of the delivery, such as a delivery receipt signed by the cardholder or a carrier's confirmation that the merchandise was delivered to the correct address. If the merchandise was software that was downloaded via the Internet, provide evidence to your acquirer that the software was downloaded to or received by the cardholder.

##### Less Than 15 Days Since Transaction and No Delivery Date Set

(PR) If no delivery date has been specified, and the card issuer charged back the transaction less than 15 days from the transaction date, send a copy of the sales receipt to your acquirer pointing out that 15 days have not yet elapsed. You should also state the expected delivery date.

##### Specified Delivery Date Has Not Yet Passed

(PR) If the specified delivery date has not yet passed, return the chargeback to your acquirer with a copy of the documentation showing the expected delivery date. In general, you should not deposit sales receipts until merchandise has been shipped. For custom-made merchandise, you may deposit the entire transaction amount before shipping, provided you notify the cardholder at the time of the transaction.

##### Merchandise Shipped After Specified Delivery Date

(PR) If the merchandise was shipped after the specified delivery date, provide your acquirer with the shipment date and expected arrival date, or proof of delivery and acceptance by the cardholder.

##### Services Were Rendered

(PR) If the contracted services were rendered, provide your acquirer with the date the services were completed and any evidence indicating that the customer acknowledged receipt.

SOURCE: Visa. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 30

### Services Not Provided or Merchandise Not Received

#### Merchant Actions

##### *Back-Office Staff*

##### **Merchandise Was Available for Pick-Up**

(PR) If you received a chargeback for merchandise that was to be picked up by the cardholder, consider the following and provide this information to your acquirer:

1. The merchandise was available for the cardholder to pick up,
2. The chargeback was processed less than 15 days from the transaction date and no pick-up date was specified, and
3. The specified pick-up date had not yet passed as noted on any internal documentation (e.g., invoice, bill of sale).

##### *Point-of-Sale Staff*

##### **Delayed Delivery**

(PM) (CS) If delivery of merchandise is to be delayed, notify the customer in writing of the delay and the expected delivery date. As a service to your customer, give the customer the option of proceeding with the transaction or cancelling it (depending on your customer service policy).

##### **Expected Delivery**

(PM) For any transaction where delivery occurs after the sale, the expected delivery date should be clearly indicated on the sales receipt or invoice.

##### *Owner/Manager*

##### **Proof of Delivery/Proof of Pick-Up**

(PM) If you are shipping merchandise without requesting proof of delivery, consider the costs and benefits of doing so compared to the value of the merchandise you ship. Proof of delivery or pick-up, such as certified mail or a carrier's certification that the merchandise was delivered to the correct address or picked up and signed for by the cardholder, will allow you to return the chargeback if the customer claims the merchandise was not received.

##### **Software Downloaded via Internet**

(PM) If you sell software that can be downloaded via the Internet, Visa suggests that you design your website to enable you to provide evidence to your acquirer that the software was successfully downloaded and received by the cardholder.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 41

### Cancelled Recurring Transaction

#### Definition

The card issuer received a claim by a cardholder that:

- The merchant was notified to cancel the recurring transaction or that the cardholder's account was closed but has since billed the customer.
- The transaction amount exceeds the pre-authorized dollar amount range, or the merchant was supposed to notify the cardholder prior to processing each recurring transaction, but has not done so.

#### Most Common Causes

##### The cardholder:

- Withdrew permission to charge the account.
- Cancelled payment of a membership fee.
- Cancelled the card account.

##### The card issuer:

- Charged back a previous recurring transaction.
- Cancelled the card account.

##### The merchant:

- Received notice before the transaction was processed that the cardholder's account was closed.
- Exceeded the pre-authorized dollar amount range and did not notify the cardholder in writing within ten days prior to the transaction date.
- Notified the cardholder in writing within ten days of processing the recurring transaction, but cardholder did not consent to the charge.

#### Merchant Actions

##### Back-Office Staff

##### Transaction Cancelled and Credit Issued

(PR) If the cardholder claimed to have cancelled the recurring transaction, inform your acquirer of the date that the credit was issued.

##### Transaction Cancelled and Credit Not Yet Processed

(NR) If a credit has not yet been processed to correct the error, accept the chargeback. Do not process a credit; the chargeback has already performed this function.

##### Transaction Not Cancelled

(NR) If you do not have a record showing that the cardholder did not cancel the transaction, accept the chargeback. The cardholder does not have to supply evidence that you received the cancellation notice.

##### Transaction Cancelled—Services Used

(PR) If the customer claimed they were billed for the service after they cancelled, you may need to supply proof to your acquirer that the bill in question covered services used by the customer between the date of the customer's prior billing statement and the date the customer requested cancellation.

##### Cardholder Expressly Renews

(PR) If the customer expressly renewed their contract for services, inform your acquirer.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 41

### Cancelled Recurring Transaction

#### Merchant Actions

##### Final Billing

(CS) (PM) If the customer has cancelled the recurring payment transaction and there is a final payment still to be charged, contact the cardholder directly for payment.

##### Customer Cancellation Requests

(CS) (PM) Always respond in a timely manner to customer requests relating to renewal or cancellation of recurring transactions. Check customer logs daily for cancellation or non-renewal requests; take appropriate action to comply with them in a timely manner. Send notification to the customer that his or her recurring payment account has been closed. If any amount is owed for services up to the date of cancellation, seek another form of payment if necessary.

##### Credit Cardholder Account

(CS) (PM) Ensure credits are processed promptly. When cancellation requests are received too late to prevent the most recent recurring charge from posting to the customer's account, process the credit and notify the cardholder.

##### Transaction Exceeds Pre-authorized Amount Ranges

(PM) (PR) Flag transactions that exceed pre-authorized amount ranges; notify customers of this amount at least ten days in advance of submitting the recurring transaction billing. If the customer disputes the amount after the billing, send evidence of the notification to your acquirer.

##### Owner/Manager

##### Train Staff on Proper Procedures

(PM) Train your sales and customer service staff on the proper procedures for processing recurring transactions as these transactions are particularly susceptible to cardholder disputes.

(PM) To minimize the risk associated with all recurring transactions, merchants should participate in Visa Account Updater (VAU)\* to verify that on file information, including account number and expiration date, is correct. VAU is a Visa service that allows merchants, acquirers, and card issuers to exchange electronic updates of cardholder account information.

The VAU service ensures that merchant on-file information (cardholder account number, expiration date, status, etc.) is current. VAU allows Visa merchants, acquirers, and card issuers to electronically exchange the most current cardholder account information, without transaction or service interruption.

SOURCE: Visa. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 53

### Not As Described or Defective Merchandise

#### Definition

The card issuer received a notice from the cardholder stating that the goods or services were:

- Received damaged, defective, not the same as shown and/or described on-screen (for Internet transactions), as described on the transaction receipt or other documentation presented to the cardholder at the time of the transaction.
- Not the same as the merchant's verbal description (for a telephone transaction).
- Unsuitable for the purpose in which it was sold.

For this reason code, the cardholder must have made a valid attempt to resolve the dispute or return the merchandise. An example of a valid attempt to return may be to request that the merchant retrieve the goods at the merchant's own expense.

#### Most Common Causes

##### The merchant:

- Sent the wrong merchandise to the cardholder.
- Sent the merchandise, but it was damaged during shipment.
- Inaccurately described the merchandise or services.
- Did not cancel the services purchased by the cardholder.
- Did not perform the services as described.
- Did not accept the returned merchandise.
- Accepted the returned merchandise, but did not credit the cardholder's account.

Merchants should keep in mind that their return policy has no bearing on disputes that fall under Reason Code 53: Not as Described or Defective Merchandise.

#### Merchant Actions

##### Back-Office Staff

##### Credit Was Processed

(PR) If merchandise was returned or services were cancelled and a credit was processed to the cardholder's account, provide your acquirer with information or evidence of the credit.

##### Returned Merchandise Not Received/Services Not Cancelled

(PR) If you have not received the returned merchandise (double check your incoming shipment records to verify) or the cardholder has not cancelled the service, advise your acquirer. (For U.S. transactions, the cardholder must make a valid attempt to return merchandise or cancel the service. For International transactions the cardholder must return the merchandise or cancel the service).

##### Returned Merchandise Received—Credit Not Processed

(NR) If the cardholder's complaint is valid and you received the returned merchandise but have not yet credited the cardholder's account, accept the chargeback. Do not process a credit; the chargeback has performed this function.

##### Merchandise Was As Described

(PR) If the merchandise was as described, provide your acquirer with specific information and invoices to refute the cardholder's claims.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 53

### Not As Described or Defective Merchandise

#### Merchant Actions

##### Merchandise Returned Because Damaged

(PR) If merchandise was returned because it was damaged, provide evidence that it was repaired or replaced (provided the cardholder requested replacement or repair).

##### Services Cancelled—Credit Not Processed

(NR) If the cardholder cancelled the service but you have not yet credited the cardholder's account, accept the chargeback. Do not process a credit; the chargeback has already performed this function.

##### Service Performed Was As Described

(PR) If the service performed was as described or performed before the cardholder cancelled, provide your acquirer with as much specific information and documentation as possible refuting the cardholder's claims. It is recommended that you specifically address each and every point the cardholder makes.

##### Owner/Manager

##### Accurate Descriptions of Merchandise/Service

(CS) (PM) Ensure that descriptions of merchandise or services shown in catalogs, on Internet screens and sales receipts, or used in telephone order taking scripts are accurate, complete, and not unintentionally misleading.

##### Correct Merchandise Shipped

(CS) (PM) Regularly review your shipping and handling processes to ensure that orders are being filled accurately.

##### Train Staff on Proper Procedures

(CS) (PM) Train staff on proper procedures for taking and filling orders; schedule review sessions at least annually.

#### For Your Information

**Chargeback Amount Is Limited.** The chargeback amount is limited to the amount of the merchandise returned or services cancelled. The chargeback may include shipping and handling fees for shipment of the defective merchandise; however, must not exceed the original amount of the transaction.

**Card Issuer Waiting Period.** If merchandise was returned, the card issuer must wait at least 15 calendar days from the date the cardholder returned the merchandise (to allow sufficient time for you to process a credit to the cardholder's account) before generating a chargeback. Note: The card issuer is not required to adhere to the waiting period if it will cause the card issuer to exceed their chargeback time frame.

**Quality Disputes.** This chargeback reason code also may be used for quality disputes (e.g., a car repair situation or quality of a hotel room).

SOURCE: Visa. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 57

### Fraudulent Multiple Transactions

#### Definition

The card issuer received a claim from the cardholder, acknowledging participation in at least one transaction at the merchant outlet but disputing participation in the remaining transaction. The cardholder also states the card was in his or her possession at the time of the disputed transactions.

#### Most Common Causes

##### The merchant:

- Failed to void multiple transactions.
- Attempted to process transactions fraudulently.

##### Card-Absent Transactions

This chargeback does not apply to mail order, telephone order, or Internet transactions.

#### Merchant Actions

##### Back-Office Staff

##### Credit Processed on Disputed Transactions

(PR) If the appropriate credit has been processed to the cardholder's account on one or all of the disputed transactions, send your acquirer evidence of the credits.

##### Cardholder Participated in Multiple Transactions

(PR) If the cardholder did participate in more than one valid transaction, provide your acquirer with appropriate documentation, such as sales receipts, invoices, etc.

##### Credit Not Processed on Disputed Transactions

(NR) If appropriate credit has not yet been processed on the disputed transaction, accept the chargeback. Do not process a credit; the chargeback has already performed this function.

##### Owner/Manager

##### Investigate All Potentially Fraudulent Transactions

(PM) This type of chargeback could have serious implications for your establishment as it may indicate potential fraud occurring at the point of sale. It also may simply be the result of a mistake by point-of-sale staff. In either case, chargebacks of this nature require immediate investigation.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



**Reason Code 60**  
**Illegible Fulfillment**

**Definition**

The card issuer requested and received a transaction receipt or substitute transaction receipt and the account number or amount is illegible.

**Most Common Causes**

The merchant submitted a transaction or substitute sales receipt with an account number or amount that was not legible because:

- The point-of-sale printer ribbon was worn and the ink was too light.
- The point-of-sale paper roll was nearing the end and the colored streak indicating this fact obscured transaction information.
- The copy was on colored paper.
- The carbonless paper of the original sales receipt was mishandled, causing black blotches that made copies illegible.
- The original sales receipt was microfilmed at a reduced size, resulting in blurred and illegible copies.

**Merchant Actions**

**Back-Office Staff**

**Legible or Complete Copy**

(PR) If possible, resubmit a legible or complete copy of the sales receipt to your acquirer.

**Incomplete Sales Receipt**

(NR) If a legible copy of the sales receipt cannot be provided, accept the chargeback.

**Microfilming Sales Receipts**

(PM) If your establishment microfilms sales receipts, make copies from the microfilm at the same size as the original receipt. Reduced images result in blurred and illegible copies.

**Point-of-Sale Staff**

**Change Point-of-Sale Printer Ribbon**

(PM) Change point-of-sale printer ribbon routinely. Faded, barely visible ink on sales receipts is the leading cause of illegible receipt copies.

**Change Point-of-Sale Printer Paper**

(PM) The colored streak down the center or the edges of printer paper indicates the end of the paper roll. Change point-of-sale printer paper when colored streak first appears. It also diminishes the legibility of transaction information.

**Keep White Copy of Sales Receipt**

(PM) Keep the white copy of the sales receipt and give customers the colored copy. Colored paper does not copy as clearly as white paper and often results in illegible copies.

**Carbonless Paper Used for Sales Receipts**

(PM) Handle carbonless paper and carbon paper carefully. Any pressure on carbonless and carbon-back paper during handling and storage causes black blotches, making copies illegible. Always keep the top copy.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 60

### Illegible Fulfillment

#### Merchant Actions

#### Owner/Manager

##### Company Logo Position on Sales Receipts

(PM) Position your company logo or marketing messages on sales receipts away from transaction information. If your company name, logo, or marketing message is printed across the face of sales receipts, the transaction information on a copy may be illegible.

(PM) For fraud-related retrieval requests, provide a copy of the signed sales receipt. However, merchants are not required to respond to retrieval requests on chip-read and PIN processed transactions.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 62

### Counterfeit Transaction

#### Definition

The card issuer received a complaint from the cardholder claiming: He or she did not authorize or participate in the transaction.

#### Most Common Causes

Counterfeit card was used for a magnetic stripe or chip-initiated transaction that received authorization and the merchant:

- Failed to compare the first four-digits of the embossed account number on the card with the preprinted digits below the embossed number for a card-present transaction.
- Received authorization without transmission of required data.
- Accepted a chip card containing a Visa or Visa Electron Smart Payment Application or an EMV and VIS-Compliant Plus application, but processed the chip card as a fallback transaction—via magnetic stripe, key-entry, or paper voucher, and did not follow correct acceptance procedures.

#### Merchant Actions

##### **Back-Office Staff**

##### **Card and Transaction Were Valid**

(PR) If the card was swiped and transaction was authorized at the point-of-sale, provide your acquirer with a copy of the printed sales receipt.

##### **Transaction Was Counterfeit**

(NR) If the transaction was counterfeit, accept the chargeback.

##### **Point-of-Sale Staff**

##### **Check Card Security Features**

(PM) Check all card security features before completing the transaction. In particular, the first four digits of the embossed account number on the card should match the printed four-digit number below the embossed number. If the numbers do not match, make a Code 10 call. You should also check to make sure that the embossed account number on the front of the card is the same as the number that appears on the terminal after you swipe the card. In addition, be sure to look for other signs of counterfeit such as embossed numbers that are blurry or uneven, or ghost images beneath the embossed numbers, indicating they have been changed.

##### **Code 10 Calls**

(PM) If you are suspicious of a card or cardholder for any reason, make a Code 10 call.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



**Reason Code 71**  
**Declined Authorization**

**Definition**

The card issuer received a transaction for which authorization had been declined.

**Most Common Causes**

The merchant or service establishment attempted to circumvent or override a declined authorization using one of the following methods:

- Forced posting. After a decline or card pickup response, the merchant forced the transaction through without attempting another authorization request.
- Multiple authorization attempts. After an initial authorization decline, the merchant re-swiped the card one or more times until the transaction was authorized. In this situation, authorization might occur if the card issuer's authorization system times out or becomes unavailable, and the transaction is forwarded to Visa.
- Alternative authorization method. The merchant swiped or dipped the card at a point-of-sale terminal, and the authorization was declined. The merchant then resubmitted the transaction by key entry or called in a voice authorization and received an approval.

**Merchant Actions**

**Back-Office Staff**

**Transaction Was Authorized**

(PR) If you obtained an authorization approval code, inform your acquirer of the transaction date and amount. Most acquirers will verify that an authorization approval was obtained. If the transaction was authorized, Visa systems may reject this type of chargeback as invalid so you never see it.

**Point-of-Sale Staff**

**Obtain Authorization**

(PM) Obtain an authorization before completing transactions. With most point-of-sale terminals, an authorization request is sent automatically when the card is swiped or dipped and the dollar amount entered. If your terminal also has a printer, a receipt is printed if the transaction is approved and not printed if the transaction is declined.

**Alternatives if Terminal Cannot Read Chip Card**

(PM) If the terminal is unable to read a chip card, you can attempt to swipe or key-enter the transaction given that proper fallback indicators are provided to the issuer for approval.

**Owner/Manager**

**Staff Awareness of Authorization Policy**

(PM) Ensure that all sales staff knows your establishment's authorization policy. Inform staff that in the event of a declined transaction, they should immediately stop the transaction and ask the customer for another Visa card or other form of payment.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 72

### No Authorization

#### Definition

The card issuer received a transaction for which authorization was not obtained or authorization was obtained using invalid or incorrect transaction data. For Automated Fuel Dispenser (AFD) transactions, the card issuer may only chargeback the amount exceeding one of the following:

- Amount authorized by the issuer
- For an EMV PIN transaction, US \$100, or local currency equivalent, if a Status Check Authorization was obtained
- For all other transactions, US \$75 or local currency equivalent, if a Status Check Authorization was obtained
- For a U.S. Domestic Visa Fleet Card transaction, US \$150, if a Status Check Authorization was obtained

#### Most Common Causes

- The merchant did not obtain an authorization for a transaction or, for card-present transactions, obtained it after the transaction date.
- The merchant did not exclude the tip in the authorization amount. The merchant should request an authorization for the known amount, not the transaction amount plus estimated tip.

Taxicab, limousine, bar, tavern, beauty/barber shop, health/beauty spa, and restaurant authorizations are automatically valid for the transaction amount plus 20 percent to protect merchants from chargeback liability for a disputed transaction amount.

Restaurants are permitted and protected from chargeback if they clear for an amount up to 20 percent more than they authorized, and the same is true up to 15 percent additional for T&E merchants.

#### Merchant Actions

##### **Back-Office Staff**

##### **Transaction Was Authorized**

(PR) If you obtained an authorization approval, inform your acquirer of the transaction date and amount.

##### **Transaction Was Not Authorized**

(NR) Accept the chargeback. Most acquirers will verify that a transaction was authorized and approved. If the transaction was authorized, Visa systems may reject the chargeback as invalid, and you will never see it.

##### **Point-of-Sale Staff**

##### **Obtain an Authorization**

(PM) Obtain an authorization before completing transactions. The authorization request is sent automatically when you swipe the card through a magnetic card reader or insert the card into a chip-reading device\*, then enter the dollar amount. A receipt is printed if the transaction is approved; if it is not approved, you will receive a "Decline" (or "Call Center" or "Pick-Up") message on your point-of-sale terminal.

(PM) Make sure the authorization amount is equal to the check amount. Do not include the tip in your authorization request. For example, if the check before tip is US \$37.42, the authorization should be for US \$37.42.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 72

### No Authorization

#### Merchant Actions

##### *Point-of-Sale Staff*

###### **Point-of-Sale Terminal Programming**

(PM) Find out from your point-of-sale provider if your authorization system has been properly programmed to authorize only for the check amount before the tip is added.

###### **Magnetic-Stripe Reader Down or Card's Magnetic Stripe Damaged**

(PM) If you are unable to get an electronic authorization because your terminal isn't working or because the card's magnetic stripe cannot be read, you can request an authorization either by key-entering the transaction or calling your voice authorization center. If the transaction is approved, be sure the approval code is on the sales receipt in the appropriate space; in the case of a voice authorization, you will need to write it on the receipt. You should also imprint the embossed account information from the front of the card on a sales receipt or manual sales receipt form, which the customer should sign.

###### **Terminal Cannot Read the Chip**

(PM) If the chip-reading device cannot read the chip on the card, it means the card and chip-reading device have no applications in common. In this case, you should follow "fallback" requirements and accept the chip card via standard magnetic stripe transaction processing as prompted on the terminal screen.

Fallback refers to the action taken by a merchant to allow chip cards to be processed via magnetic stripe or key entry at chip-enabled terminals if the terminal fails to read the chip. Because the fallback transaction is swiped or keyed, the normal rules of transaction processing will come into play meaning that a signature will be required, rather than a PIN. In addition, manual imprints will be required for key-entered transactions. Merchants should not force a fallback transaction.

Merchants are more likely to see declines for fallback transactions, than for a valid chip card transaction.

##### **Card-Absent Transactions**

###### **Floor Limits**

(PM) Floor limits are zero for all card-absent transactions with the exception of prestigious lodging merchants. This means they always require authorization regardless of the dollar amount of the transaction.

##### **Owner/Manager**

###### **Staff Awareness of Authorization Policy**

(PM) Ensure that all sales staff know your authorization policy.

###### **Staff Training**

(PM) Instruct staff to authorize only for the check amount. Emphasize that the authorization amount should equal the check amount and exclude any tip percentage.

(PM) Make sure your staff is properly trained in chip-capable terminal operation and fallback transaction processing.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 73

### Expired Card

#### Definition

The card issuer received a transaction that was completed with an expired card and was not authorized.

#### Most Common Causes

The merchant accepted a card after its expiration or “Good Thru” date and did not obtain an authorization approval from the card issuer.

#### Merchant Actions

##### **Back-Office Staff**

##### **Card Not Expired—Key-Entered Transaction**

(PR) For key-entered transactions, the expiration date should be on the manually imprinted copy of the front of the card. If the expiration date on the sales receipt shows the card had not expired at the time of the sale, send a copy of the receipt to your acquirer. The chargeback is invalid regardless of whether authorization was obtained.

##### **Card Expired, Authorization Obtained**

(PR) If the card was swiped or a manual imprint made, and authorization approval was obtained as required, inform your acquirer of the transaction date and amount. Many acquirers automatically handle this type of chargeback so you never see it.

##### **Card Expired, No Authorization Obtained**

(NR) If the card has expired and you did not obtain an authorization, accept the chargeback.

##### **Point-of-Sale Staff**

##### **Check Expiration Date**

(PM) Check the expiration or “Good Thru” date on all cards. A card is valid through the last day of the month shown, (e.g., if the Good Thru date is 03/12, the card is valid through March 31, 2012 and expires on April 1, 2012.)

##### **Card-Absent, Authorization Obtained**

(PR) If the transaction was a MO/TO or Internet transaction, and authorization approval was obtained/required, inform your acquirer of the transaction amount and date. Many acquirers automatically handle this type of chargeback, so you really never see it.

##### **Owner/Manager**

##### **Check Card Expiration Date**

(PM) Periodically remind point-of-sale staff to check the card’s expiration date before completing transactions and to always obtain an authorization approval if the card has expired.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 74

### Late Presentment

#### Definition

The transaction was not processed within the required time limits and the account was not in good standing on the processing date, or the transaction was processed more than 180 calendar days from the transaction date.

#### Most Common Causes

The merchant or service establishment did not deposit the sales receipt with its acquirer within the time frame specified in its merchant agreement.

#### Merchant Actions

##### **Back-Office Staff**

##### **Sales Receipt Deposited on Time**

(PR) If the sales receipt was deposited within the time frame specified by your acquirer, ask your acquirer to forward a copy of the receipt to the card issuer.

##### **Sales Receipt Deposited Late—Account Closed**

(NR) If the sales receipt was not deposited within 10 to 180 days of the transaction date and the cardholder account has been closed, the chargeback is valid. (NR) For multi-location, centrally accumulated merchants (e.g., travel and entertainment, service stations), if the sales receipt was not deposited within 20 to 180 days of the transaction date and the cardholder account has been closed, the chargeback is valid.

##### **Sales Receipt Older than 181 Days**

(NR) If the sales receipt was deposited more than 181 days after the transaction date, accept the chargeback. (In this situation, the cardholder's account status is not a factor.)

##### **Deposit Timing Guidelines**

(PM) Deposit sales receipts with your acquirer as soon as possible, preferably on the day of the sale or within the time frame specified in your merchant agreement.

Time limits for depositing transactions are set to ensure timely processing and billing to cardholders. When you hold transactions beyond the period defined in your merchant agreement (usually one to five days), you lose money, affect customer service (cardholders expect to see transactions on their Visa statements within the same or next monthly cycle), and possibly invite a chargeback. No remedies exist for chargebacks on sales receipts deposited 181 days or longer after the transaction date.

##### **Owner/Manager**

##### **Manual Deposit of Paper Sales Receipts**

(PM) If you deposit paper sales receipts, ensure that your staff deposits them on a regular schedule within the time frame required by your acquirer.

##### **Transaction Data Capture Terminals**

(PM) Transaction data capture sales terminals allow you to electronically deposit your sales transactions after you have balanced them each day. If you currently process deposits manually, consider the costs and benefits of a transaction data capture system at the point of sale. Electronic cash registers are another option. They can be set up so that your transactions are automatically deposited in batches or on a real-time basis.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.



## Reason Code 75

### Transaction Not Recognized

#### Definition

The card issuer received a complaint from a cardholder stating that the transaction appearing on the billing statement is not recognized. This reason code applies to both card-present and card-absent transactions.

#### Most Common Causes

The merchant store name or location reflected on the cardholder's billing statement was not correct or recognizable to the cardholder.

#### **Back-Office Staff**

#### **Cardholder Participated in Transaction**

(PR) Provide any documentation or information that would assist the cardholder in recognizing the transaction. For example:

- Sales receipt
- Shipping invoice or delivery receipts
- Description of merchandise or service purchased

#### Merchant Actions

#### **Owner/Manager**

#### **Merchant Name**

(PM) The merchant name is the single most important factor in cardholder recognition of transactions. Therefore, it is critical that the merchant name, while reflecting the merchant's "Doing Business As" (DBA) name, also be clearly recognizable to the cardholder. Work with your acquirer to ensure your merchant name, city, and state are properly identified in the clearing record.

(PM) The merchant is protected from a Reason Code 75: Transaction Not Recognized chargeback if the transaction has an Electronic Commerce Indicator (ECI) 5 (cardholder is fully authenticated) or ECI 6 (cardholder is not participating in Verified by Visa). The merchant must comply with the ECI process and procedures in order to benefit from this protection.

SOURCE: **Visa**. *Chargeback Management Guidelines for Visa Merchants*. 2011.

