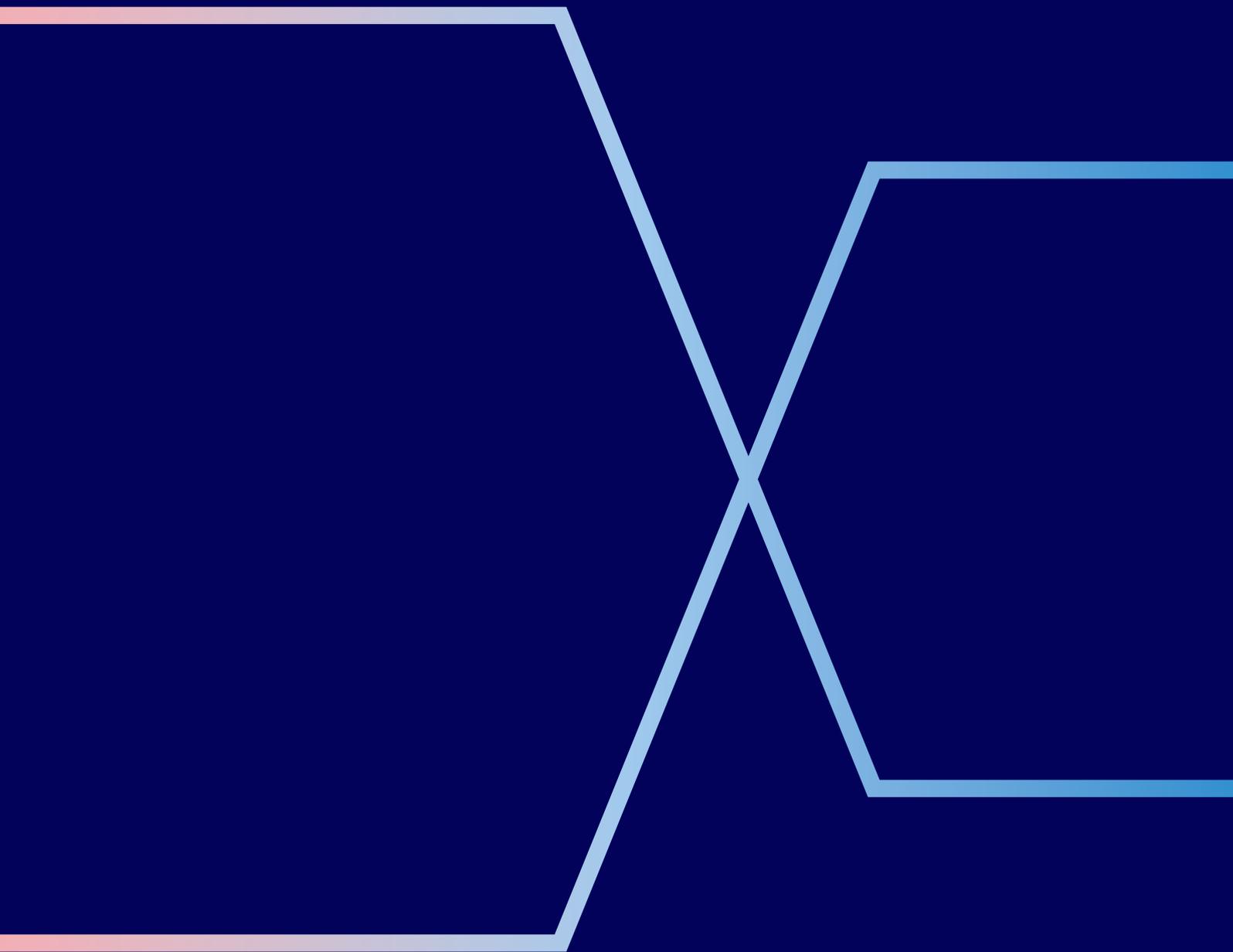


Simplifying chargebacks



Your guide to understanding, preventing, and managing payment disputes

As a small business owner, accepting cards is a no-brainer - but so is knowing how to protect your payments and revenue. One possible risk to cashflow comes in the shape of **chargebacks**, also known as transaction disputes, and they can be a frustrating, time-consuming issue that directly impacts your bottom line.

The team at Elavon is here to help you get to grips with **chargebacks** and handle them with confidence. This guide explains, without any jargon, exactly what **chargebacks** are, why they happen, and most importantly, how to prevent and react to them in the best way - so you don't get bogged down in unnecessary admin, avoid unnecessary costs and can stay focused on growing your business.

Payment security and prevention

One of the most effective ways to prevent chargebacks is to make sure every transaction is secure. Transactions made by Chip & Pin, contactless with limits, and 3D-secure for eCommerce - all are usually considered to be secure transactions, and they help reduce the risk of fraud. Understand the difference between secure and insecure transactions [here](#).

Make sure your payment systems are PCI-DSS compliant (basically, that they comply with the Payment Card Industry standards), that they're regularly updated, and properly configured. Train staff to handle payments carefully and to recognise suspicious behaviour. Talk to your payments partner about how to do this, they should have support, training and tools you can tap into.

Making your payments secure not only protects your customers, it's also good for business, significantly reducing the risk of reputational and commercial damage from fraud, and the likelihood of disputes and chargebacks.

1. What is a chargeback?

A **chargeback** is a formal dispute raised by a cardholder through their issuing bank, looking to reverse a transaction. Each card scheme (this means Visa, Mastercard etc) operates their own **chargeback** rules, but they're all very similar.

Chargebacks are designed to protect customers from fraud or errors, but they can also result in lost revenue and additional fees for your business. Before we explore ways to reduce the risk and the impact of chargebacks, we'll help you to understand the end-to-end process and players.

2. Who's involved in a chargeback?

- **Cardholder:** the customer disputing the charge.
- **Issuer:** the cardholder's bank.
- **Merchant:** that's you, the business accepting card payments.
- **Acquirer:** your payment processor (in our case, Elavon).
- **Card scheme:** network facilitating the transaction (e.g. Visa or Mastercard)

Technically, only a card issuer can initiate a **chargeback** via the relevant card scheme. There are two reasons they might: because a cardholder has asked them to, or because they are protecting themselves against financial loss. The latter cases are usually related to invalid authorisations and often, these happen without the cardholder knowing. More information about this can be found [here](#).

If a **chargeback** is initiated, the merchant needs to prove that the cardholder has no right to dispute the payment. That's why we recommend you keep detailed records of every sale and make sure your terms, refunds and returns policies are visible and easy for your customers to understand.

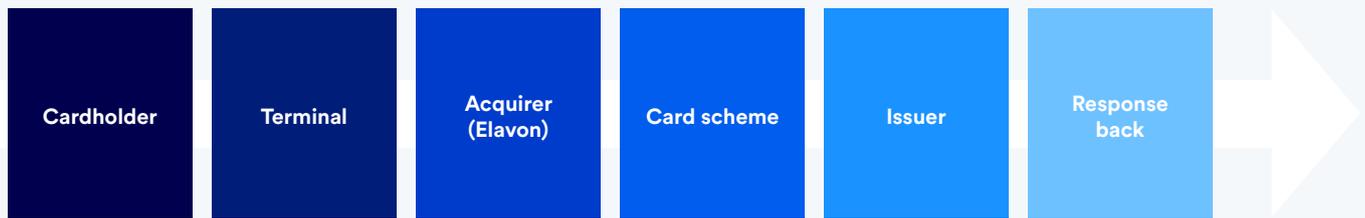
Processing transactions securely (e.g. using Chip & PIN, contactless and 3D-secure) while avoiding offline, unsecure transactions, will make any **chargebacks** easier for you to defend.

Top tip:

While Elavon submits your response to the card scheme, it's your responsibility to provide the necessary evidence to support your case. Be organised and keep records of every sale.

3. How do card transactions work?

The transaction flow



When a card is used to pay for anything, the transaction request passes through several steps and organisations, all shown in the diagram above, and all in just a few seconds. If approved, the funds are transferred out of the cardholder’s account, through the flow, into your merchant account.

A **chargeback** reverses this process, taking the original transaction and pushing it back through the flow, in the other direction.

4. Why do chargebacks happen?

Chargebacks are usually opened because a card was used fraudulently, a customer was dissatisfied with the service or product they purchased, or because there has been an administrative error or a policy misunderstanding.

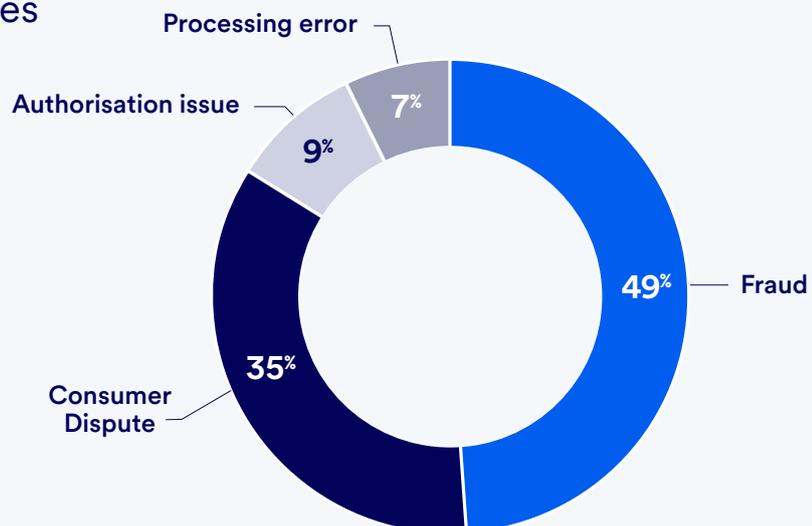
Chargebacks are grouped into four main categories using reason codes.

- **Fraud:** card was used without authorisation
- **Consumer dispute:** item paid for was not received, or it was defective
- **Processing error:** transaction processed as duplicate or incorrect amount
- **Authorisation issue:** improper or missing approval

You’ll find a full list of **chargeback reason codes** and supporting documents [here](#).

Chargeback Reason Codes

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5. How to prevent chargebacks

Even with robust and accurate sales record keeping and helpful, expert support from your acquirer, you'll want to avoid **chargebacks** if you can.

Here are a few things you can do to make your payments more secure and minimise the likelihood that a customer needs to initiate a **chargeback**.

- Always use secure payment methods (like Chip & Pin, 3D-secure).
- Clearly display and signpost your refund return policies, and any Ts & Cs.
- Provide excellent customer service, accessible contact details and timely responses.
- Issue refunds promptly once agreed, so that customers don't need to escalate.
- Keep thorough sales records, receipts and proof of delivery. The onus is on merchants to provide evidence that the customer has no right to dispute a transaction.



Top tip:

Make sure your business name is recognisable on cardholder statements. If a customer doesn't remember buying from you, they may dispute the transaction.

6. How to respond to a chargeback

Each reason code requires different documentation to be provided in your response, and some business types are required to respond differently.

Here you'll find a summary of reason codes, plus further guidelines to help you respond in the best way.

It's important that you respond quickly to every case you disagree with, so we can represent you effectively. Here are the tasks you need to complete.

1. Review the **chargeback** notice sent by Elavon.
2. Gather evidence: receipts, terms, delivery confirmation, emails.
3. Respond promptly via Elavon connect email (**chargebacks@Elavon.com**).
4. Follow guidelines specific to the reason code.
5. Monitor updates through Elavon connect.

If a **chargeback** can't be resolved, it becomes governed by the card schemes' Arbitration Committee. There are no strict deadlines associated with this process, and an Arbitration fee in excess of €500 might be charged by the card scheme and passed through to you as the merchant.

When is a dispute not a chargeback?

There are a number of processes linked to disputed transactions, other than chargebacks, which you may be asked to respond to. To avoid escalation, you should always respond quickly and with all the relevant evidence.

Retrieval process

This is a request for documentation, usually a signed receipt or itemised invoice, which might precede a **chargeback**.

Good Faith process

Card associations are not involved in this process. This is a voluntary request for funds which can be initiated by either acquirer or issuer, and neither are mandated to respond. This may or may not be linked to a full chargeback.

Compliance process

A bit like Good Faith, this process can apply in situations which are not subject to **chargeback** rules or don't meet the reason codes. In this case, if the issuer and acquirer can't agree, the card scheme can step in to decide an outcome.



Top tip:

You only get one chance to respond. Include everything upfront and don't miss any deadlines!

7. Timeframes and deadlines

Usually, chargebacks must be filed within **120 days** of the transaction or expected service date, while some extend to **540 days** in special cases (e.g. travel, postponed services). This can vary by card scheme and reason code, so make sure you check which applies to you. Chargebacks can be resolved within a few days, or many months. Importantly, missing the deadline means an automatic loss.

8. Understanding the costs and risks of chargebacks

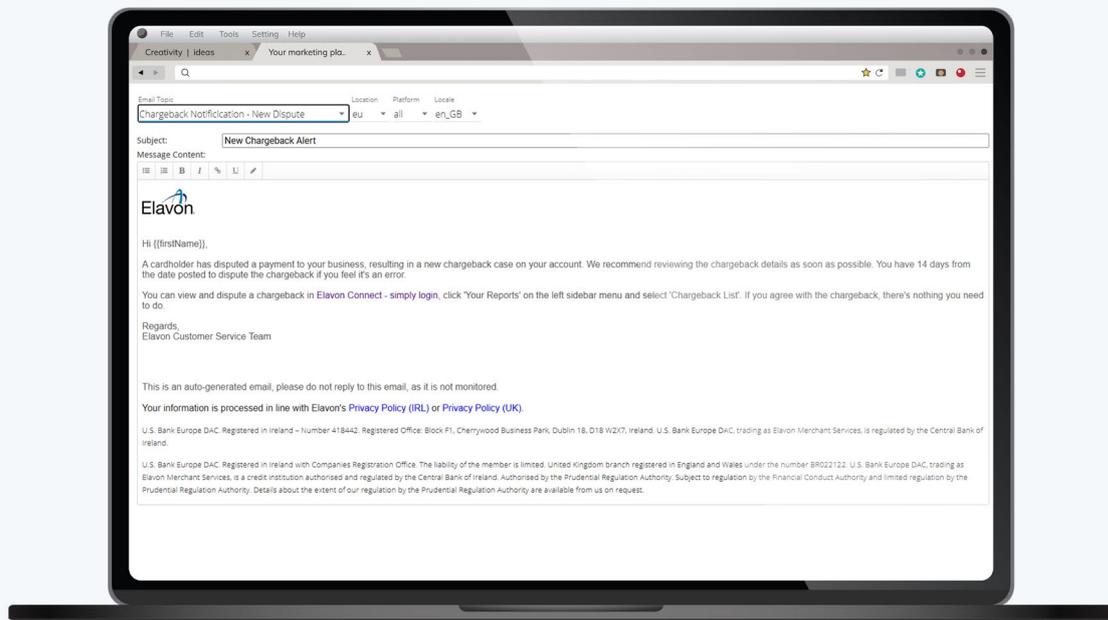
There are some admin costs associated with **chargebacks**, including a fee per **chargeback**, which is outlined in your Elavon contract, plus an Arbitration fee if resolution isn't agreed and the card scheme has to step in.

In addition, your business can lose revenue when refunding goods and services within the **chargeback** request. Too many **chargebacks** might impact your status as a merchant, and if this leads to disappointed customers, could have a negative impact on your reputation.

9. How will I be notified if a chargeback is started against my business?

The first thing you'll receive is an encrypted email from the Elavon Chargebacks Team. It's a good idea to check that sure your email system can receive and open encrypted messages, and details on how to open this type of mail can be found [here](#).

Remember that we only use one email address per business, for any communications related to **chargebacks**, so please make sure your business email address is the right one and is kept up to date. You'll also be alerted through our customer service platform, Elavon Connect and you can see an example of this below.



Frequently asked questions

For a full list of FAQs, visit [Elavon.co.uk/chargebacks](https://elavon.co.uk/chargebacks). Below you'll find some of the questions that pop up most frequently.

What is an authorisation code?

Issuing banks make a data informed decision to **Approve** or **Decline** a transaction. The authorisation code is a number provided by the issuer bank during the transaction, confirming that the card is valid, that sufficient funds are available at that time and that the transaction is **Approved**.

Can I open a chargeback as a merchant?

No, only issuers can open a **chargeback**, either for themselves or when requested by a cardholder.

If my chargeback has a Fraud reason code, does that mean my business has been accused of fraudulent behaviour?

No. Usually, Fraud codes are used when cardholder details have been compromised, and there can be other reasons. It's not immediately an accusation that your business has done anything wrong.

Can I contact a cardholder during the chargeback process?

Yes, but remember that anything you discuss outside of the process might not be usable as evidence, nor provide an official resolution.

What is a difference between refund a chargeback?

A refund is initiated by the merchant, while a chargeback is initiated by the issuing bank.

What is a difference between cashback and chargeback?

Although they share a similar name, cashback and chargebacks have nothing in common. Cashback is an option on your terminal whereby a cardholder can pay with a card in return for cash from the merchant.

I am PCI compliant. Shouldn't I be secured from chargebacks?

PCI DSS is not related to chargebacks. PCI DSS ensures that data is processed and stored safely, while chargebacks are related to services and correct processing.

Should I issue a refund to the customer if I agree with the claim?

No, once a chargeback has been started, you should follow the process to the end.

10. Resources and support

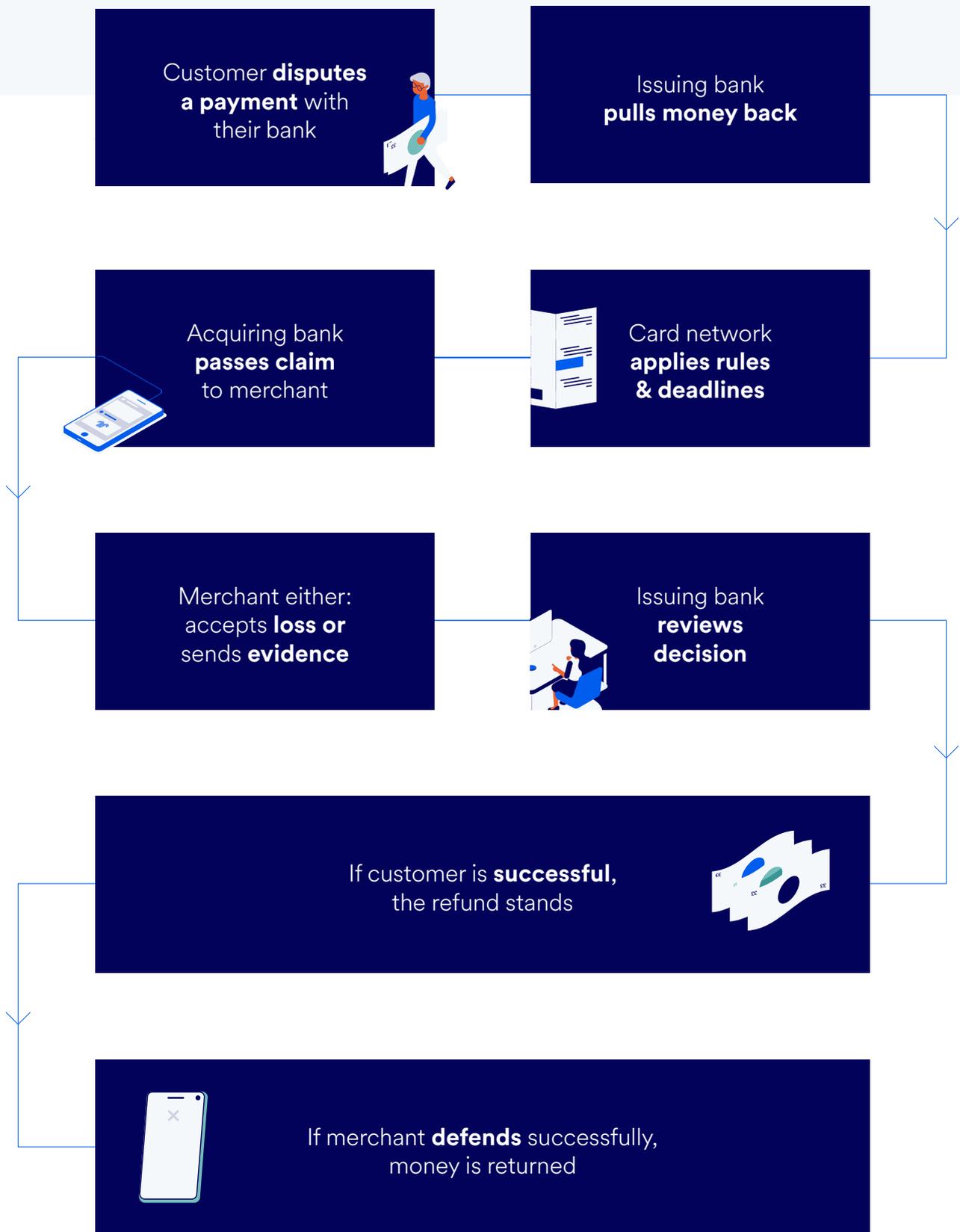
As your payments partner, Elavon offers a wide range of tools, support and resources to help you prevent and manage **chargebacks**.

- You can contact Elavon customer support
- **Elavon Connect** contains useful reporting and alerts
- Use our **chargeback** templates and guides.

Card transaction cycle

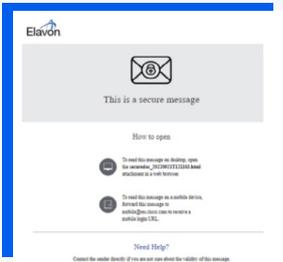


Chargeback transaction cycle



How to create a secure email account

If a chargeback is raised against your business, we'll notify you by secure email. To view these messages, you will need to register your email address - here's how. You only need to do this once.

Look out for an email from **disputes@Elavon.com**, and save it to your device



Click to **open the attachment** in your web browser.



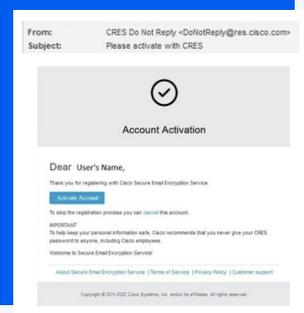
Register your e-mail address with Cisco.



Complete each field in the form and click continue to submit. You should see a confirmation page



Check your email account for an email, with a button to **activate your account.**



The email will be sent from **“DoNotReply@res.cisco.com”** and will have a **“Please activate with CRES”** title. Activate Your Cisco Registered Envelope Service Account. You may need to check your Junk folder.

Return to the **registered envelope**. The Register button has been replaced with an **Open button** and you will be prompted for a password.



Enter the password for your Cisco Registered Envelope Service user account and **click the Open button.**



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