CHARGEBACK MANAGEMENT DONE RIGHT

Designed specifically for hoteliers to help manage, fight and reduce credit card disputes.

CHARGEBACK HEROES SERIES

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Welcome to the FortisPay Chargeback Guide for Hoteliers.

Welcome to the FortisPay Chargeback Guide. This guide is specifically designed to help hoteliers obtain a better understanding of what chargebacks are, how to avoid them, and best practices for when you eventually do receive one. This guide is broken into 5 sections:

Chargeback Basics

What is a Chargeback?

A chargeback is a transaction that has been disputed and returned by the cardholder or issuing bank. This reverses a credit card transaction and withdraws funds that were previously deposited into the merchant's bank account. The issuing back will mediate the review of the disputed transaction and settle it in favor of either the cardholder or merchant.

Chargeback Process Overview

1. The **cardholder or the issuing bank initiates the dispute** with the merchant.

2. The **merchant receives a notification** that a chargeback has been filed.

3. The **merchant prepares their response** with supporting documentation within 20 days of the notice date. If the merchant accepts the chargeback and deems it valid, no response is required.

4. The **merchant submits their response** and supporting documentation to the issuing bank.

5. The **issuing bank will review the supporting documentation and make a final decision** on the chargeback. They have up to 45 days to review the content. During this time, the merchant will receive a provisional credit (only applicable for Visa/Mastercard chargebacks) equal to the amount of the chargeback.

Winning vs. Losing: What Happens Next?

Win

During or after the 45-day review period, the issuing bank has sided in the merchant's favor. For Visa/Mastercard-related only chargebacks, the provisional credit the merchant received becomes permanent. For American Express or Discover, the merchant will receive a credit for the amount of the chargeback.

Lose

During or after the 45-day review period, the issuing bank has sided in the cardholder's favor and deemed the chargeback valid. The merchant is re-debited for the amount of the chargeback and the cardholder is credited.

Different Types of Chargebacks

As a hotel owner, there are **many types of chargebacks you should be aware of.** This list includes the most common types of chargebacks, their definitions, and why they are generally issued. The more prepared you are as a hotel owner, the less likely you are to experience the negative repercussions of chargebacks.

Friendly/Chargeback Fraud

Friendly Fraud, also known as Chargeback Fraud, is when a cardholder sometimes uses the chargeback process to secure a refund or obtain an item or stay for free. In this instance, the cardholder will generally dispute the transaction with the bank instead of contacting the merchant for a refund. They may claim:

• The room or hotel amenities were not as described.
• They canceled the reservation.
• The original transaction was not authorized.

In reality, these could be false claims. Friendly/Chargeback Fraud can be broken into two categories: deliberate or accidental.

True/Criminal Fraud

This occurs when a person or party acquires someone else's personal information and uses it for economic gain. Data breaches, card skimming, and account takeovers are some of the methods used by fraudsters to get their hands on card information.

Processing/Merchant Error

In this case, the cardholder generally finds their **purchase unsatisfactory**. However, this can also occur if there is **an error on the merchant's side** with processing the transaction. Some instances include:

- The merchant did not provide the service as described.
- The cardholder received the goods or services in imperfect condition or under unsatisfactory terms.
- The cardholder never actually received the service.
- The cardholder was charged twice for the same purchase.
- The cardholder never formally authorized the charge.
- The cardholder was unable to contact customer service for a credit or refund.
- The merchant and cardholder were unable to reach a mutual agreement regarding a purchase, exchange, or refund request.
- The customer was charged a different amount than what was previously agreed upon.
- Unexpected or undisclosed currency conversion rates were applied.
- The refund, cancellation, and no-show policies were not communicated clearly.

Reducing Chargebacks

The good news is there are several easy ways to lessen your chargeback burden. By completing the following best practices, you not only cut down on the ones you receive but also prevent many chargebacks in the first place.

Transaction Best Practices

- **Utilize EMV as often as possible.** The only time a card should be keyed is:
  - ✓ When a third-party reservation site (OTA) issues a virtual card.
  - ✓ When a credit card authorization form is provided by a trusted customer.
  - ✓ No-Show.

- **Implement the following procedures if a guest wants to extend their stay:**
  - ✓ Do not charge the card on file. Instead, ask the guest to the front desk and present their credit card. In the event the guest pushes back, the Front Desk representative would explain: "To protect our guest's personal information, we do not store card numbers so we must have a card present".
  - ✓ Have the guest sign the new/updated folio and save a record of it.

- **Do not complete declined transactions or process transactions without authorization.** That puts you at a huge risk for chargebacks in which you have no chance of winning. Never complete a declined transaction or one without proper authorization.

- **Do not complete a transaction if you suspect the card is fraudulent** and/or the person is not the authorized owner of the card.

- **Process all transactions for billing within seven days of a positive authorization response.** After this period, the authorization number is no longer valid.

- **Properly charge a Virtual Card:**
  - ✓ If a guest extends their stay, the cost for the new reservation must be collected with the guest's personal card, cash or the guest can book a new reservation through the OTA.
  - ✓ If a guest accumulates incidental charges, the balance must be collected with the guest's personal card or cash. Do not use the virtual card to collect the balance.
  - ✓ Confirm tax rates are set up properly with the OTA to avoid over authorizing the virtual card.
  - ✓ An automatic chargeback will be issued if the virtual card is charged for any amount other than what is listed on the reservation.

- **Monitor guests for excessive purchases**. Individuals using stolen credit cards often order many "extras", such as room service, in-room movies, telephone, etc.

- **Refund the same card that was originally charged** to avoid having the cardholder claim they never received the refund.

Card Not Present Transaction Best Practices

- **Have a strict policy on the use of third-party credit card authorization forms.** These forms should only be used for:
  - ✓ Government agencies
  - ✓ Corporate stay (work travel)
  - ✓ Verified group events (e.g. sporting groups, motor coach travel, wedding group)

- **Do not use a Credit Card Authorization Form for local and personal reservations.** If a party wants to pay for another, there must be a card present at check-in where the card can be chip-read.

- **Follow specific steps for Online "Hotel Collect" Reservations.** When a guest makes a reservation online and pays upon check-in, a credit card must be presented and chip-read upon check-in. Note that:
  - ✓ If your hotel pre-authorizes prior to check-in, you can continue to do so. However, to finalize the sale the card must be present and chip-read at check-in.
  - ✓ Cardholders will have two pending authorizations. One of the pending authorizations will drop after 2-3 business days.
  - ✓ In the event of a no-show, you would manually key in the card number.

Terms and Conditions Best Practices

- **Always make sure all policies and terms and conditions are available at the point of sale.** Failure to provide clear explanations of cancellation and refund policies, as well as terms and conditions, can be detrimental to your business.

- **Cancellation confirmations must be provided to the cardholder.** A "Click to Accept" button should be available on the disclosure page for all online reservations.

Fighting Chargebacks as a Hotelier

The chargeback process is similar to a court case. The **burden of proof** is the merchant's responsibility, meaning that you must supply compelling evidence to the mediating bank to prove the validity of the sale.

A merchant must provide a clear, detailed response containing supporting documentation within fifteen business days of receiving the notice. Many major card brands have released statements to issuers requesting flexibility on chargeback response deadlines, however, it is always best to respond promptly.

Some examples of supporting documentation include:
- Legible copy of the receipt, contract or proof of sale.
- Proof that the customer was satisfied with the purchase or service (surveys or online reviews are acceptable).
- Terms and Conditions of the business, specifically the cancellation and no-show policies.
- Communication between you and the customer proving the validity of the transaction.
- Proof that the disputed transaction was chip-read through an EMV-enabled device.

Chargeback Heroes Support

If you are already a FortisPay customer:
Contact our chargeback department directly at chargebacks@fortispay.com.

If you are not a FortisPay customer:
Contact our sales team to learn how FortisPay can help you fight and manage chargebacks.

- Email: sales@fortispay.com
- Phone: (855) 465-9999
- Website: www.fortispay.com

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