

Chargebacks

Each day millions of cardholders use their credit cards and the vast majority of these cards transactions are accepted and paid for by the cardholders. However, a small number of these transactions are disputed. When a card transaction is disputed, the chargeback process is followed.

What is a chargeback?

Chargeback, means a credit card transaction is returned to the acquiring bank (Nedbank) by the issuing bank (cardholder's bank) and which may be debited to the merchant's bank account. A chargeback transaction may result in financial loss to the merchant, if the necessary documentation is not produced.

How does it affect merchants?

A transaction that is charged back to the merchant may result in a financial loss if the merchant does not produce the necessary documents.

Who initiates a chargeback?

Chargebacks occur for a variety of reasons and originate from either the issuer or the cardholder. Some examples of each are listed below:

Issuer initiated chargebacks include:

- transaction charged to an expired or invalid card;
- the manual transaction was incorrectly entered;
- the manual transaction did not have an imprint of the card; and
- multiple charges made for the same transaction.

Cardholder initiated chargebacks include:

- mail/telephone order merchandise was not received or is defective;
- transaction amount is incorrect;
- multiple charges made for the same transaction; and
- purchase was not made by the cardholder (suspected fraud).

What is a voucher retrieval request?

Issuers may request a copy of the sales voucher, sales draft or terminal receipt (voucher retrieval request) for the transaction from the acquirer, who will in turn request this from the merchant. However, not all transactions require voucher retrieval. These include mail order, telephone order and internet transactions where the card may not have been present during the transaction. In these cases, merchants must be able to provide proof of receipt of goods signed for by the cardholder. Even where proof of receipt of goods is shown, there still remains the possibility of a chargeback being allowed.

With the introduction of smart cards and chip technology, if an issuer requests proof of payment for a chip enabled transaction, Nedbank will provide this on behalf of the merchant as an electronic transaction certificate. In the event of a fallback to magstripe transaction due to a faulty chip or POS device, the normal chargeback rules will apply.