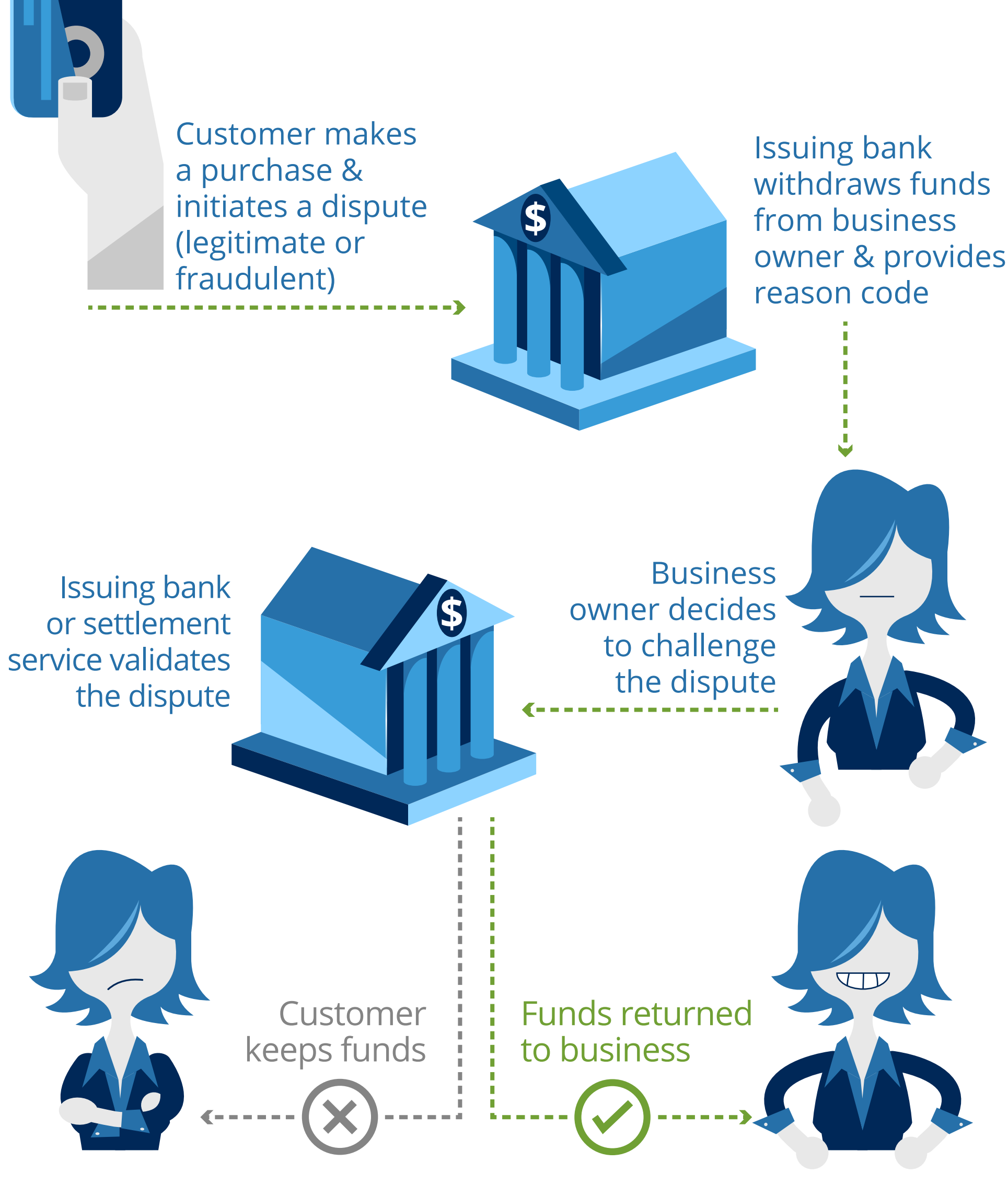


# How to MINIMIZE DISPUTED CHARGES

Credit card disputes or chargebacks are a big problem for small business owners

## how disputes work



- ⊗ Every dollar of fraud-related disputes costs businesses an average of \$2.94.<sup>1</sup>
- ⊗ Fees related to each dispute can range between \$25 to \$100 per transaction, and they increase based on a business's volume of disputes.
- ⊗ It's estimated that up to 42% of businesses challenge less than half of all disputes and 14% never bother to fight them at all. That's because the chances of winning them are low.<sup>2</sup>

## common dispute reasons



**FRAUD** is wrongful or criminal deception intended to result in financial or personal gain. Merchants need to address and understand the different kinds of fraud.

- True Fraud** | This is actual *identity theft*. It's when payments are accepted from a stolen card, and the purchase is disputed by the cardholder.
- Chargeback Fraud** | It's when a cardholder disputes a charge with their bank with the deceitful intent of getting a product or service for free.<sup>4</sup>
- Friendly Fraud** | Sometimes a cardholder does not recognize a purchase on their statement and disputes the charge. Friendly fraud can be due to forgetfulness, family members making unknown purchases, or misunderstanding merchant return policies.

## ways to reduce disputes

**1 Use a recognizable name on card statements**

If you are using a name on your credit card statement that is different from your operational name, that may confuse customers and result in disputes.

Your bank can help you with this by updating the name customers see there to be more recognizable.

**2 Use accurate product descriptions**

Always make sure to describe products accurately to avoid disappointed customers who may use the dispute process to get money refunded.

**3 Be clear about refund and return policies**

Make sure the conditions of the sale are written on a receipt and your customer signs it at the time of the sale. Clearly display your policies at the register and on your website.

Always provide your customers with an easy way to return merchandise for full credit. Most importantly, train all your sales associates so that they are fully familiar with your policies.

**4 Use delivery tracking**

Ship using the official tracking services offered by the post office or other delivery service. Use signature confirmation offered by shippers and always set reasonable shipping expectations.

**5 Move to using chip cards**

Speak with your payment processor about updating your terminals to accept chip-enabled cards and ask your customers to use them.

With chip technology, you can reduce your liability for disputes due to counterfeit or lost and stolen cards.

**6 Use ID verification policies and services**

Small businesses are advised to invest their anti-fraud resources in services like **Verified by Visa**<sup>®</sup> and **Mastercard SecureCode**<sup>®</sup>, which help small businesses verify the card user's legitimacy.

Another system that can be used is address verification, which can match the cardholder's address with the shipping address. Businesses can then use this information to decide whether or not to accept the order.

### Carefully document the entire sales process

Disputes are time-consuming and costly, so always keep detailed records about your orders. By maintaining valid legible documentation, your chances of successfully responding to a dispute will significantly improve.

To learn more about Merchant Services, visit [here](#) >

1. "Retail Fraud Volume and Cost Increase Sharply Year-On-Year, According to New LexisNexis Risk Solutions Report," LexisNexis Risk Solutions, July 31, 2018  
 2. Chargebacks911, June 5, 2018  
 3. "Chargebacks: Another Payment Card Acceptance Cost for Merchants," The Federal Reserve Bank of Kansas City Research Working Papers, January 2016  
 4. "The 3 Faces of Fraud: True Fraud, Chargeback Fraud, and Friendly Fraud," MULTICHANNEL MERCHANT, September 21, 2016