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Merchant Toolkit: Chargebacks, Disputes and Velocity Reporting

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Contents

Best Practices 3
Best Practices 4
Available Risk Rules 6
Activate Reporting in Our Back-Office Tool: Setting Up Velocity Reporting 7
Reviewing and Setting up Velocity Reporting 8
Understanding the Velocity Report 11
Understanding the Velocity Report 12
Setting Up Chargeback Reporting 15
Reviewing and Setting up Chargeback Reporting 16
Guide to Chargebacks and Disputes 21
Common Chargeback Reason Codes: Visa 22
Common Chargeback Reason Codes: MasterCard 23
Chargeback Dispute Guide 24
Guide to Chargeback Disputes 25
Your Best Approach to Disputing Chargebacks: Filling in our Chargeback Dispute Template 27

Best Practices

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Best Practices

IMPLEMENT:

- Chargeback Reporting
- Velocity Reporting (this reporting is particularly helpful to FLAG transactions per the below)

CHECK:

- AVS response on the Merrco Back Office is a positive match
- CVD response on the Merrco Back Office is a positive match

COMPARE:

- Billing address versus shipping address (please pay special attention to PO Boxes given as shipping address)
- Card BIN country with IP country
- IP country with billing and shipping addresses

FLAG:

- Unusually high-ticket amounts
- Multiple transactions with the same card/address/email address/phone number/customer name/IP within a short period of time
- Multiple transactions with different card/address/email address/phone number/customer name/IP where one detail overlaps (such as email address)
- Transactions using an email address, billing address, IP address or phone number associated with another transaction declined due to reason code 3016 (card reported as lost/stolen)
- Pick up orders: transactions where a customer has not arrived to collect their purchase within 24-48 hours.

REQUEST:

- A copy of identification verifying the customer's identity
- A copy of the front of the credit card used (with only the first six and last four digits showing). Please note that it is not PCI compliant to retain a copy which has the full card number and/or the back of the card.
- Signature upon delivery or pick-up
- Tracking information for delivery
- Written authorization from the cardholder (this is not necessarily the same as the customer)

REMEMBER:

It is always best to cancel orders and refund transactions as quickly as possible if you are not comfortable with the purchase for any reason. Once a transaction is charged back, the funds revert to the cardholder. At that point, the only possible actions to potentially recoup the funds are to request the cardholder cancel the chargeback if it was in error and have them provide confirmation once the chargeback is cancelled or to dispute the chargeback. Any transaction which was credited prior to being charged back will be automatically disputed on your behalf.

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Available Risk Rules

The following rules are available to apply to your merchant account which you may find beneficial depending on your business model. If you would like to implement any of the below, please contact us at risk@merrco.ca and advise as to the rule and the merchant account to which it should apply.

Card-based Risk Rules

1. Transaction Cap: this rule will decline all transactions over a pre-determined amount set by you.
2. Card-Specific Transaction Cap: this rule will limit the total amount *successfully processed* through a particular card for a given number of days and decline further transactions from that card for that defined time period as set by you.
3. Velocity Rule: this rule will allow you to set the number of transaction *attempts* or successful transactions allowed per card and decline further transactions from that card for a defined period of time as set by you.

Email Address-based Risk Rules: *please note that the following rules may not be available to you depending on your integration.*

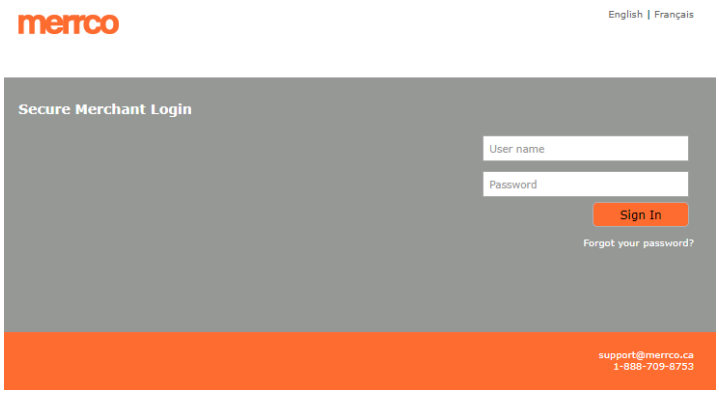
1. Velocity Rule: this rule will allow you to set the number of transaction attempts allowed per email address and decline further transactions from that email address for a defined period of time as set by you.
2. BIN Country Rule: this rule can decline all transactions from a particular email address for a set number of days as defined by you if the BIN country presented in a transaction does not match the country of the billing address.
3. Multiple Cards: this rule can decline all transactions from a particular email address for a set number of days as defined by you once a given number of different cards are used in transactions processed through your merchant account and associated with that email address.
4. Lost/Stolen Cards: this rule can decline all transactions from an email address once it is associated with the use of a card reported as lost/stolen for a given number of days as defined by you.
5. Domain: this rule can decline all transactions from a particular email address domain that you deem likely to be used in perpetuating fraud.

Activate Reporting in Our Back-Office Tool: Setting Up Velocity Reporting

Reviewing and Setting up Velocity Reporting

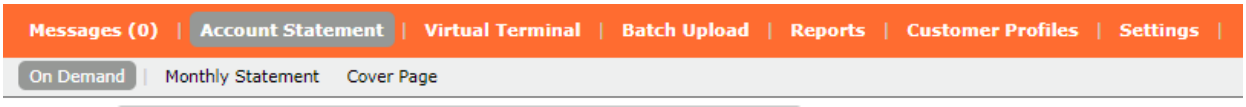
The Merrco back-office platform provides a variety of methods for reviewing transactions. Velocity Reporting highlights transactions (both successful and unsuccessful) in order to identify suspicious transactions. The Velocity Report focuses on two items which occur more than 3 times in a 24-hour period: **1) Credit Card and 2) Email.**

Let's login by clicking on http://login.merrco.ca

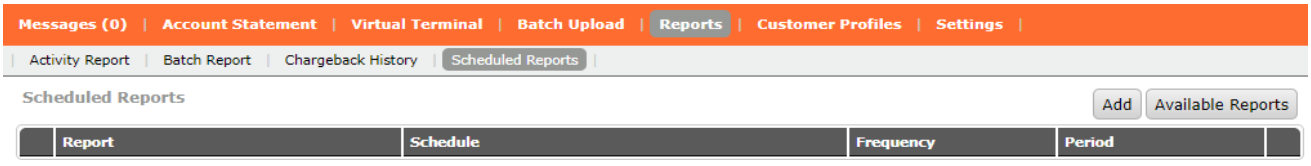


Set up Schedule Reports with Email Destination

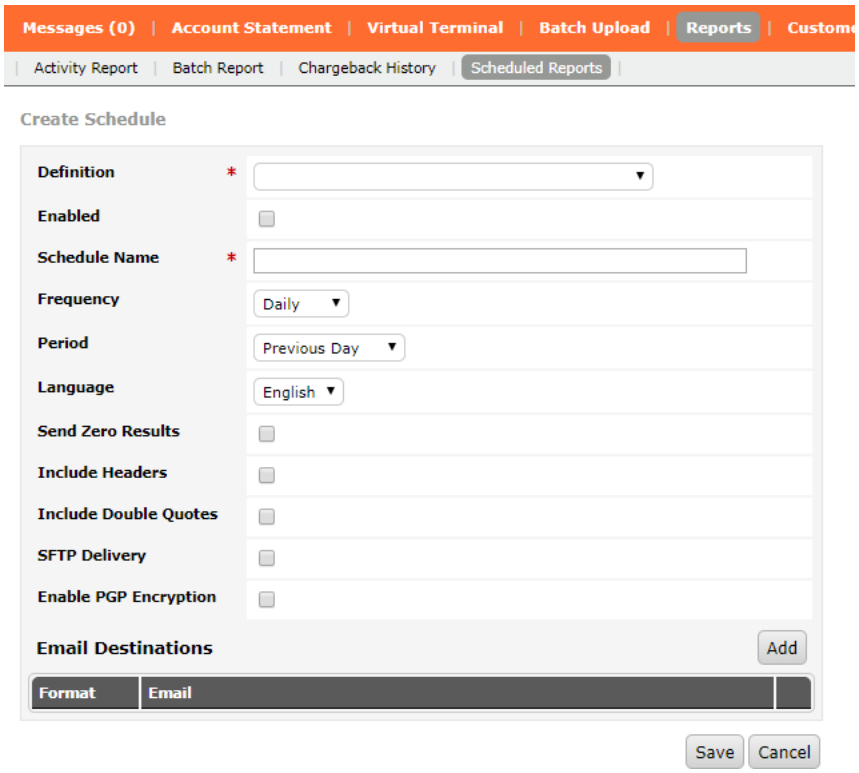
Once you have logged into the Merrco Backoffice you will see the following menu bars. (Note: Selection options may differ depending on your access requirements).

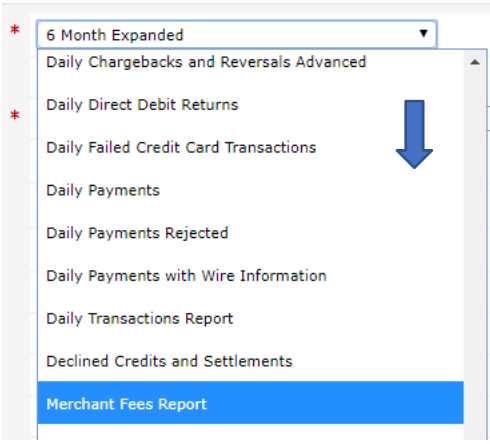


In the main menu bar select **REPORTS** and in the Sub-menu select **SCHEDULED REPORTS:**

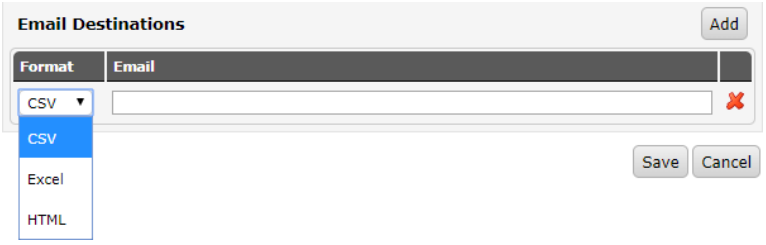


From this screen select the **ADD** button to choose from a list of pre-built reports. A list of reports is provided by clicking the **Available Reports** button. Please select the **Velocity CC Email 3 Attempts last 24hours by FMA.**





1. In the **Definition** section will select the schedule report name (i.e. Velocity Report).
2. Click the Enable checkbox to **enable the report**
3. Schedule Name is user defined and you can select a name of your choice
4. Frequency – **Set to daily**
5. Period – **Set to Previous Day**
6. Select Language of your choice
7. **Leave Send Zero results unchecked. (Selecting Zero results will generate a blank report when no items arise)**
8. Leave all other checkboxes unchecked also
9. On the bottom right hand corner across from Email Destinations click on the **ADD** button to add the desired email address (Click ADD multiple times should you wish to add more than 1 email)
10. You can select the **FORMAT** as CSV, XLS or HTML based on your choice



Based on the above settings, a report will only be generated daily. The Velocity report will highlight 3 or more transactions which occur in a 24 hour period. Where this condition is not met then the report will be blank.

Understanding the Velocity Report

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Understanding the Velocity Report

Format:	Excel Spreadsheet
Purpose:	Highlights multiple transactions activity related to same credit card and email along and corresponding error, sub-error and AVS error codes.

How to Read:

The Velocity report is produced and sent **3** times per day. There are two specific types of velocity reports:

1. The "Velocity 2" report highlights two or more transaction attempts using the same card number or email. This report covers two selected times frames of: '**5am to 11am**' and '**11am to 3pm**'.
2. The "Velocity 3" report highlights 3 or more attempts which occurred on the previous day and is usually generated and sent at the beginning of the next day at approximately 1:00am.

The velocity report tracks transactions by Card Number and Email which occur multiple times within a short time frame (usually within minutes of each other) for select time frames.

The report highlights in 2 columns: Number of attempts on CC and Number of attempts on Email. This report is generated by Merrco and contains unique formatting and sorting to aid in visual review of frequent transactions.

The formatting is as follows:

Multiple Transactions on Same Card	Red font indicates Failed Transactions
Multiple Transactions on Same Email	Black font indicates Authorized transactions
Highlighted Settlement Amt indicates amounts >$2000	Highlighted Major or Minor Codes indicates a concern such as Stolen Card or Negative Database

Legend:

Major Column = Card Error Codes

Minor Column = Card sub-error codes

(Refer to the end of this guide for Major Error Codes)

Process:

The Velocity 3 report should be reviewed at the beginning of the day to identify concerning transactions. The earlier its reviewed will increase the time needed to investigate and either verify or cancel the transaction. Transactions may be valid but can indicate unwanted fraudulent attempts. Once you've identified the concerning transactions, review the previous days reports or transaction history in the Merrco Backoffice platform to gather further information on the transaction and also provide code details listed in the report.

You will receive the Velocity 2 reports at 11:30 am and 3:30pm. Review these files during the day similar to the Velocity 3 Report and compare previous day transactions. These reports may be used to identify repeated attempts through-out the next few days.

Warning Signs:

+ Major codes of 3016 (Stolen Card), 4001 (Negative Database), 3050 & 3054 (Fraud) etc.
+ Amounts which exceed historical norms as to average transaction size and Volume
+ IP Country code does not match Card Bin, Address, City or Zip or is from outside Area of Service (Country/Province) etc.
+ Same Email connected to Multiple Cards

Action:

Upon identifying suspicious transactions, call the customer to confirm that they are the cardholder and have authorized the transactions.

General Rule: Where you can't verify cardholder or feel uncomfortable, we would recommend refunding the transaction and cancelling the order.

Should the transactions be identified as fraudulent or suspicious then please alert Merrco as soon as possible for assistance.

Should you determine that the transaction is valid, please document your findings and the verification steps taken.

Generally, the Velocity report is a broad tool to narrow the scope of transactions to those falling into a suspicious pattern, but are not necessarily illicit or fraudulent. The report should be used in conjunction with other reporting to advance the analysis of irregular transaction.

Error Code	Description
1200	The API call has been denied as it has exceeded the permissible call rate limit.
3002	You submitted an invalid card number or brand or combination of card number and brand with your request.
3004	The zip/postal code must be provided for an AVS check request.
3005	You submitted an incorrect CVV value with your request.
3006	You submitted an expired credit card number with your request.
3007	Your request has failed the AVS check. Note that the amount has still been reserved on the customer's card and will be released in 3–5 business days. Please ensure the billing address is accurate before retrying the transaction.
3009	Your request has been declined by the issuing bank.
3011	Your request has been declined by the issuing bank because the card used is a restricted card. Contact the cardholder's credit card company for further investigation.
3012	Your request has been declined by the issuing bank because the credit card expiry date submitted is invalid.
3014	Your request has been declined - the issuing bank has returned an unknown response. Contact the card holder's credit card company for further investigation.
3016	The bank has requested that you retrieve the card from the cardholder – it may be a lost or stolen card.
3019	Your request has failed the CVV check. The amount may have been reserved on the customer's card, which will be released in 3–5 business days.
3022	The card has been declined due to insufficient funds.
3032	Your request has been declined by the issuing bank or external gateway because the card is probably in one of their negative databases.
3050/54	The transaction was declined due to suspected fraud.
3204	The requested Settlement amount exceeds the remaining Authorization amount.
3206	The external processing gateway has rejected the transaction.
3207	Due to issuer policies, this type of transaction is not allowed.
4001	The card number or email address associated with this transaction is in our negative database
4002	The transaction was declined by our Risk Management department
5001	The submitted currency code is invalid or your account does not support this currency.
5003	You submitted an invalid amount with your request.
5021	Your transaction request has been declined.

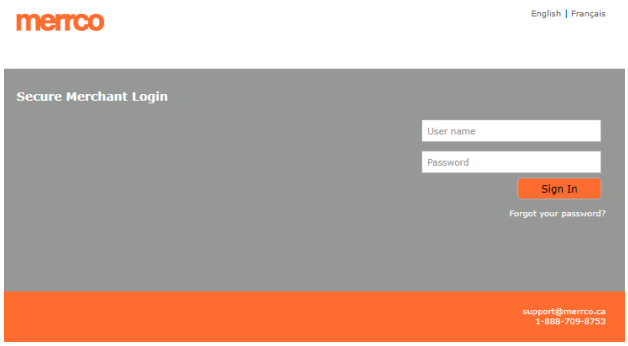
Where you may have questions please contact Merrco directly at risk@merrco.ca.

Setting Up Chargeback Reporting

Reviewing and Setting up Chargeback Reporting

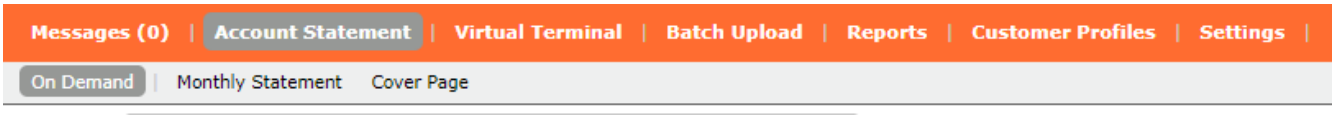
The Merrco back-office platform provides a variety of methods for reviewing transactions, fees and chargebacks. **Given the short timeframes to respond to chargebacks which may arise (5 days from occurrence) it is strongly suggested that you enable scheduled reporting in the Merrco platform.** By setting up scheduled reporting you can also receive reports via email. This guide will show you how set up reporting and also view chargebacks.

Let's login by clicking on http://login.merrco.ca

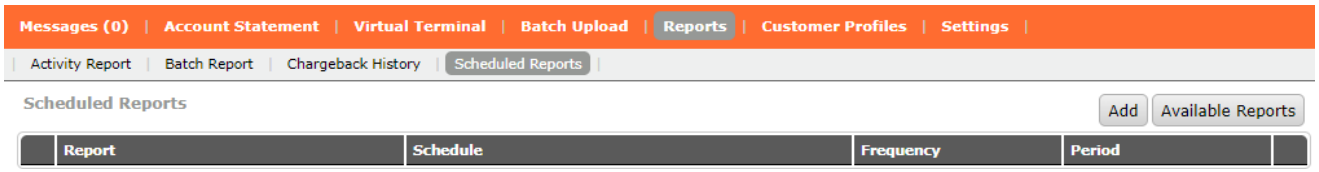


Set up Schedule Reports with Email Destination

Once you have logged into the Merrco Backoffice you will see the following menu bars. (Note: Selection options may differ depending on your access requirements) …



In the main menu bar select **REPORTS** and in the Sub-menu select **SCHEDULED REPORTS** (see diagram below):



From this screen select the **ADD** button to choose from a list of pre-built reports. A list of reports is provided by clicking the **Available Reports** button. Please note that there are multiple reports, the main chargeback reports are as follows:

Daily Chargeback

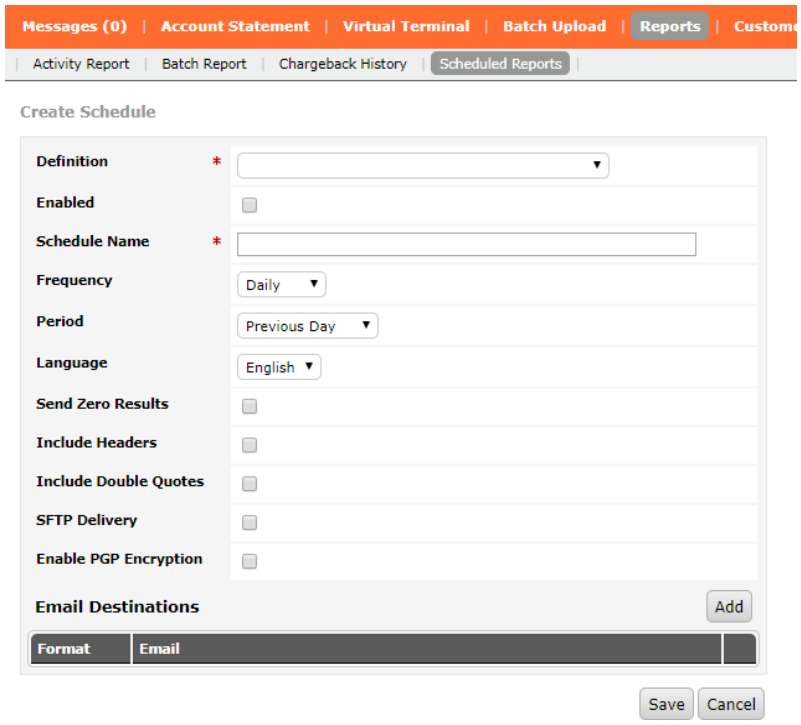
Daily Chargebacks and Reversals

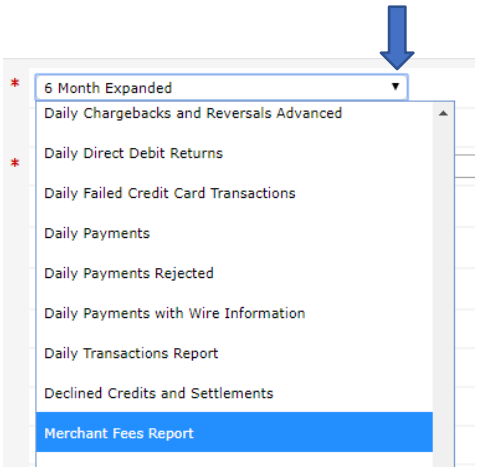
Daily Chargebacks and Reversals

Advanced NEW Chargeback report

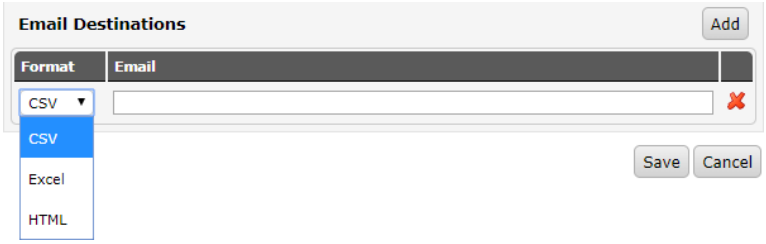
Each report contains different levels of detail to suit your needs. The most detailed reports are the ***New Chargeback report*** *or* ***Daily Chargebacks and Reversals advanced.*** *(Report Selections may change from time to time).*

By Selecting Add you will see the following dialogue box.





1) *In the **Definition** section will select the schedule report name (i.e. Daily Chargebacks and Reversals).*
2) *Click the Enable checkbox to* **enable the report**
3) *Schedule Name is user defined and you can select a name of your choice*
4) *Frequency – **Set to daily***
5) *Period – **Set to Previous Day***
6) *Select Language of your choice*
7) *Leave Send Zero results unchecked. (Selecting Zero results will generate a blank report when no chargeback arose)*
8) *Leave all other checkboxes unchecked also*
9) *On the bottom right hand corner across from Email Destinations click on the **ADD** button to add the desired email address (Click ADD multiple times should you wish to add more than 1 email)*
10) *You can select the **FORMAT** as CSV, XLS or HTML based on your choice*



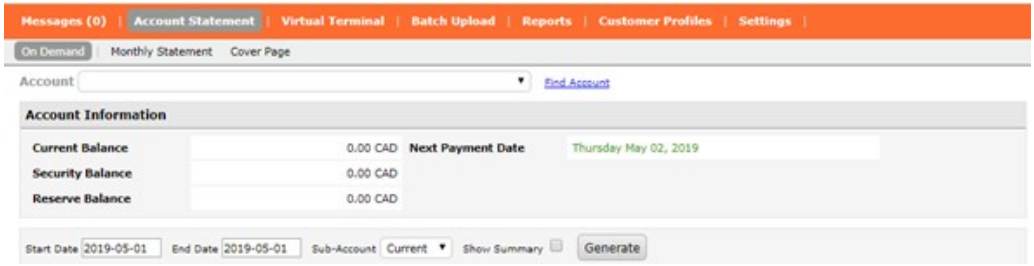
Based on the above settings, a report will only be generated when a chargeback occurs. We strongly recommend that you review all transactions in the account on a regular basis to ensure you are aware of activity against your account.

For your convenience we have added the following guide to reviewing chargeback activity online in the Merrco Backoffice.

Reviewing Chargeback Activity in your Account

Once you have logged into the Merrco Backoffice you will see the following menu bars. Select **ACCOUNT STATEMENT** and **ON DEMAND.** Once you click on the generate button you will see a

list of activity, chargebacks are labelled accordingly. AN excel file is attached to each chargeback and is indicated by a Paperclip image.



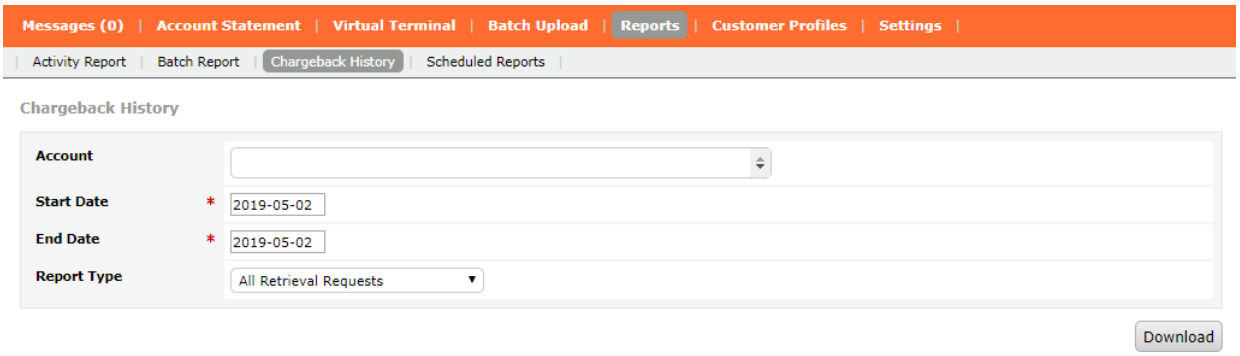
2019-04-03 20:49:43		Chargebacks	1,499.98		28,500.02	
2019-04-03 20:49:43		Chargeback Fee	80.00		28,420.02	
2019-04-04 04:56:18		Settlements		5,107.90	33,527.92	
2019-04-04 04:56:18		Credits	499.99		33,027.93	
2019-04-04 04:56:18		Discount Fees	354.99		32,672.94	
2019-04-04 04:56:18		Transaction Fees	12.60		32,660.34	
2019-04-04 04:56:18		Transaction Fees (TDS)	1.80		32,658.54	
2019-04-04 04:56:18		MC Digital Commerce Development Fee	0.64		32,657.90	

Clicking on the Paperclip will download a an excel file with the following sample

Details											
From Date	YYYY-MM-DD	To Date	YYYY-MM-DD								
All responses must be received within 5 business days.											
If no response to this letter is received , the case will be accepted and your merchant account debited with no recourse available.											
Please consult the chargeback guide in the help section of the back-office.											
Credit Card Number	***Transaction Date***	***Posting Date***	***CB Posting Amount***	***Original Transaction Amount***	***Original Transaction Currency***	***Transaction ID***	***Bank Code***	***Name***	***Reason Code***	***Reason Description***	
XXXX XXX XXX XXX	YYYY-MM-DD	YYYY-MM-DD	**$xx.xx**	**$xx.xx**	CAD	000000000-000		Cardholder Name	13.1	Collaboration - Merchandise/Services Not Received	

Alternatively: Select **CHARGEBACK HISTORY** in REPORTs which generates activity reporting for a custom date range.

Should you wish to dispute a chargeback. Please refer to the chargeback guide attached in this document. Contact Email for chargeback is chargebackmanagement@paysafe.com.



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Guide to Chargebacks and Disputes

Common Chargeback Reason Codes: Visa

Reason Code 10.4: Allocation – Other Fraud Card Absent Environment

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that they did not authorize the card-not-present transaction. The cardholder is stating that they are not the customer who participated in and benefitted from the transaction and that the transaction was processed was processed without their knowledge/consent.

Reason Code 12.6.1: Collaboration – Duplicate Processing

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that a single transaction was processed multiple times.

Reason Code 13.1: Collaboration - Merchandise/Services Not Received

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that products/services were not received by the cardholder or that the cardholder had cancelled the order as the products were not available to be picked up/were not delivered at the expected delivery/pick up date and/or time.

Reason Code 13.3: Collaboration – Not as Described or Defective Merchandise/Services

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that the products received were damaged or defective or that the incorrect products/services were provided to the cardholder or that the cardholder disputes the quality of the products/services received.

Reason Code 13.7: Collaboration – Cancelled Merchandise/Services

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that they returned merchandise or cancelled services but a credit for the transaction has not appeared on the cardholder's statement.

Common Chargeback Reason Codes: MasterCard

Reason Code 4834: Point of Interaction Error

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that a single transaction was processed multiple times.

Reason Code 4837: No Cardholder Authorization

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that they did not authorize the card-not-present transaction. The cardholder is stating that they are not the customer who participated in and benefitted from the transaction and that the transaction was processed was processed without their knowledge/consent.

Reason Code 4853: Cardholder Dispute - Defective/Not as Described

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that the products received were damaged or defective or that the incorrect products/services were provided to the cardholder or that the cardholder disputes the quality of the products/services received.

Reason Code 4855: Nonreceipt of Merchandise

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that products/services were not received by the cardholder or that the cardholder had cancelled the order as the products were not available to be picked up/were not delivered at the expected delivery/pick up date and/or time.

Reason Code 4860: Credit Not Processed

Common Reasons: The issuing bank has submitted a chargeback at the request of the cardholder as the cardholder is stating that they returned merchandise or cancelled services but a credit for the transaction has not appeared on the cardholder's statement.

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Chargeback Dispute Guide

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Guide to Chargeback Disputes

The purpose of a chargeback dispute is to respond to a specific chargeback and provide compelling evidence as to why the reason code provided for the chargeback is not valid.

This can demonstrate that the cardholder participated in the transaction or that the cardholder received the goods or services or otherwise benefitted from the transaction.

All chargeback disputes should be structured according to the **Chargeback Dispute Template** and be submitted directly to chargebackmanagement@paysafe.com within five business days from the chargeback posting date in the below format:

1. One PDF File per Disputed Chargeback
2. File Named with the ARN
3. Black and white (no colour)
4. 2MB Maximum File Size

Each dispute must be submitted individually as an email attachment. Upon submission, you will receive an auto-reply containing a Case Number Confirmation.

For the most common chargeback reason codes, please find examples of compelling evidence to address the reason code to be included as exhibits in your dispute package:

- An invoice demonstrating the amount of the transaction
- A gateway screenshot demonstrating AVS and/or CVD responses as matching
- Any communication with the customer that demonstrates a link between the person receiving the merchandise or services and the Cardholder
- For card not present transactions with delivered items: Evidence of delivery and time delivered which demonstrates that the item was delivered to the same physical address for which the merchant received an AVS match of Y or M; a signature from the Cardholder upon receipt
- For card not present transactions with pick-up: Cardholder signature on the pick- up form; copy of identification presented by the Cardholder; details of identification presented by the Cardholder
- Evidence that the card in question was used in a previously undisputed transaction
- Evidence that the transaction used an IP address, email address, physical address and telephone number that had been used in a previous undisputed transaction

* Please note that the more evidence that is provided, the stronger the dispute.

However, there is no guarantee as to outcomes. Even if a chargeback is won by the merchant and a reversal is issued, there may be further steps in the process in the event of a second chargeback. In those instances, please reach out to risk@merrco.ca for guidance.

Your Best Approach to Disputing Chargebacks:

Filling in Our Chargeback Dispute Template

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MERCHANT NAME MID: XXXXXXXXXX

ATTN: CHARGEBACK MANAGEMENT

Send to chargebackmanagement@paysafe.com

Fill in the details below:

ARN: 23 Digits (available on Chargeback Reporting as "ARN")

PAYSAFE TRANSACTION ID: 11 Digits (available on Chargeback Reporting as "Transaction ID")

CREDIT CARD NUMBER: First 6 Digits xxxx Last 4 Digits (available on Chargeback Reporting as "Card BIN" and "Credit Card Number")

AMOUNT: Available on Chargeback Reporting as "CB Posting Amount"

DATE OF DISPUTE:

REASON CODE: Available on Chargeback Reporting as "Reason Code"

TRANSACTION DATE:

CHARGEBACK AMOUNT: Available on Chargeback Reporting as Chargeback Posting Amount

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MERCHANT NAME MID: XXXXXXXXXX

Dear Merchant Services,

We have received a notice from your department regarding a chargeback debit advice. Please review this document as a response to the chargeback notice. Below is a brief outline of exhibits containing documents supporting the reason for the chargeback being reversed.

EXHIBIT INDEX

Please title and list all evidence in as much detail as possible and please provide all of the below that is available to you.

A) Invoice demonstrating the amount of the transaction
B) Gateway screenshot demonstrating AVS and/or CVD responses as matching
C) Communication with the customer that demonstrates a link between the person receiving the merchandise or services and the Cardholder
D) Evidence of delivery and time delivered which demonstrates that the item was delivered to the same physical address for which the merchant received an AVS match of Y or M
E) Signature from the Cardholder upon receipt
F) Cardholder signature on the pick-up form
G) Copy of identification presented by the Cardholder
H) Details of identification presented by the Cardholder
I) Evidence from gateway that the card in question was used in a previously undisputed transaction
J) Evidence from gateway that the transaction used an IP address, email address, physical address and telephone number that had been used in a previous undisputed transaction
K) Touchless ID Verification Policy
L) Credit Card Verification Policy

EXHIBIT A - Invoice Demonstrating Amount of Transaction

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MERCHANT NAME MID: XXXXXXXXXX

Here is a copy of the invoice with a breakdown of products purchased and prices as well as tax/shipping fees:

[IMAGE OF INVOICE]

EXHIBIT B - Gateway Screenshot with AVS and CVD Responses

Here is a transaction screenshot from our gateway indicating exact matches for AVS and CVD Responses

[GATEWAY SCREENSHOT WITH AVS AND CVD RESPONSES HIGHLIGHTED]

EXHIBIT C – Cardholder Communication

Here are screenshots of our communication with the cardholder demonstrating that the cardholder is the customer who received the merchandise or services:

[COPY OF ALL COMMUNICATIONS WITH THE CARDHOLDER]

EXHIBIT D – Delivery Address and AVS Match

Here is the delivery confirmation which corresponds to the same address for which an exact AVS match was received:

[COPY OF DELIVERY CONFIRMATION WITH DELIVERY ADDRESS, DATE AND TIME]

MERCHANT NAME MID: XXXXXXXXXX

EXHIBIT E: Signature Upon Receipt

Here is a copy of the cardholder's signature upon receipt of the merchandise:

[COPY OF CARDHOLDER SIGNATURE UPON RECEIPT]

EXHIBIT F: Signature Upon Pick-Up

Here is a copy of the cardholder's signature on our pick-up form for the merchandise in question:

[COPY OF PICK-UP FORM WITH CARDHOLDER SIGNATURE]

EXHIBIT G: Copy of Cardholder Identification

Here is a copy of the cardholder's identification which was presented at the time of receipt of the merchandise:

[COPY OF CARDHOLDER'S IDENTIFICATION]

EXHIBIT H: Details of Cardholder Identification

Here are the details of the cardholder's identification which were checked and record at the time of receipt of the merchandise

[DETAILS OF CARDHOLDER'S IDENTIFICATION]

EXHIBIT I: Previous Undisputed Transactions with This Card

Here are screenshots from our gateway of previous transactions which were not disputed using this card:

[GATEWAY SCREENSHOTS OF PAST UNDISPUTED TRANSACTIONS]

EXHIBIT J: Previous Undisputed Transaction from This Cardholder

Here are screenshots from our gateway of previous undisputed transactions where all details of the cardholder (IP address, email address, physical address and telephone number) match this charged

[GATEWAY SCREENSHOTS OF PAST UNDISPUTED TRANSACTIONS]

EXHIBIT K: Touchless ID Verification Policy

Following is our policy regarding the mandatory check of valid government-issued photo identification of a customer by an employee of the business prior to the release of any products to verify the identity of the cardholder:

[TOUCHLESS ID VERIFICATION POLICY]

EXHIBIT L: Credit Card Verification Policy

Following is our policy regarding the mandatory verification that the physical card used in a card-not-present transaction is in the possession of the customer via a check of the last four digits of the card number by an employee of the business prior to the release of any products:

[CREDIT CARD VERIFICATION POLICY]