
CARDNET

CHARGEBACKS

A Guide for Cardnet Customers



LLOYDS BANK

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What is a Chargeback?

A Chargeback occurs when a Cardholder disputes a Transaction through their Card Issuer (Cardholder's Bank).

A Chargeback can also be raised by the Issuer without any Cardholder involvement i.e. no authorisation, incorrect currency code, incorrect card number etc.

In the event of a Chargeback, the fee will be taken from your settlement funds.

A Cardholder may raise a Chargeback/Dispute for a number of reasons associated to the Transaction.

A Chargeback can be received up to 540 days after the card Transaction was taken. In the case of goods or services being delivered, a Chargeback can be raised up to 120 days from agreed date of delivery.

Common Chargeback Reasons:

- Fraud – Cardholder denies participating or authorising a Transaction
- The Cardholder disputes the sale due to the failure to provide goods or services or the quality of the goods received
- Cancellation of recurring Transactions.

Hints and Tips on avoiding Chargeback Disputes:

Cardholder Present Transactions

The Cardholder's PIN number (and in some cases signature) is required and should be used in all instances for Face-to-Face Transactions.

Tip: Following authorisation and completion of a Transaction, review the receipt and before handing over the goods to the Cardholder, check that has been taken as a Card Present Transaction.

If the receipt says 'Keyed', void the Transaction and ask the Customer to process again using Chip & PIN. If for any reasons, they are unable/unwilling to do so, ask for alternative payment e.g. another card or cash.

Card Not Present Transactions

You must be extremely careful when processing Card Not Present Transactions over the internet or phone as you (the Merchant) will be liable for any Fraud Disputes. (These types of Transactions are not possible on the Handpoint device but should you transition on to a different terminal in the future this will be relevant.)

Advise: We recommend that 3D Secure is used. This does not stop a Cardholder from raising a Chargeback however it does minimise your liability. Under no circumstances should the Customer or Third Party pick up goods when a Transaction has been processed as Card Not Present.

If a Transaction has been processed as Card Not Present and the Customer or Third Party wishes to pick up the goods, then the original Transaction must be refunded and a Chip & PIN Transaction processed.

If you are delivering the goods to a shipping address, it is advisable to either:

- Have the delivery driver take a Chip & PIN terminal with them to process a secure Transaction (voiding the original)
- Before handing over goods, asking Customer to provide ID and take a copy of this and signed proof of delivery.

Please note that even if the above steps are followed, this does not guarantee that a dispute will not be raised.

Other Useful Information

Be careful when processing refunds. Please do not refund once a Chargeback has been received.

Chargeback/Disputes Process

Cardnet will support you during the Chargeback Process. Upon receipt of a Chargeback, Cardnet may reach out to you for further information in relation to the Transaction/Purchase. It is important you act swiftly when providing evidence/supporting documentation around the Transaction/Purchase. When reviewing the Chargeback and responding to the Issuing Bank, Cardnet will do this in line with the Scheme (Mastercard/Visa) timeframes. Failure to comply with these timeframes will result in the automatic acceptance of the Chargeback and the associated Chargeback debited to your account.

Chargeback Flow:

Step 1: Cardholder or Issuer can dispute a Transaction.

Step 2: Issuer raises a Chargeback to the Scheme and transfers the funds (equal to the Chargeback amount) back to Cardnet.

Step 3: Cardnet receive the Chargeback. Cardnet will attempt to resolve the Chargeback with the Issuer, however, should we require supporting evidence we will advise you online via your Merchant portal or a Chargeback letter via first class post, and the fee will be taken from your settlement funds.

Step 4: Once you have received the Chargeback you would need to supply supporting evidence (within Scheme timeframe) Cardnet to defend the Chargeback. If you do not provide Cardnet with sufficient evidence or you do not provide this within Scheme timeframes then the Chargeback debit stands. Debit will also stand if the information supplied is insufficient to remedy the dispute.

Timelines

You will be notified of a Chargeback as soon as possible after this is received on your behalf by Cardnet. You should aim to respond as quickly as possible to Cardnet with evidence to challenge the Chargeback as Cardnet will only have until day 20 to respond back on your behalf. This means that you have 10 days from the date of the letter/notification to email the documentation to the Chargeback team.

Stages of a Chargeback Dispute: Mastercard and Visa

First Chargeback:

This is when the Cardholder's Bank (Issuer) raises a Chargeback to the Scheme and transfers the funds (equal to the Chargeback amount) back to Cardnet (Acquirer). The file sent will include why the Chargeback has been raised.

Second Presentment:

This is also known as a Chargeback Re-Presentment or a Dispute Response; this is when the Acquirer on behalf of the Merchant re-presents the Transaction with compelling evidence from the Merchant in an attempt to defend the Chargeback.

Pre-Arbitration

This is when the Issuer continues to dispute the Chargeback after reviewing the Merchants, documentation and believes they still have a dispute right to accredit the Cardholder. A Pre-Arbitration can be raised by either the Issuer (when continuing to dispute a Transaction) or us, the Acquirer, when attempting to defend a Fraud/Auth Chargeback.

Arbitration

On the occasion the Issuer and Acquirer are unable to reach an agreement, the case will be referred to Mastercard/Visa who will then evaluate the case and decide in favour of either Issuer or Acquirer.

Pre-Compliance

Either the Issuer or Acquirer can raise a Pre-Compliance case if either party believes the other party has breached Scheme rules or regulations or when there is no Chargeback right available.

Compliance

A Compliance case is a filed case, by either the Issuer or the Acquirer, where a breach of the rules or regulations has occurred. The Scheme's decision is final and the losing party must absorb the Transaction amount and the filing fees.

Good Faith Collection

Either the Issuer or the Acquirer can raise Good Faith Collections, when Chargeback or Re-Presentation timeframes have been missed.

What is considered Compelling Evidence?

It is worth noting that providing the below evidence still does not guarantee that the Issuer/Scheme will rule in your favour. It does however allow Cardnet to attempt to defend the Chargeback on your behalf.

High-level summary:

- Documentation to prove the Cardholder is in possession of and/or using the merchandise
- Signed delivery form or copy of/details of identification from Cardholder as proof goods were picked up at Merchant location
- Address Verification Service and proof of delivery (date and time)
- Digital goods download with time and date
- Signer is member of Cardholder's household
- Delivery to Cardholder at place of employment
- Travel and Entertainment Loyalty Transactions related to purchase
- Travel and Entertainment Subsequent purchases made throughout service period
- Passenger Transport proof ticket was received, scanned at gate or other Transaction relating to original (frequent flyer miles)
- Evidence of one or more non-disputed payments for same merchandise or service.

What is not accepted as Compelling Evidence:

- Documentation in languages other than English
- Photographs of websites
- Generic samples of payment pages
- Terms and Conditions unless signed by the Cardholder
- Duplications of information in several formats, please only send information once, in black and white on A4 size paper.

| Compelling Evidence as below | Fraud Disputes | Consumer Disputes |
|---|----------------|-------------------|
| Evidence, such as photographs or emails, to prove a link between the person receiving the merchandise or services and the Cardholder, or to prove that the Cardholder disputing the Transaction is in possession of the merchandise and/or is using the merchandise or services | Y | Y |
| For a Card-Absent Environment Transaction in which the merchandise is collected from the Merchant location, any of the following: Cardholder signature on the pick-up form | Y | Y |
| Copy of identification presented by the Cardholder | | |
| Details of identification presented by the Cardholder | | |
| For a Transaction in which merchandise was delivered to a business address, evidence that the merchandise was delivered and that, at the time of delivery, the Cardholder was working for the company at that address. A signature is not required as evidence of delivery | Y | Y |
| For a passenger transport Transaction, evidence that the services were provided and any of the following: <ul style="list-style-type: none"> ▪ Proof that the ticket was received at the Cardholder's billing address ▪ Evidence that the ticket or boarding pass was scanned at the gate ▪ Details of frequent flyer miles relating to the disputed Transaction that were earned or redeemed, including address and telephone number, that establish a link to the Cardholder ▪ Evidence of any of the following additional Transactions related to the original Transaction: purchase of seat upgrades, payment for extra baggage, or purchases made on board the passenger transport | Y | Y |
| For Transactions involving a Europe Member, for an Airline Transaction, evidence showing that the name is included in the manifest for the departed flight and matches the name provided on the purchased itinerary | Y | |
| For a T&E Transaction, evidence that the services were provided and either: <ul style="list-style-type: none"> ▪ Details of loyalty program rewards earned and/or redeemed including address and telephone number that establish a link to the Cardholder ▪ Evidence that an additional Transaction or Transactions related to the original Transaction, for example the purchase of T&E service upgrades or subsequent purchases made throughout the T&E service period, were not disputed | Y | Y |
| Evidence that the Transaction was completed by a member of the Cardholder's household or family | Y | |
| Evidence that the person who signed for the merchandise was authorised to sign for the Cardholder or is known by the Cardholder | | Y |
| Evidence of one or more non-disputed payments for the same merchandise or service | | |

Chargeback Reason Codes – Mastercard


| Chargebacks | | |
|-------------|---|-------------------------------------|
| Code | Reason | Other Reason Codes in this Category |
| 4808 | Authorisation-related | 4807 & 4812 |
| 4807 | Warning Bulletin File | |
| 4812 | Authorisation-related Chargeback | |
| 4853 | Cardholder Disputes | 4841, 4855, 4859 & 4860 |
| 4841 | Cancelled Recurring or Digital Goods Transactions | |
| 4855 | Goods or Services Not Provided | |
| 4859 | Addendum, No-Show, or ATM Dispute | |
| 4860 | Credit Not Processed | |
| 4837 | No Cardholder Authorisation (Fraud) | |
| 4840 | Fraudulent Processing of Transactions | |
| 4849 | Questionable Merchant Activity | |
| 4863 | Cardholder Does Not Recognise – Potential Fraud | |
| 4870 | Chip Liability Shift | |
| 4871 | Chip/PIN Liability Shift | |
| 4834 | Point of Interaction Error | 4831, 4842 & 4846 |
| 4831 | Transaction Amount Differs | |
| 4842 | Late Presentment | |
| 4846 | Currency Error | |

Chargeback Reason Codes – Visa

| Chargebacks | |
|--------------------|--|
| Code | Fraud – Allocation Reason |
| 10.1 | EMV Liability Shift Counterfeit Fraud |
| 10.2 | EMV Liability Shift Non Counterfeit Fraud |
| 10.3 | Other Fraud – Card Present Environment |
| 10.4 | Other Fraud – Card Absent Environment |
| 10.5 | Visa Fraud Monitoring Program |
| Code | Authorisation – Allocation Reason |
| 11.1 | Card Recovery Bulletin |
| 11.2 | Declined Authorisation |
| 11.3 | No Authorisation |
| Code | Processing Errors – Collaboration |
| 12.1 | Late Presentment |
| 12.2 | Incorrect Transaction Code |
| 12.3 | Incorrect Currency Code |
| 12.4 | Incorrect Account Number |
| 12.5 | Incorrect Amount |
| 12.6 | Duplicate Processing/Paid by Other Means |
| 12.7 | Invalid Data |
| Code | Consumer Disputes |
| 13.1 | Merchandise/Services not received |
| 13.2 | Cancelled Re-occurring |
| 13.3 | Not as Described or Defective Merchandise/Services |
| 13.4 | Counterfeit Merchandise |
| 13.5 | Misrepresentation |
| 13.6 | Credit Not Processed |
| 13.7 | Cancelled Merchandise/Services |
| 13.8 | Original Credit Transaction Not Accepted |
| 13.9 | Non-Receipt of Cash or Load Transaction Value |

Find out more

 Go to lloydsbankcardnet.com

 Call us on 01268 567100
lines open from 8am to 9pm
Monday to Saturday

Please contact us if you'd like this in an alternative format such as large print, Braille or audio.

Important Information

Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service.

Please remember we cannot guarantee the security of messages sent by email.

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This information is correct as of November 2022.

Our service promise

If you experience a problem, we will always try to resolve it as quickly as possible. Please bring it to the attention of any member of staff. Our complaints procedures are published at lloydsbankcardnet.com/contactus



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CRD00202 (11/22)