Chargeback

Best Practice Workshop

May, 2018

Katie Steel, Managing Consultant / Fraud and Chargeback SME

Agenda

- **Overview of Claims Management**

- **Claims Initiation**

- **Claims Processing**

- **Appendix**

Prepared for:

Chargeback functionality is unique to card payment schemes

Chargeback and Dispute function by player

The Credit, Debit and Prepaid Payment Scheme Dispute Resolution function is…	
Player	*Function*
Customers	*… a necessary partner of the Customer Contact Center to* **maintain outstanding customer service.**
Issuers	*… the* **primary fraud recovery tool** *available for issuing institutions, and can be leveraged in fine-tuning authorization strategies.*
Acquirers/ merchants	*… necessary for acquirers and merchants to* **defend themselves against fraud liabilities***, and invalid customer complaints around faulty goods and services.*

The Mastercard Global Clearing Management System and MasterCom tool facilitate the chargeback process for issuers, acquirers and service providers
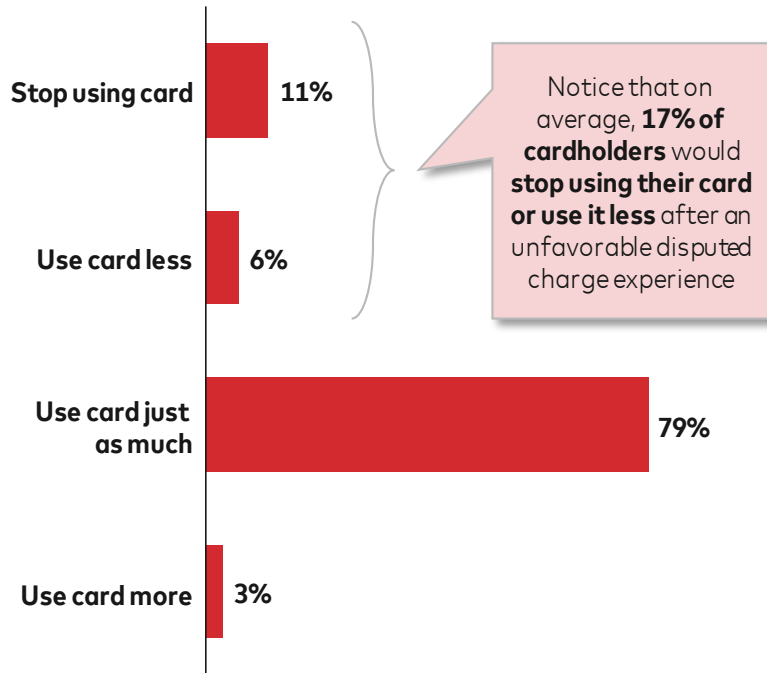
Mastercard Claim Lifecycle

1 Claim Filing

Cardholder contacts Issuer to dispute transaction(s) or Issuer contacts cardholder regarding fraud alert. **Issuer** collects information to determine claim validity and chargeback rights.}

90, 120, or 540 days

2 First Chargeback

If unable to resolve informally with the **Merchant**, the **Issuer** completes investigation, compiles docs and selects appropriate chargeback reason code and returns transaction(s) to **Acquirer** via Clearing File and MasterCom along with accompanying documentation..

45 days

3 Second presentment

Acquirer receives chargeback and resolves chargeback, or forwards it to the **Merchant**. A **Merchant** can either accept the charge or provide additional information for the **Acquirer** to rebut the charge to the **Issuer**.

45 days

4 Arbitration chargeback

Issuer reviews evidence sent by Acquirer. If the issuer rules in favor of the **Merchant**, it will absorb the loss or repost the charge to Cardholder's account. If the issuer rules in favor of the Cardholder, it will file an Arbitration Chargeback.

5 Arbitration case

Merchant/Acquirer either accepts the Arbitration Chargeback or files an Arbitration Case, the final phase in which **Mastercard** makes the final decision; the losing party is liable for the charge and arbitration fees..

mastercard.
Mastercard Network Claims Lifecycle

Cardholder experience during the chargeback process can impact both spend and attrition rates

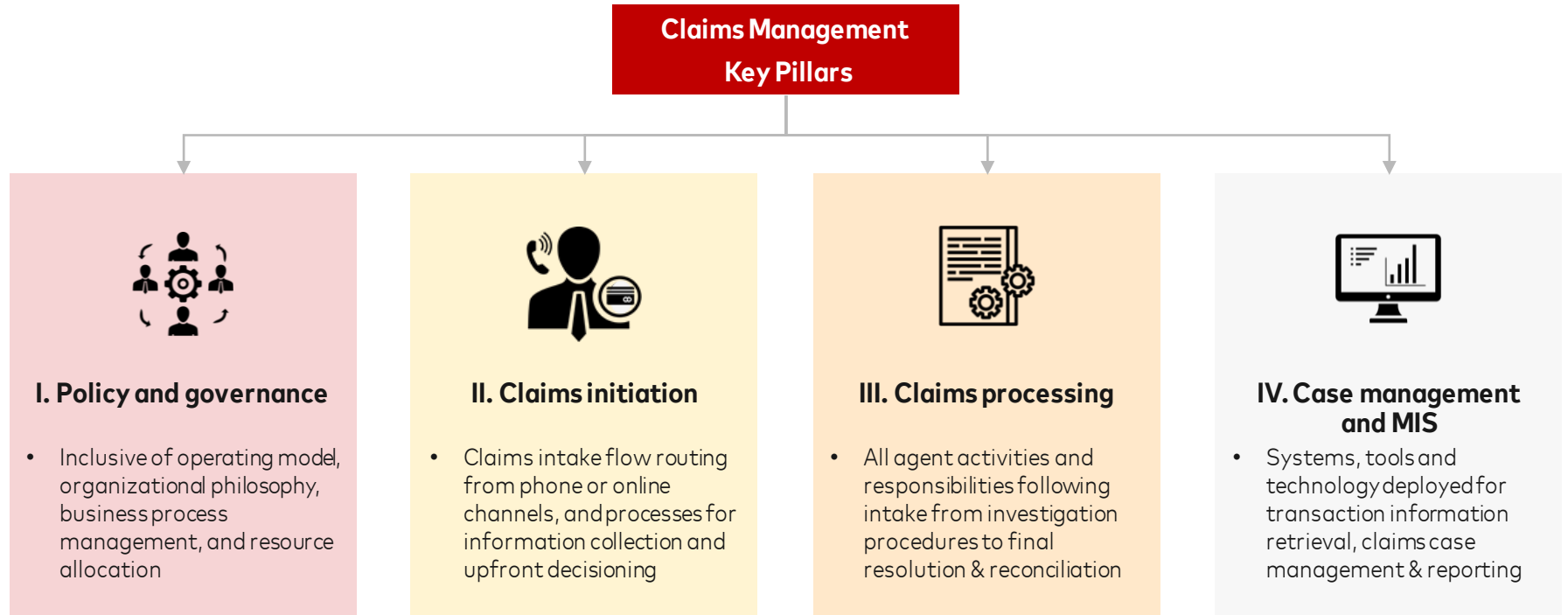## Card usage after disputed charge experience

(% of respondents)

Category	Value
Stop using card	11%
Use card less	6%
Use card just as much	79%
Use card more	3%

> Notice that on average, **17% of cardholders** would **stop using their card or use it less** after an unfavorable disputed charge experience

During the dispute resolution process, banking players should seek to:

- Achieve first call resolution by establishing a robust recognition and challenge script

- Avoid unnecessary closure and reissuance of cards by properly identifying valid fraud vs. non-fraud transactions

- Minimize any "heavy-lifting" required by the customer (e.g. documentation requests, follow-up calls, faxing)

Mastercard Advisors developed a framework to help players improve the four core functional areas of a claims management operating model

Claims management operating model framework

Claims Management Key Pillars

I. Policy and governance

- Inclusive of operating model, organizational philosophy, business process management, and resource allocation

II. Claims initiation

- Claims intake flow routing from phone or online channels, and processes for information collection and upfront decisioning

III. Claims processing

- All agent activities and responsibilities following intake from investigation procedures to final resolution & reconciliation

IV. Case management and MIS

- Systems, tools and technology deployed for transaction information retrieval, claims case management & reporting

Mastercard Advisors developed a framework to help issuers improve the four core functional areas of a claims management operating model

Claims management operating model framework

Claims Management Key Pillars

I. Policy and governance

- Inclusive of operating model, organizational philosophy, business process management, and resource allocation

II. Claims initiation

- Claims intake flow routing from phone or online channels, and processes for information collection and upfront decisioning

III. Claims processing

- All agent activities and responsibilities following intake from investigation procedures to final resolution & reconciliation

IV.

- S...
  t...
  t... retrieval, claims case management & reporting

This workshop will focus on pillars II. and III. of the Claims management organization framework

Agenda

- **Overview of Claims Management**

- **Claims Initiation**

- **Claims Processing**

- **Appendix**

Prepared for:

jack henry
& ASSOCIATES INC.

mastercard.

The first interaction with the customer is the most critical in terms of establishing a more effective outcome and properly managing expectations

Claim Initiation Recommendations

Recommendation	Common practices	Best practices
1 — Specialized intake unit	• Dispute/claim initiation calls usually come into the call center via the general contact number and are handled by any available representative; claims are allowed to be initiated in-branch	• Establish a centralized, specialized claims intake unit within the call center, trained on chargeback reason codes and documentation requirements
2 — Decision process flow and matrix	• Call center representatives/branch personnel do not have access to appropriate tools and transaction data in order to make the best decisions during claim initiation	• Develop a decision process flow and matrix which clearly discerns fraud from non-fraud, and keys out to the most appropriate chargeback reason code *during initiation* phase
3 — Recognition and challenge script	• There are no standard procedures/scripts to identify/assist the cardholder in recognizing valid transactions	• Design an advanced cardholder recognition script based on transaction data elements, merchant type, transaction history and claim filing history to determine whether the claim is valid
4 — Cardholder documentation simplification	• Expedited Billing Forms (EBF's) are usually not effectively leveraged to help increase efficiency and minimize cardholder documentation requirements • Different forms are used for corporate vs. consumer claims and fraud claims vs. non-fraud claims	• Leverage electronic EBFs at the intake stage while cardholder is on the phone to improve customer experience • For claims in which an EBF is not used, create one standard, Declaration Form for both fraud and non fraud claims
5 — Multichannel claim initiation	• Online channels, if available, are not interactive with the customer and do not obtain all the required information for a successful claim	• Develop an online dispute initiation tool supported by technology that examines key data elements to customize secondary and tertiary cardholder questions

jack henry & ASSOCIATES INC.

A specialized Intake Unit allows institutions to best serve their customers, and to minimize operational costs associated with the chargeback process
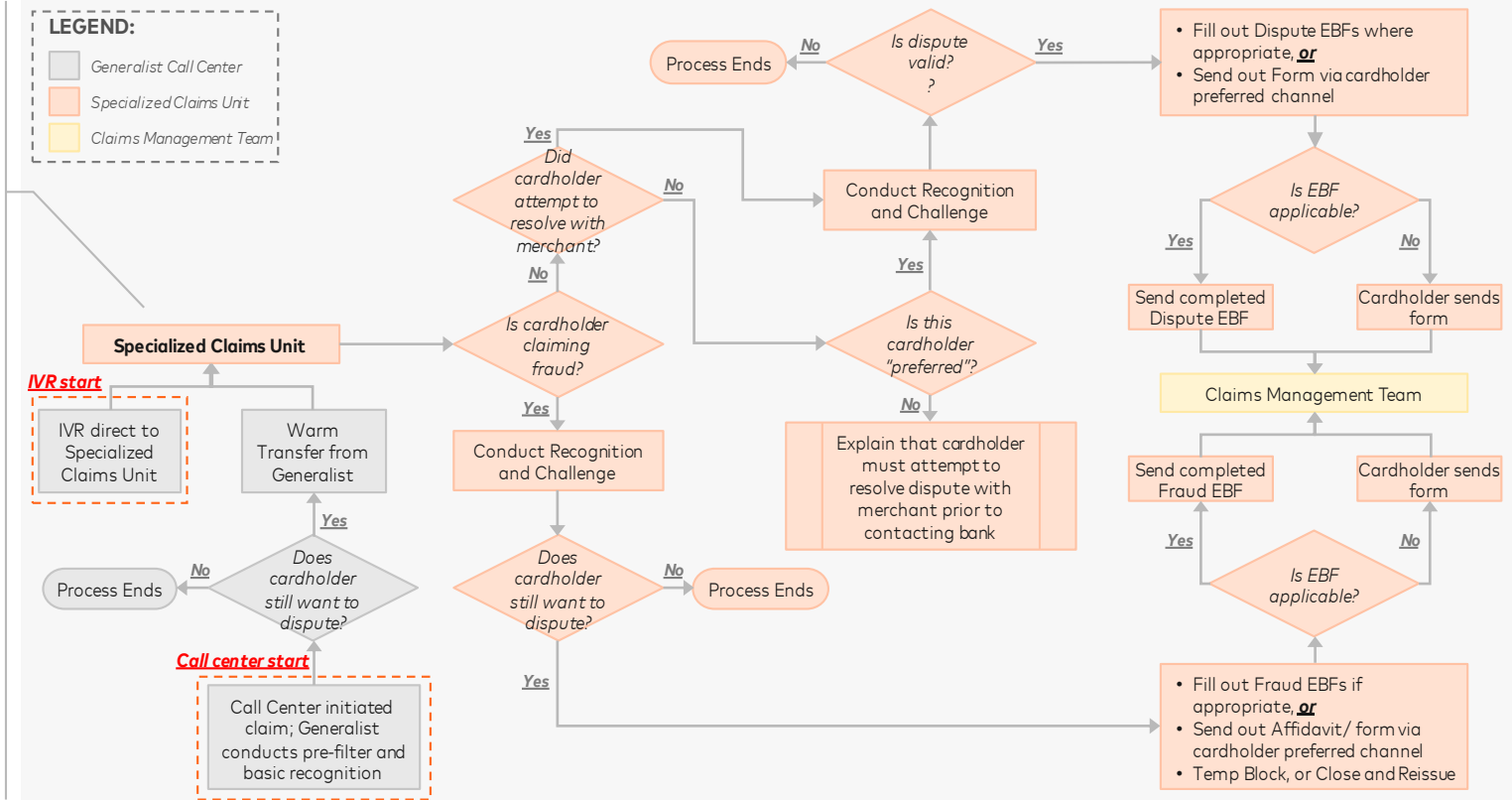
Claim Initiation Recommendations

Recommendation	Common practices	Best practices
1 Specialized intake unit	• Dispute/claim initiation calls usually come into the call center via the general contact number and are handled by any available representative; claims are allowed to be initiated in-branch	• Establish a centralized, specialized claims intake unit within the call center, trained on chargeback reason codes and documentation requirements
2 Decision process flow and matrix	• Call center representatives/branch personnel do not have access to appropriate tools and transaction data in order to make the best decisions during claim initiation	• Develop a decision process flow and matrix which clearly discerns fraud from non-fraud, and keys out to the most appropriate chargeback reason code *during initiation* phase
3 Recognition and challenge script	• There are no standard procedures/scripts to identify/assist the cardholder in recognizing valid transactions	• Design an advanced cardholder recognition script based on transaction data elements, merchant type, transaction history and claim filing history to determine whether the claim is valid
4 Cardholder documentation simplification	• Expedited Billing Forms (EBF's) are usually not effectively leveraged to help increase efficiency and minimize cardholder documentation requirements • Different forms are used for corporate vs. consumer claims and fraud claims vs. non-fraud claims	• Leverage electronic EBFs at the intake stage while cardholder is on the phone to improve customer experience • For claims in which an EBF is not used, create one standard, Declaration Form for both fraud and non fraud claims
5 Multichannel claim initiation	• Online channels, if available, are not interactive with the customer and do not obtain all the required information for a successful claim	• Develop an online dispute initiation tool supported by technology that examines key data elements to customize secondary and tertiary cardholder questions

Allowing customers to IVR directly or warm transfer into the Intake Unit is the optimal way to initiate the claim process

Proposed Call Center structure

- A specialized intake unit is **essential** to **effective utilization** of the **EBF process**

- **SME* at initiation** can help to **maximize win and recovery rates** through best reason code selection, and to **know when initiating a chargeback will further incur losses** for the organization

- It is **more cost-effective to stop invalid claims as early as possible**, and to avoid unnecessary closure and reissuance of cards

LEGEND:
- *Generalist Call Center*
- *Specialized Claims Unit*
- *Claims Management Team*

*SME: Subject Matter Expertise

©2016 Mastercard. Proprietary and Confidential.

The trained, specialized Intake Unit should be armed with a robust script and decision matrix, filter out invalid claims and take the most appropriate action

Claim Initiation Recommendations

	Recommendation	Common practices	Best practices
1	Specialized intake unit	• Dispute/claim initiation calls usually come into the call center via the general contact number and are handled by any available representative; claims are allowed to be initiated in-branch	• Establish a centralized, specialized claims intake unit within the call center, trained on chargeback reason codes and documentation requirements
2	Decision process flow and matrix	• Call center representatives/branch personnel do not have access to appropriate tools and transaction data in order to make the best decisions during claim initiation	• Develop a decision process flow and matrix which clearly discerns fraud from non-fraud, and keys out to the most appropriate chargeback reason code *during initiation* phase
3	Recognition and challenge script	• There are no standard procedures/scripts to identify/assist the cardholder in recognizing valid transactions	• Design an advanced cardholder recognition script based on transaction data elements, merchant type, transaction history and claim filing history to determine whether the claim is valid
4	Cardholder documentation simplification	• Expedited Billing Forms (EBF's) are usually not effectively leveraged to help increase efficiency and minimize cardholder documentation requirements • Different forms are used for corporate vs. consumer claims and fraud claims vs. non-fraud claims	• Leverage electronic EBFs at the intake stage while cardholder is on the phone to improve customer experience • For claims in which an EBF is not used, create one standard, Declaration Form for both fraud and non fraud claims
5	Multichannel claim initiation	• Online channels, if available, are not interactive with the customer and do not obtain all the required information for a successful claim	• Develop an online dispute initiation tool supported by technology that examines key data elements to customize secondary and tertiary cardholder questions

The script and matrix are ideally a process flow, with decision boxes that lead to the most appropriate actions

## Claim Initiation – Decision matrix and Recognition Script

Illustrative

Transaction data elements such as POS Entry Mode, MCC, AVS, CVC2, RP, EMV

Recognition/challenge scripting:
- Consider tiering tactics by customer segment
- Introduce a dispute "talk-off" process at first point of contact; this typically reduces invalid or unnecessary chargebacks by 20-40%
- Implement 3-way merchant conference calls for non-fraud claims, and for fraud claims when there is a strong suspicion of first party fraud
- This scripting has been shown to work best within specialized units with deep subject matter expertise

Provisional crediting timing (e.g. immediate or pend)

Fraud – E-Commerce Transaction
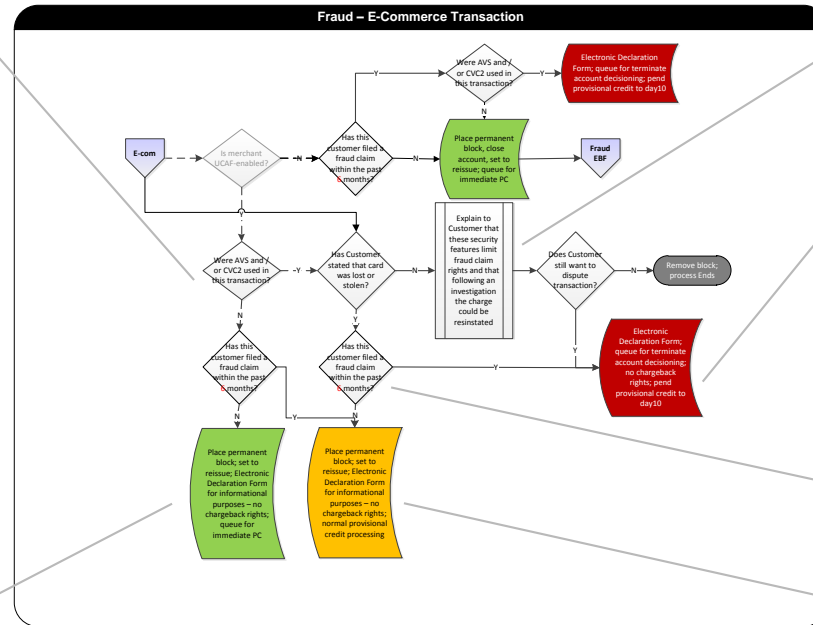
Customer communication of potential denial reasons

Processor actions such as queueing for potential account closure or pending case

Cardholder dispute history or repeat claimants

Documentation requirements such as use of reason code-specific EBFs or Declaration Forms

Use of an Expedited Billing Form at intake can streamline processing efforts and minimize unnecessary subsequent account touches

Claim Initiation Recommendations

Recommendation	Common practices	Best practices
1 Specialized intake unit	• Dispute/claim initiation calls usually come into the call center via the general contact number and are handled by any available representative; claims are allowed to be initiated in-branch	• Establish a centralized, specialized claims intake unit within the call center, trained on chargeback reason codes and documentation requirements
2 Decision process flow and matrix	• Call center representatives/branch personnel do not have access to appropriate tools and transaction data in order to make the best decisions during claim initiation	• Develop a decision process flow and matrix which clearly discerns fraud from non-fraud, and keys out to the most appropriate chargeback reason code *during initiation* phase
3 Recognition and challenge script	• There are no standard procedures/scripts to identify/assist the cardholder in recognizing valid transactions	• Design an advanced cardholder recognition script based on transaction data elements, merchant type, transaction history and claim filing history to determine whether the claim is valid
4 Cardholder documentation simplification	• Expedited Billing Forms (EBF's) are usually not effectively leveraged to help increase efficiency and minimize cardholder documentation requirements • Different forms are used for corporate vs. consumer claims and fraud claims vs. non-fraud claims	• Leverage electronic EBFs at the intake stage while cardholder is on the phone to improve customer experience • For claims in which an EBF is not used, create one standard, Declaration Form for both fraud and non fraud claims
5 Multichannel claim initiation	• Online channels, if available, are not interactive with the customer and do not obtain all the required information for a successful claim	• Develop an online dispute initiation tool supported by technology that examines key data elements to customize secondary and tertiary cardholder questions

Eligible reason codes are consolidated under only three Forms

Expedited Billing Form Reason Codes

- 4831 – Transaction Amount Differs
- 4834 – Duplicate Processing
- 4846 – Correct Transaction Currency Code Not Provided

Point of Interaction Error Form

- 4841 – Cancelled Recurring Transaction or Digital Goods
- 4853 – Defective/ Not as Described
- 4855 – Goods or Services Not Provided
- 4859 – Addendum/ No Show
- 4860 – Credit Not Processed

Cardholder Dispute Form

- 4837 – No Cardholder Authorization
- 4841 – Fraudulent Processing of Transactions
- 4870 – Chip Liability Shift
- 4871 – Chip/ PIN Liability Shift

Fraud Form

- **Documentation requirements for most reason codes can be satisfied with EBFs,** which helps **improve customer experience** by not soliciting any additional documentation, and also **decreases internal operating costs**

- **EBFs should not be used** if the cardholder is **suspected responsible or at fault or** if it is otherwise **an invalid claim**; under these circumstances, the customer should be required to complete an **Affidavit** or a **Declaration Form**

Whenever an EBF is not appropriate, a single Declaration Form for fraud and non-fraud should be used, rather than two separate Forms

Standard Declaration forms

Affidavit of fraud

Statement of dispute

Example

Design the Form so that the various **non-fraud tick boxes are listed first**, and the "Did Not Authorize" tick box is listed last

mastercard

jack henry & ASSOCIATES INC.

Online and in-app channels are becoming more and more commonplace, but they should be interactive and intelligently query the potential claim filer

Claim Initiation Recommendations

	Recommendation	Common practices	Best practices
1	Specialized intake unit	• Dispute/claim initiation calls usually come into the call center via the general contact number and are handled by any available representative; claims are allowed to be initiated in-branch	• Establish a centralized, specialized claims intake unit within the call center, trained on chargeback reason codes and documentation requirements
2	Decision process flow and matrix	• Call center representatives/branch personnel do not have access to appropriate tools and transaction data in order to make the best decisions during claim initiation	• Develop a decision process flow and matrix which clearly discerns fraud from non-fraud, and keys out to the most appropriate chargeback reason code *during initiation* phase
3	Recognition and challenge script	• There are no standard procedures/scripts to identify/assist the cardholder in recognizing valid transactions	• Design an advanced cardholder recognition script based on transaction data elements, merchant type, transaction history and claim filing history to determine whether the claim is valid
4	Cardholder documentation simplification	• Expedited Billing Forms (EBF's) are usually not effectively leveraged to help increase efficiency and minimize cardholder documentation requirements • Different forms are used for corporate vs. consumer claims and fraud claims vs. non-fraud claims	• Leverage electronic EBFs at the intake stage while cardholder is on the phone to improve customer experience • For claims in which an EBF is not used, create one standard, Declaration Form for both fraud and non fraud claims
5	Multichannel claim initiation	• Online channels, if available, are not interactive with the customer and do not obtain all the required information for a successful claim	• Develop an online dispute initiation tool supported by technology that examines key data elements to customize secondary and tertiary cardholder questions

Agenda

- **Overview of Claims Management**

- **Claims Initiation**

- **Claims Processing**

- **Appendix**

In the Third Party model, Financial Institutions are still responsible for ensuring quality and feasibility of the chargeback

Claim Processing Recommendations

	Recommendation	Common practices	Best practices
1	**Intake validation and Quality Control**	• Chargeback service providers receive invalid chargeback claims from the institutions they service	• Create a checklist of key data fields and supporting documentation to be verified and validated prior to sending to Processor for chargeback • Implement a feedback process from back-end to front-end to communicate identified errors made during claim intake, and to identify reasons why claims are invalid chargebacks
2	**Claims Communications**	• Claim status is communicated to customers only in hard copy and when their claim is refuted or denied, there is a negative customer experience	• During Intake, request that the customer opt in to electronic correspondence, and keep the cardholder clearly informed about time frames and monetary movements via email • When a representment successfully invalidates the first chargeback, share pertinent information with the customer to ensure a full understanding of why their claim was denied
3	**Low-value write off threshold**	• Typically, there are no analyses conducted to determine optimal low-value thresholds for claims ; sometimes these thresholds are set to a fixed value for all chargeback types • Institutions may have a different threshold depending on the phase of the claims lifecycle	• Conduct a Unit Cost Analysis to determine the most appropriate low-value write off threshold by transaction type, claim type, customer segment and acquirer • Set a minimum threshold at each phase of the claim lifecycle
4	**Claim History Analysis**	• Some customers discover low write off threshold and Reg E mandates, and repeatedly file invalid claims	• Perform a claim history analysis to determine frequent filers, and set thresholds to determine how to proceed for non Reg E claims • Create an account closure matrix to identify close out customers which repeatedly abuse the Reg E mandates

A Quality Check of Intake should occur before sending chargebacks for input and processing

Claim Processing Recommendations

| Recommendation	Common practices	Best practices
1 — Intake validation and Quality Control	• Chargeback service providers receive invalid chargeback claims from the institutions they service	• Create a checklist of key data fields and supporting documentation to be verified and validated prior to sending to Processor for chargeback • Implement a feedback process from back-end to front-end to communicate identified errors made during claim intake, and to identify reasons why claims are invalid chargebacks
2 — Claims Communications	• Claim status is communicated to customers only in hard copy and when their claim is refuted or denied, there is a negative customer experience	• During Intake, request that the customer opt in to electronic correspondence, and keep the cardholder clearly informed about time frames and monetary movements via email • When a representment successfully invalidates the first chargeback, share pertinent information with the customer to ensure a full understanding of why their claim was denied
3 — Low-value write off threshold	• Typically, there are no analyses conducted to determine optimal low-value thresholds for claims ; sometimes these thresholds are set to a fixed value for all chargeback types • Institutions may have a different threshold depending on the phase of the claims lifecycle	• Conduct a Unit Cost Analysis to determine the most appropriate low-value write off threshold by transaction type, claim type, customer segment and acquirer • Set a minimum threshold at each phase of the claim lifecycle
4 — Claim History Analysis	• Some customers discover low write off threshold and Reg E mandates, and repeatedly file invalid claims	• Perform a claim history analysis to determine frequent filers, and set thresholds to determine how to proceed for non Reg E claims • Create an account closure matrix to identify close out customers which repeatedly abuse the Reg E mandates

The backoffice evaluation occurs post-Intake, validates documentation, and facilitates provisional crediting of customer

Backoffice Validation and Process Flow

- A key responsibility of the back-office function is to provide a qualitative feed back loop to Intake to ensure the most seamless customer experience and to minimize internal operating costs

- The primary back-office evaluator should undertake ongoing chargeback rules training, being able to leverage authorization-related and cardholder dispute chargebacks when appropriate, and to cascade pertinent information to the Intake team

- Many institutions allow Intake units to place blocks on suspected illegitimate fraud claims, then back-office validates and decisions whether to permanently close and set to reissue

©2016 Mastercard. Proprietary and Confidential.
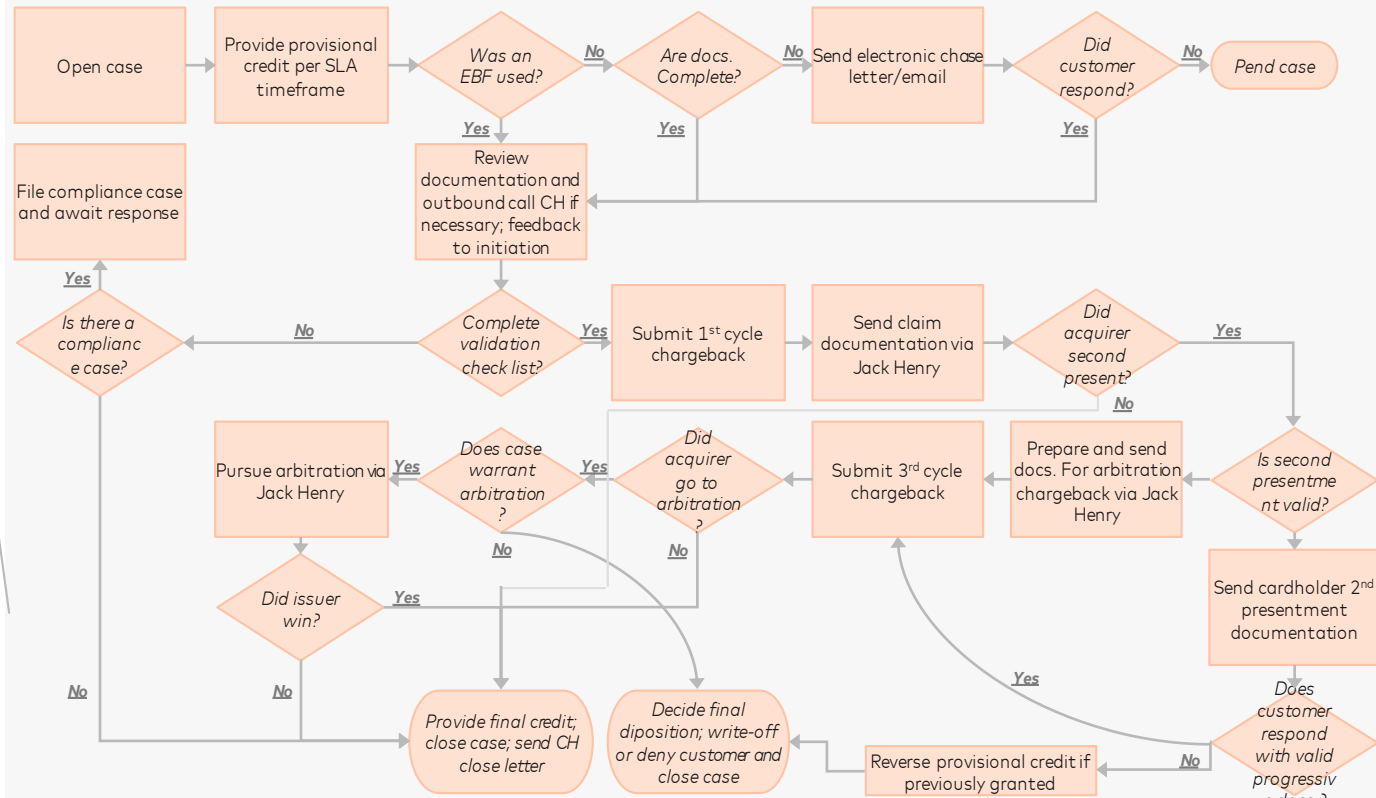
The end-to-end claim processing checklist should be completed before sending to Jack Henry for keying and processing

Claim Processing Steps Checklist

Step	Description
1 — Investigate transaction	Ensure a complete investigation is performed depending on the transaction type the claim is being done for (including past history of claims): • _CP:_ history of transactions, sales draft from merchant, etc. • _CNP:_ IP address, history with merchant, shipping address • _ATM:_ video footage of ATMs, repeat filer?
2 — Review quality	Check quality of work performed by processing agents including: • _Performance:_ count of processed claims in a determined period of time • _Accuracy:_ fraud or non-fraud correct verdicts by agents (assessment performed by a third party) 　　　　　Check if complete documentation is being provided
3 — SAFE - Report and capitalize _If applicable_	Make sure that reporting follows guidelines and recommendations contained within Mastercard SAFE manual
4 — Confirm chargeback rights	Check if transactions that are sent are chargeback eligible per MC chargeback manual
5 — Submit to Jack Henry	Ensure that the reports are submitted to Jack Henry

Customers should be able to opt in to electronic communication channels to keep them informed of their claim status

Claim Processing Recommendations

Recommendation	Common practices	Best practices
1 — Intake validation and Quality Control	• Chargeback service providers receive invalid chargeback claims from the institutions they service	• Create a checklist of key data fields and supporting documentation to be verified and validated prior to sending to Processor for chargeback • Implement a feedback process from back-end to front-end to communicate identified errors made during claim intake, and to identify reasons why claims are invalid chargebacks
2 — Claims Communications	• Claim status is communicated to customers only in hard copy and when their claim is refuted or denied, there is a negative customer experience	• During Intake, request that the customer opt in to electronic correspondence, and keep the cardholder clearly informed about time frames and monetary movements via email • When a representment successfully invalidates the first chargeback, share pertinent information with the customer to ensure a full understanding of why their claim was denied
3 — Low-value write off threshold	• Typically, there are no analyses conducted to determine optimal low-value thresholds for claims ; sometimes these thresholds are set to a fixed value for all chargeback types • Institutions may have a different threshold depending on the phase of the claims lifecycle	• Conduct a Unit Cost Analysis to determine the most appropriate low-value write off threshold by transaction type, claim type, customer segment and acquirer • Set a minimum threshold at each phase of the claim lifecycle
4 — Claim History Analysis	• Some customers discover low write off threshold and Reg E mandates, and repeatedly file invalid claims	• Perform a claim history analysis to determine frequent filers, and set thresholds to determine how to proceed for non Reg E claims • Create an account closure matrix to identify close out customers which repeatedly abuse the Reg E mandates

Financial Institutions should know end-to-end costs and expenses incurred for chargeback processing by claim type, and set thresholds accordingly

Claim Processing Recommendations

Recommendation	*Common practices*	*Best practices*
1 Intake validation and Quality Control	• Chargeback service providers receive invalid chargeback claims from the institutions they service	• Create a checklist of key data fields and supporting documentation to be verified and validated prior to sending to Processor for chargeback • Implement a feedback process from back-end to front-end to communicate identified errors made during claim intake, and to identify reasons why claims are invalid chargebacks
2 Claims Communications	• Claim status is communicated to customers only in hard copy and when their claim is refuted or denied, there is a negative customer experience	• During Intake, request that the customer opt in to electronic correspondence, and keep the cardholder clearly informed about time frames and monetary movements via email • When a representment successfully invalidates the first chargeback, share pertinent information with the customer to ensure a full understanding of why their claim was denied
3 Low-value write off threshold	• Typically, there are no analyses conducted to determine optimal low-value thresholds for claims ; sometimes these thresholds are set to a fixed value for all chargeback types • Institutions may have a different threshold depending on the phase of the claims lifecycle	• Conduct a Unit Cost Analysis to determine the most appropriate low-value write off threshold by transaction type, claim type, customer segment and acquirer • Set a minimum threshold at each phase of the claim lifecycle
4 Claim History Analysis	• Some customers discover low write off threshold and Reg E mandates, and repeatedly file invalid claims	• Perform a claim history analysis to determine frequent filers, and set thresholds to determine how to proceed for non Reg E claims • Create an account closure matrix to identify close out customers which repeatedly abuse the Reg E mandates

Potential cost-savings opportunity for institutions to reformulate write-off threshold based on operational and overhead costs

Volume and Expense estimates

	Overall Call Center	First Cashback	Fraud Group – First Cashback	Total First Cashback Cycle Disputes	Non-Fraud – Second Cycle	Fraud – Second Cycle	Pre-arbitration and Arbitration	Grand Totals
	Dispute Calls (Talk-offs, Write-off, Non-Affidavit Dispute Initiation & Request for Dispute Forms/Additional Doc)	Pre-work: Mail Sort, Systems & Database Entry; First Cashback Initiation – Doc Verification, Inbound & Outbound Calling, Policy Write-off Process, Written Communication, Retrieval Proc, MasterCom – Doc Assembly/Scan, CB RC Selection & Keying of First Cashback, etc.	Fraud Dispute Investigations & First Cashback Initiation (CH Communication, Investigation, Systems & Database Entry, Keying of First Cashback)	Total First Cashback Initiation Work for All Products	Review of Non-Fraud Representment Items (Cardholder Communication, Compliance, Internal Resolution, CH Follow-up)	Review of Fraud Representment Items (Cardholder Communication, Compliance, Internal Resolution, CH Follow-up)	Case Filling and Final Resolution	
Total Calls/Items Handled	80,000	N/A	N/A	N/A	N/A	N/A	N/A	
Cost per Call/Item	$3.22	N/A	N/A	N/A	N/A	N/A	N/A	
Productivity per Hour per Call/Item	6.67	N/A	N/A		N/A	N/A	N/A	
Productivity per Day per Call/Item	53.33	N/A	N/A	N/A	N/A	N/A	N/A	
Total Chargeback/Disputes Handled	40,000	28,000	24,000	52,000	4,800	11,600	400	
Cost per Chargeback Dispute	$6.43	$13.04	$5.70	$9.65	$18.04	$1.43	$34.59	
Productivity per Hour per Chargeback Dispute	3.33	2.15	5.58	3.01	1.41	16.57	0.67	
Productivity per Day per Chargeback Dispute	26.67	17.23	44.65	24.05	11.29	132.57	5.33	
Low Dollar Write-off Losses (Includes Write-offs throughout Dispute Process Life Cycle – Goodfaith Losses)								$12,000
Other Potential Unrecovered Dispute Losses								$150,000
Total Dispute Unit Losses								$150,000
Total Cost to Dispute Dept								$1,037,950

ILLUSTRATIVE

In order to determine appropriate write-off threshold, institutions need to calculate costs by chargeback cycle

Sample Key Chargeback Metrics

Dispute Resolution – Unit Cost Figures

Metric	Unit cost	Unit cost w/ write-off losses
Average Overall Dispute Processing Cost (Total Dispute Complaints from All Channels)	$12.51	$14.83
Average Weighted Full Cycle Chargeback Cost (Includes Auto Chargebacks)	$16.85	$19.96
Average Weighted Full Cycle Chargeback Cost (Excludes Auto Chargebacks)	$17.88	$21.18
Average Call Center Dispute Handling Cost	$13.22	
Average First Chargeback Cost (Includes Auto Chargebacks)	$9.65	
Average First Chargeback Cost (Excludes Auto Chargebacks)	$10.24	
Average Second Cycle Processing Cost	$18.04	
Average Pre-orb and Arb Cycle Cost	$34.59	

Chargeback Processing – Productivity Measures

ILLUSTRATIVE

	Unit cost	Hourly Productivity (Units)	Daily Productivity (Units)
Overall Call Center	$6.43	3.33	26.67
First Chargeback	$13.04	2.15	17.23
Fraud Group – First Chargeback	$5.70	5.58	44.65
Total First Chargeback Cycle Disputes	$9.65	3.01	24.05
Non-Fraud – Second Cycle	$18.04	1.41	11.29
Fraud Second Cycle	$1.43	16.57	132.57
Pre-Arbitration and Arbitration	$39.59	0.67	5.33

Customer claim history can be used to help determine claim validity and to decide whether the customer should be retained

Claim Processing Recommendations

Recommendation	*Common practices*	*Best practices*
1 Intake validation and Quality Control	• Chargeback service providers receive invalid chargeback claims from the institutions they service	• Create a checklist of key data fields and supporting documentation to be verified and validated prior to sending to Processor for chargeback • Implement a feedback process from back-end to front-end to communicate identified errors made during claim intake, and to identify reasons why claims are invalid chargebacks
2 Claims Communications	• Claim status is communicated to customers only in hard copy and when their claim is refuted or denied, there is a negative customer experience	• During Intake, request that the customer opt in to electronic correspondence, and keep the cardholder clearly informed about time frames and monetary movements via email • When a representment successfully invalidates the first chargeback, share pertinent information with the customer to ensure a full understanding of why their claim was denied
3 Low-value write off threshold	• Typically, there are no analyses conducted to determine optimal low-value thresholds for claims ; sometimes these thresholds are set to a fixed value for all chargeback types • Institutions may have a different threshold depending on the phase of the claims lifecycle	• Conduct a Unit Cost Analysis to determine the most appropriate low-value write off threshold by transaction type, claim type, customer segment and acquirer • Set a minimum threshold at each phase of the claim lifecycle
4 Claim History Analysis	• Some customers discover low write off threshold and Reg E mandates, and repeatedly file invalid claims	• Perform a claim history analysis to determine frequent filers, and set thresholds to determine how to proceed for non Reg E claims • Create an account closure matrix to identify close out customers which repeatedly abuse the Reg E mandates

Some Financial Institutions have a clearly defined account closure matrix for "frequent filer" abusers

Account Closure Matrix Process

ILLUSTRATIVE FLOWS

- Time on Books (longevity), average balance, transaction activity, overall profitability and holistic relationship with the institution are also ideally incorporated into the account closure matrix

Account Closure Process

Evidence of fraud attempt? — **No** → Open claims and submitting adjustments? — **No** → Accounts with balance ≥ $0? — **No** → Accounts with negative balance ≤ $X? — **No**

Yes ↓ (Evidence of fraud attempt?)

Total value of claims ≥ $X USD? — **No** → No Action

Yes ↓

Fill Suspicious Activity Report (SAR)

↓

Email manager the following information:
- Total value of claims
- Explanation of reasons for suspected fraud
- Evidence of attempt to defraud

Yes ↓ (Open claims and submitting adjustments?)

Total CBs/CRs ≥ $X USD? — **No** → No Action

Yes ↓

History of claims where money is immediately spent upon provisional credit receipt?

Yes → Check with manager whether to close account immediately

No → Place account in "closing account list"

Yes ↓ (Accounts with balance ≥ $0?)

Place alert to block account

↓

Follow standard local procedures to send customer a hard copy of "Closing Account With Balances" Letter

↓

Account with pending transactions? — **No**

Yes ↓

Follow local procedures to monitor for settlement

↓

Follow standard local procedures to send customer a hard copy of "Closing Account With Balances" Letter

↓

Close the account

Yes ↓ (Accounts with negative balance ≤ $X?)

Bring account balance to _zero_

↓

Place alert to block account

↓

Follow standard local procedures to send customer a hard copy of "Closing Account" Letter

↓

Close the account

↓

Place alert to block account

Questions?

Steven Russell, Principal / Chargeback SME

Katie Steel, Managing Consultant / Fraud SME

Agenda

- **Introduction to Claims Management Organization**

- **Claims Initiation**

- **Claims Processing**

- **Appendix**

Cardholder – Dispute EBF

Dispute Resolution Form
Cardholder Dispute Chargeback

Transaction Information:
Acquirer's
Reference Data   Transaction or Settlement Date:
or Switch Serial   Disputed Amount:
Number: Merchant Name:
Transaction Amount:

Type of Cardholder Dispute (check one):

☐ Goods or services were not as described or defective, includes shipped merchandise received damaged or not suitable for its intended purpose or merchant didn't honor the terms and conditions of a contract.
Delivery date of the goods or services:

☐ Goods or services were not provided
Expected delivery date of the goods or services:

☐ Digital goods were purchased totaling USD 25.00 or less and did not have adequate purchase controls

☐ Credit not processed
Return or cancellation date:

☐ Counterfeit goods alleged to be authentic were purchased
☐ Recurring transaction cancelled prior to billing
Cancellation date:

☐
☐ Recurring agreement was not properly disclosed
☐ Addendum dispute
☐ "No-Show" hotel charge was billed
☐ Purchase transaction did not complete
☐

1221

Revised: March 2018
Effective 2018

☐ Timeshare agreement or similar service provision was cancelled within Mastercard time frame
☐ Credit posted as a purchase

Cardholder Participation:
Did the cardholder participate in the transaction?   ☐ Yes   ☐ No

Page 1 of 3

Dispute Details:
Describe the cardholder's compliant in sufficient detail to meet the requirements for the chargeback as described in the *Chargeback Guide* and to enable all parties to understand the dispute:

1221

Revised: March 2018
Effective 2018

Page 2 of 3

Mastercard will determine whether this information contains sufficient detail.
"The Issuer certifies that it complies with Mastercard Bylaws, Rules, policies and operating regulations and procedures of Mastercard (the "Standards"), written agreements and privacy laws and regulations applying to the protection of personal data. I certify that the facts were obtained from my discussion with the cardholder or the company/government agency representative on behalf of the corporate/government card cardholder and that the facts are accurate to the best of my knowledge."

Customer Service/ Chargeback Representative: Date:

1221

Revised: March 2018
Effective 2018

Fraud Form

Dispute Resolution Form— Fraud

Transaction Information:

Acquirer's
Reference Data
or Switch Serial
Number:

Transaction or Settlement Date:

Disputed Amount:

Merchant Name: Number of
Items:

If multiple transactions are charged back, include the first transaction detail above and supply on separate pages the remaining unauthorized transactions disputed by the cardholder. Include for each transaction the merchant name, Acquirer Reference Data or Switch Serial Number and transaction amount.

By completing this form, the issuer certifies its knowledge of the cardholder's claim that neither he, she, nor anyone authorized by him or her engaged in the transaction(s) provided with this form.

Card Status Information: Check all applicable boxes as required by the *Chargeback Guide* for this dispute.

The card was closed before the chargeback was processed: Yes No   ☐ ☐

The transaction was reported to SAFE before processing chargeback: Yes No   ☐ ☐

The card used was lost, stolen or never received issue (NRI): Yes No   ☐ ☐

The card used was counterfeit: Yes No   ☐ ☐

The account listed on the Account Management Service Stand-In Account File: ☐ Yes ☐ No

Reason code 4837 CAT 2: Was the card lost, stolen, or NRI at the time of the Yes   ☐   No transaction?

Reason Code 4840: Was one legitimate transaction made at the same merchant Yes No location and ☐ ☐ the cardholder is in possession and control of all cards?

Additional Information if needed:

Dispute Resolution Form— Fraud

"The Issuer certifies that it complies with Mastercard Bylaws, Rules, policies and operating regulations and procedures of Mastercard (the "Standards"), written agreements and privacy laws and regulations applying to the protection of personal data. I certify that the facts were obtained from my discussion with the cardholder or the company/government agency representative on behalf of the corporate/government card cardholder and that the facts are accurate to the best of my knowledge."

Customer Service/Chargeback Representative: Date:

Issuer complete section below for Reason Code 4871- Chip Liability Shift— Lost/Stolen/Never Received Issue (NRI) Fraud Chargeback only:

Card Issuer Region:

Cardholder Verification Method (CVM) Hierarchy List Certification

Number the priority sequence of CVM supported by the card from highest to lowest priority as 1, 2, 3, 4. Number 1 being the highest priority CVM on the card. If a CVM is not supported, leave that CVM option blank. See examples below:

_____ Online PIN Preferring
_____ Offline PIN
_____ Signature
_____ None   (No CVM)

Examples: Card's CVM Priority or Hierarchy

Example #1 – Card's CVM priority or hierarchy is Online PIN, Offline PIN, Signature and then No CVM.   CVM hierarchy: 1 Online PIN Preferring   2 Offline PIN   3 Signature   4 None (No CVM)

Example #2 – Card's CVM priority or hierarchy is Online PIN, Signature and then No CVM. The card does not support Offline PIN. CVM hierarchy: 1 Online PIN Preferring   ___ Offline PIN   2 Signature   3 None (No CVM)

Point of Interaction Form

Dispute Resolution Form—
Point of Interaction (POI) Errors

Transaction Information:
Acquirer's
Reference Data
or Switch Serial
Number: Merchant Name:
Transaction Amount:

Transaction or Settlement Date:
Disputed Amount:

Type of Point of Interaction (POI) Error (check one):

☐ The cardholder was debited more than once for the same goods or services.
   Alternate means of payment details: _____

☐ The cardholder was debited an incorrect amount.

☐ The cardholder was billed for loss, theft, or damage in the same transaction as the underlying initial service.

☐ The cardholder states that he or she was not given the opportunity to choose the desired currency in which the transaction was completed or did not agree to the currency of the transaction.

☐ The cardholder claims the transaction amount is unreasonable. *(Intra-European Economic Area (EEA) Transactions Only)*

1240

Revised: March 2018
Effective 2018

Dispute Resolution Form—
Point of Interaction (POI) Errors

☐ *Duplicate Transaction (MCQR/MPQR Transactions Only)*

Page 1 of 3

Dispute Details:
Describe the cardholder's compliant in sufficient detail to meet the requirements for the chargeback as described in the *Chargeback Guide* and to enable all parties to understand the dispute:

1240

Revised: March 2018
Effective 2018

Point of Interaction Form continued

**Dispute Resolution Form—
Point of Interaction (POI) Errors**

Mastercard will determine whether this information contains sufficient detail.

Page 2 of 3

1260

**Dispute Resolution Form—
Point of Interaction (POI) Errors**

"The issuer certifies that it complies with Mastercard Bylaws, Rules, policies and operating regulations and procedures of Mastercard (the "Standards"), written agreements and privacy laws and regulations applying to the protection of personal data. I certify that the facts were obtained from my discussion with the cardholder or the company/government agency representative on behalf of the corporate/government card cardholder and that the facts are accurate to the best of my knowledge."

Customer Service/Chargeback Representative: _____   Date: _____

1260