



EBOOK

HOW TO WIN MORE CHARGEBACK DISPUTES



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INTRODUCTION

Once it became clear the COVID-19 pandemic wasn't going away, major airlines began to panic. How could they ride the crisis when all air travel was grounded indefinitely? And how would customers react to their cancelled flights?

Some airlines' initial response was to go into damage control mode. No refunds, and complex programmes for customers to demand travel vouchers.

It did not go well.

Support teams became **inundated with complaints**. Frustrated customers took matters into their own hands by initiating chargeback requests with their banks.

In fact, the chargeback rates exploded so dramatically, that Visa had to issue **specific travel industry guidelines for COVID-related disputes**.

Soon after, the airlines changed tactics. European low-cost company EasyJet, for instance, not only brought back its refund form, it even sweetened the deal for customers who chose credit vouchers, with extended rebooking eligibility, and **extras like free holiday vouchers and in-flight perks**.

Which is all to say that **companies will go to great lengths to avoid dealing with chargebacks**.

But if you have no choice, how should you handle them? And what are the best techniques to ensure you win disputes - especially with the tricky cases of friendly fraud?

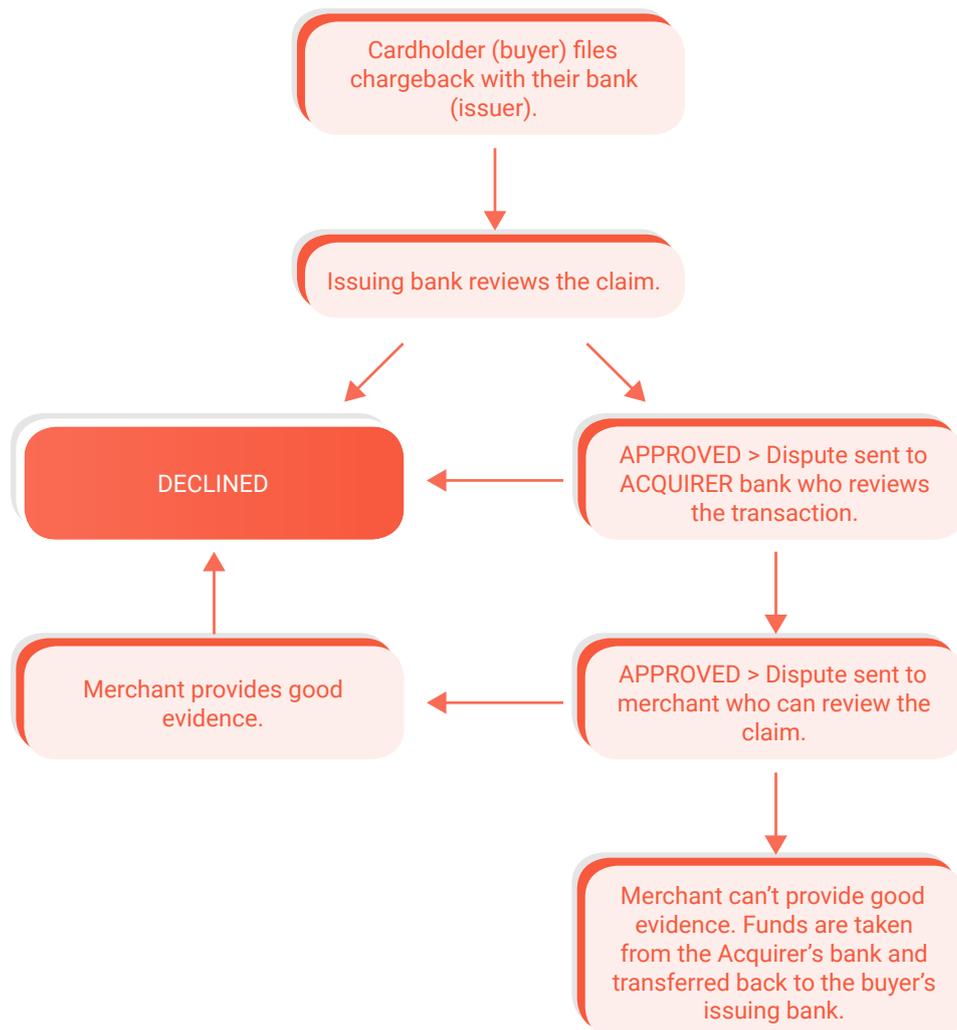
We'll provide all the questions and answers in this ebook, along with tips on how to avoid chargebacks in the first place, and even a template for a good chargeback rebuttal letter.

THE CHALLENGES OF CHARGEBACK DISPUTES

We estimate that every dollar lost to a chargeback costs merchants \$2.40. That means a **\$100 chargeback can result in losses of more than \$240** due to the extra fees.

If the customer wins, you lose a sale, a physical or digital item, and have to pay a fee of \$20 - \$100. It can even incur penalties and put you on a high-risk list, which would prevent you from processing payments with certain card companies in the long run.

But even if you do win, we must consider the time and effort lost for the sales team, IT or customer support agents. **Chargeback disputes are a notoriously complex and confusing process**, and some merchants often prefer avoiding it altogether rather than wasting time and resources – especially for digital or low-value goods.



Even a dedicated in-house team can struggle to keep up with the myriad of reason codes, changing requirements, and specific proofs to provide during steps like a pre-arbitration case.

THE PROBLEM WITH REASON CODES

Every issuing bank has their own sets of chargeback reason codes. These 2-4 alphanumeric codes are designed to identify the reason for the dispute.

Unfortunately, the codes aren't standardized across card networks. For instance, a duplicate charge will be called P08 by American Express, 4999 by Mastercard, and 12.6 by Visa.

To make matters worse, there is little transparency from the merchant side as to why a code was selected. Was it the cardholder's reason? Or has it been vetted by the company? Not knowing can make it harder to prepare the right compelling evidence.

Finally, let's not forget that **chargeback disputes are a largely manual process**, and that it's near impossible to scale them without hiring more staff. Which is why even the best agents, when pressed for time, can struggle to find the best compelling evidence to improve their win rates.

But before we go ahead and explore what kind of evidence you should gather and how, let's first go back to the basics.

WHY CHARGEBACKS HAPPEN IN THE FIRST PLACE

There are really three reasons why your company might have to fight a chargeback request.



You made an error: shipped the wrong item, forgot a discount, or made a technical mistake. You should not dispute those, as the customer would be in the right.



You were targeted by fraudsters: card details were stolen by fraudsters who purchased goods or services on your site without the original cardholder's authorization.



Friendly fraud: also known as chargeback abuse, first party fraud, liar buyer or family fraud.

Friendly fraud is particularly problematic these days. Not only is it one of the fastest growing trends in the online payment world (60-80% of all chargeback requests today according to Chargebacks911), it's also one of the hardest kinds to fight, which is why it helps to break it down even further.

\$1B - the amount friendly fraud is expected to cost businesses by 2023. Source: Ethoca and Aite Group Research

41% - the rate at which friendly fraud grows every two years. Source: [RFi Research](#)

BREAKING DOWN FRIENDLY FRAUD

While there is no official definition for the term, the general consensus is that friendly fraud happens when a cardholder disputes a purchase legitimately made with their card. That is to say, their card details were not stolen by fraudsters.

Friendly fraud chargeback requests tend to fall into three categories, innocent or accidental, opportunistic, and malicious. And as we'll see later, each of them requires a different response.

1. INNOCENT OR ACCIDENTAL REQUESTS

These chargeback requests are made by customers who do not recognize a purchase made with their own credit card. It is also known as friendly or 1st party fraud, because the card is indeed in the cardholder's possession at the time.

You might also call it family fraud, because the cardholder often triggers a dispute after a relative purchased something without their authorization. Children buying skins with their parent's credit card or unapproved in-app purchases fall into that category.

It's also worth noting that **these kinds of chargebacks can be initiated by banks on the customers' behalf**. And the dispute will often escalate if the cardholder does not recognize the transaction, especially due to vague or generic billing descriptors.

1 in 7 consumers have mistakenly disputed a legitimate transaction. Source: Ethoca and Aite Group Research

49% of friendly fraud cases are misunderstandings where the cardholder didn't realize they were filing a chargeback. Source: Chargebacks911



THE POWER OF BILLING DESCRIPTORS

Billing descriptors are an area where companies can drastically reduce their chargeback rates with minimum effort. According to a survey by Ethoca and the Aite Group Research, 96% of consumers expressed a strong preference for having more detailed transaction information.

These 20-25 characters should be optimized to include a recognizable trade name, with clear reminders of what the purchase relates to. Adding the website domain name is also useful, and so is contact info such as a phone number or social media handle.

In fact, the startup Basecamp reduced their chargeback rates by 30% simply through improved billing descriptions

2. OPPORTUNISTIC FRIENDLY FRAUD

As we've seen in our opening example with travel airlines, chargebacks are increasingly **initiated by opportunistic and dissatisfied customers.**

This could be because of a store policy they disapprove (offering travel credit instead of refund), or simply because they express regret after their purchase.

And of course, that trend has been particularly exacerbated during the COVID-19 crisis.

The reasons? Online goods that couldn't be shipped on time, events cancelled all around the globe, customers frustrated with return policies.

It's also worth remembering that unemployment rates have shot through the roof lately. People do anything they can to recoup some cash, even if it involves cancelling purchases through illegitimate means.



Here again, it's no wonder card companies like [Mastercard had to release guidelines](#) on how to handle the avalanche of chargeback requests due to the COVID-19 crisis.

81% of customers freely admit to filing chargeback requests out of convenience. Source: [eConsumerServices](#)

50% the potential year on year impact of COVID-19 on chargeback rates. Source: [the PayPers](#)

3. MALICIOUS FRIENDLY FRAUD

At first glance, there seems to be a contradiction in terms here, but the fact is that **some buyers will know in advance that they're going to request a chargeback.**

These bad customers have every intention to have their cake and eat it, by receiving an item, claiming it never arrived, and getting their money back.

The practice can be trickier to discern, but as we'll see, not impossible with the right monitoring tools. Moreover, this is also a favourite technique of organized crime rings, which means we can discern certain patterns in order to prevent it.

In fact, because this kind of friendly fraud is so close to standard fraud, your prevention system should be able to help. But more on that later.



HOW TO BUILD YOUR CASE

Now when it comes to disputing the chargeback, the bare minimum for you or your agents is to :

- understand the chargeback process
- know the reason codes
- have templates of chargeback rebuttal letters
- gather compelling evidence

The last point is undoubtedly the one that causes the most confusion. As we've seen, what is considered compelling evidence for one credit card company might be useless for another. Does it have to be in colour or will they accept black and white? Will you really need to submit documents via fax?

Unfortunately, these idiosyncrasies mean there's no choice but to do your homework. But luckily, there are still a few tips and tricks to learn in order to improve your win rate.

1. TELL A STORY THROUGH DATA

The first tip is the one that will require the most effort on your part. This is because it involved **planning for chargeback disputes before they happen**. And this is done by collecting the right data at the right time.

So what kind of data do you need exactly? We will go into more specific details in the examples later, but broadly speaking, there are three categories you should think about:

- **The customer's identity:** you can go for standard KYC checks here, like name, address and credit card details, including AVS and CVV. Email, phone number, and social media information also work. And don't forget more technical information like their IP address, device, browser or the **hundreds of data points you could collect with a good device fingerprinting tool**.
- **Your internal data:** this is everything coming from your own records, such as the customer's purchase history, which promo code they used, how old the account is. Access and login history, geolocation and whether they signed up from an affiliate link can help. And of course, if you have **a fraud score from SEON**, you should keep that too.

- **The exchange:** This is data that tells a story about the transaction or dispute. Customer communication, transcripts of phone calls and email exchanges are important. A copy of your policies and terms, which the user must have checked to proceed to the checkout. Proof of delivery, and even timestamps of when the user clicked on web or app notifications can also tip the scales in your favour.

At this point, it should be clear that the best course of action is to integrate strong analytics and reporting tools within your online platform – whether they are built in-house or by third-party providers.

Data points accepted by SEON

```

“action_type”: “purchase”,
“ip”: “192.0.2.0”,
“transaction_id”: “”,
“affiliate_id”: “”,
“affiliate_name”: “”,
“order_memo”: “”,
“email”: “example@example.com”,
“email_domain”: “”,
“password_hash”: “”,
“user_fullname”: “”,
“user_name”: “”,
“user_id”: “”,
“user_created”: 1446370717,
“user_category”: “”,
“user_account_status”: “”,
“user_bank_account”: “”,
“user_bank_name”: “”,
“user_balance”: “”,
“user_verification_level”: “”,
“user_dob”: “”,
“user_country”: “”,
“user_city”: “”,
“user_region”: “”,
“user_zip”: “”,
“user_street”: “”,
“user_street2”: “”,
“session”: “”,
“device_id”: “”,
“payment_mode”: “”,
“payment_provider”: “”,
“card_fullname”: “”,
“card_bin”: “”,
“card_hash”: “”,
“card_expire”: null,
“card_last”: “”,
“avs_result”: “”,
“cvv_result”: “”,
“status_3d”: “”,
“sca_method”: “”,
“phone_number”: “”,
“transaction_type”: “”,
“transaction_amount”: 354.55,
“transaction_currency”: “”,
“items”: []

```

CUSTOMER DATA AND THE GDPR

Some merchants might have concerns about collecting customer information and multiplying the data points they aggregate. But it's important to remember that the GDPR, along with other regulations, makes it clear that you are allowed to collect data for anti fraud procedures.

Just ensure that the procedure is built into your terms of service, and that any third-party tools are also compliant. SEON, for instance, operates legally under GDPR regulation, and it is even ISO27001-certified, ensuring the highest commitment to the protection of sensitive data.



2. SPEAK THE ISSUER'S LANGUAGE

This point refers to your knowledge of the company you're dealing with. We've already covered the importance of understanding chargeback reason codes, but there is also a specific lingo you can use that will help your case.

Beside the common terms like CNP (card not present) or AVS (address verification system), be mindful of acquirer-specific terminology such as liability shift, misrepresentation and invalid data (Visa), warning bulletin files and late presentment (MasterCard) or chargeback reversal (American Express).

The key here is to make your dispute as easy to process as possible for the agent who will receive it.

And there's a great point to emphasize here: as much as the chargeback dispute process is manual for you, it is just as time consuming for the card companies. Chances are their agent also has hundreds of cases to review, and if helping them do their job properly could influence their decision.

Which is why it's always good practice to **remember the human who will be assigned your case**. Keep the initial dispute document as light and easy to read as possible.

Ideally, the **response shouldn't be longer than 1 page long**, and while you can submit as much evidence as you need, the story has to be digestible and easy to understand, as demonstrated in the template below:

EXAMPLE OF A REBUTTAL LETTER FOR NON DELIVERY CHARGEBACK CLAIM WITH MASTERCARD



Name

To whom it may concern,

On April 2nd, 2020, our mutual customer, James Morris, purchased a Huawei P30 Phone for \$550. The transaction was charged back to us based on the claim:

Goods Not Provided, with code 4855.

Our company disputes this chargeback, based on the following evidence:

On April 10th, 2020, the customer was sent an email for notice of delivery.

On April 10th, 2020, the customer opened the email for notice of delivery.

On April 11th, 2020, the delivery company confirmed the item had been received.

On April 14th, 2020, we sent a thank you email requesting feedback for our shipping services. It was opened the same day by Mr Morris.

Between April 10th and April 30th, Mr Morris did not visit our site, nor did he message our support team.

Since we believe Mr Morris did indeed receive the item, it should be charged to his account. You will find all the compelling evidence attached with this letter.

Sincerely,

[Name, company name]

3. AVOID WASTING RESOURCES

Chances are, if you're reading this ebook, your company has a backlog of chargeback disputes to process. Which is to say, any time spent on a dispute could be spent building a stronger case for another.

And according to research by Javelin, fraud and chargeback management already consumes between 13 and 20% of companies' operational budget.

AUTOMATIC REPRESENTMENT

Some companies tend to waste large amounts of resources on chargeback disputes that are already handled by the acquirer. This is called automatic representment, and it can even confuse cardholders who aren't aware of the process.

For fraud managers, it's important to know which cases might have been submitted based on automatic representment, just so you don't double your workload for no reason. A quick message to the customer could confirm that they did not initiate the dispute, and will save tremendous amounts of time.

So how do you scale your operations without throwing money at the problem? Can you really process more disputes without hiring extra agents and boosting your internal resources?

The answer is yes, if you're smart about the tools you use or the trained experts you hire. For instance, a good agent will have a clear idea of the strict minimum you need to submit as compelling evidence.

	Product not received	Credit not processed	Subscription cancelled
Customer signature	YES	YES	YES
Product description	YES	YES	YES
Customer communication	YES	YES	YES
Access activity log	YES		
Refund policy		YES	
Cancellation policy			YES

Example of the minimum data you must supply to Stripe as compelling evidence based on three different chargeback disputes.

These kinds of templates can only be built after gaining first hand experience of successful chargeback disputes. But the advantage is that it's then easier to automate the processes for later cases.

In fact, leveraging tools that can automate your reporting process is the key to scaling your chargeback disputes without wasting resources.

SEON, for instance, lets you automatically create custom reports and export them to PDFs with data such as:

- Customer behaviour
- IP data for geolocation
- Email social data
- And much more...

Which brings us to our final chapter, with clear examples of chargeback dispute data you should be able to gather and submit in order to win your cases.



3 EXAMPLES OF DISPUTES AND THE EVIDENCE TO SUBMIT

Every chargeback request is unique, but they do fall into broad categories. Below are examples of the kind of documentation you could provide according to three different scenarios.

1. NON DELIVERY CHARGEBACK CLAIM

Your customer bought an item and claims they've never received it, but you have sent an automatic email confirming delivery. This would be a code 30 with Visa, or 4855 with Mastercard, for merchandise not received.

Circling back to our three categories of evidence, here is what you could submit:

Customer identity	Internal data	The exchange
<ul style="list-style-type: none">• Name and surname• Address• Credit card number• Social media info	<ul style="list-style-type: none">• Date the account was created• Purchase and login history	<ul style="list-style-type: none">• Email notice as proof of delivery• An email sent to explain that delivery times might be delayed• Delivery tracking emails

One crucial point to make here is related to the timing of the dispute. If the user clicked the email that confirmed delivery and yet they had not received it, they would have requested a chargeback immediately. If the timing is off by a few weeks, it could easily point to malicious friendly fraud.

How SEON can help: Use SEON's social media lookup to enrich the customer data and access their online profiles. You may be lucky and find online proof that the buyer received the goods, left a review, or mentioned it to a friend.

2. SUBSCRIPTION CHARGEBACK CLAIM

In this scenario, a customer has willingly subscribed to your online service (music or video streaming, SaaS, etc...). But after their plan is automatically renewed, they claim they want to cancel via a chargeback request.

Customer identity	Internal data	The exchange
<ul style="list-style-type: none"> • Name and surname • Address • Credit card number 	<ul style="list-style-type: none"> • Account usage, including login timestamps - especially after the subscription has been paid • Payment history 	<ul style="list-style-type: none"> • Email reminder of upcoming subscription charge • Email explaining how service has changed, with clickable button to agree to new T&Cs

A few notes here: the success of this case hinges on great communication with your customer. In fact, there might even be some friction with the marketing team, as they might want to avoid sending a reminder email.

But when it comes to disputing a potential chargeback, that email will be invaluable to prove that the customer knew the charge was going to happen.

Similarly, including a confirmation button in an email is a great way to protect yourself. Ideally, you'd be able to include a screenshot of the email sent, along with a timestamp of when they clicked to agree.

How SEON can help: easily export your customer's login data, filtered by date. This will show if they continued using the service after their renewed subscription, and how often.



3. INTENTIONAL FRIENDLY FRAUD CLAIM

Let's now imagine that a customer used their standard account to look at an item on your site, but then used another account to buy it and claim a chargeback. We are indeed in the world of **multi accounting fraud**, but if the card was indeed the buyer's, you might have trouble proving it was malicious.

Of course, if you have a fraud detection system in place, you would have had the option to automatically reject the transaction on suspicious grounds. But let's say you wanted to lower your risk thresholds, while remaining smart about tracking connections between accounts in the first place.

Customer identity	Internal data	The exchange
<ul style="list-style-type: none"> • Name and surname of both accounts • Addresses • Credit card numbers • IP addresses • Device used • VPN used • Incognito browsing 	<ul style="list-style-type: none"> • Item views by customer • Customer favourited the item • SEON Risk score 	<ul style="list-style-type: none"> • Email mentioning that the phone number was already connected to another account

The key point to make here is to establish a connection between the account that was interested in the item, and the one that bought it. You might have evidence in the form of an incognito browsing session, or even access to your site via a suspicious proxy or VPN. You could even show SEON's risk score as proof that you were suspicious about the purchase in the first place, which could align with the information the bank already has about the customer and help win your case.

How SEON can help: use device fingerprinting and other data enrichment tools to highlight connections between accounts. Run the data through risk rules to get a score on how likely the customer is to commit friendly fraud.

KEY TAKEAWAYS

No matter which industry, in the world of online transactions, you can't deny the problem that chargebacks are on the rise. And due to the COVID-19 crisis, we're seeing an increasing number of friendly fraud cases.

Now there are two ways to avoid chargeback disputes in the first place. The first one is to be as customer focused as possible. Send confirmation emails, and be transparent about pricing and policies.

Great communication during post-dispute outreach, for instance, can also see many customers back down, or even cancel a chargeback they didn't know had been initiated by their banks.

The second solution is to prevent suspicious customers from purchasing your goods or services in the first place. This is exactly where SEON can help, thanks to our data enrichment tool, device fingerprinting, and powerful risk scoring.

But even if you only accept the safer payments, your fraud detection tool can also help with disputing the chargebacks. SEON's smart and flexible reporting tools can pull the right data for your case, and even integrate with other web apps to automate these manual processes – all so you can divert resources towards growing your business with complete peace of mind.

For more information about SEON, please visit our website:

www.seon.io

For our ultimate guide to reducing chargebacks, please click here:

[Ebook](#)



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