When Things Go Wrong



John Elliott

Payments, Security, Privacy, and Risk Specialist

@ withoutfire | pci.rocks

Reverse a Transaction

Refund

Chargeback

Refund

Merchant initiated

Credits money to the cardholder

Regulations may require it to be made to the same payment card

Effectively a negative value transaction

Message Flow: Refund Face-to-face Transaction



Cardholder



Merchant



Acquirer



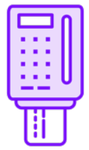
Card brand



Issuer



Taps or dips card



Enters refund amount

Refund request

Which brand?

Refund request

Which issuer?

Refund request

Credit cardholder's account

There would be a confirmation response, just as for an authorization

Message Flow: Refund E-commerce Transaction



Cardholder



Merchant



Acquirer



Card brand



Issuer



Requests a refund



Enters refund amount in acquirer or PSP's system

Refund request

Which brand?

Refund request

Which issuer?

Refund request

Credit cardholder's account

There would be a confirmation response, just as for an authorization

Chargeback

Chargeback

Why chargeback?

- Merchant refused refund
- Merchant ceased trading
- Fraud

Issuer initiated (at cardholder's request)

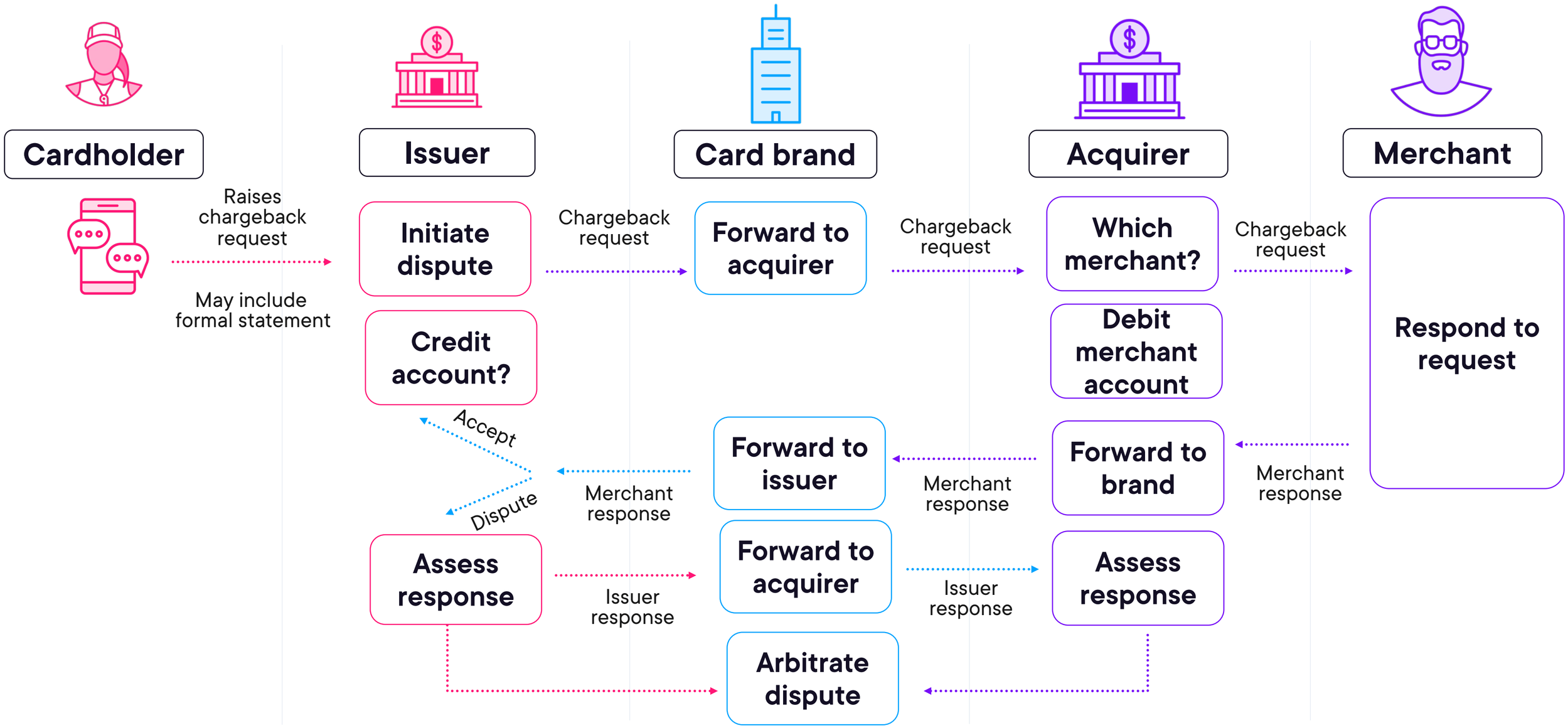
Procedures vary by card brand/scheme

- Some credit the cardholder straight away
- Some wait for the merchant's response

Use card brand dispute procedures

Costly for issuers and acquirers

Dispute Process



Dispute Process: Brand Arbitration



Cardholder



Issuer



Card brand



Acquirer



Merchant

Raises chargeback request

May include formal statement

Chargeback request

Chargeback request

Chargeback request

Respond to request

Credit
cardholder account

Cardholder correct

Debit
merchant account

Forward to issuer

Merchant response

Forward to brand

Merchant response

Dispute

Assess response

Issuer response

Forward to acquirer

Issuer response

Assess response

Arbitrate dispute

Dispute Process: Brand Arbitration



Cardholder



Issuer



Card brand



Acquirer



Merchant

Raises chargeback request

May include formal statement

Chargeback request

Chargeback request

Chargeback request

Debit
cardholder account

Merchant correct

Credit
merchant account

Respond to request

Accept

Dispute

Forward to issuer

Merchant response

Forward to brand

Merchant response

Merchant response

Assess response

Issuer response

Forward to acquirer

Issuer response

Assess response

Arbitrate dispute

Summary

Refund is merchant initiated

- Processed like a negative transaction
- Or via original authorization reference

Chargeback is issuer initiated

- Processed via card brand/scheme dispute procedures
- Card brand/scheme will arbitrate