



## **Important Information about Internet Credit/Debit Card Transactions**

In an over-the-counter environment, acquiring banks (banks that extend merchant facilities to accept credit & debit cards) guarantee card payment for transactions, provided that the merchant carries out certain security measures (such as checking the signature and cardholder details etc). However, acquiring banks treat credit/debit card transactions carried out over the **Internet**, in a similar manner to:

- Mail order
- Fax order
- Telephone order
- Recurring transactions (e.g. regular automatic payments)

Where the merchant, cardholder and card are not all present together at the time of the transaction, it is referred to as **Cardholder Not Present** (CNP). Even though transactions may go through *authorisation*, a CNP authorisation does not guarantee payment of the transaction. This is compounded by the fact that all the banks are not privy to detailed information concerning each other's cardholders. Authorisation under CNP should confirm that the genuine cardholder has sufficient funds and that the card has not been reported lost or stolen at that time. However, under no circumstances does CNP authorisation guarantee that it is the genuine cardholder initiating the transaction. Consequently, with CNP transactions the acquiring banks reserve the right to *chargeback* the value of the transaction to your account (i.e. debit your bank account).

CNP transactions are an ideal opportunity for fraudsters, as there is no physical check of the card or cardholder signature at the time of the transaction. Fraudulent transactions usually involve the use of a person's card number, when that person is still in possession of the card. In other words, the genuine cardholder is unaware that the transaction has taken place until the account statement is received.

There are a number of reasons why card issuers may consider transactions disputed by cardholders, which can lead to chargebacks. For example, the cardholder may:

- Claim the card number was used fraudulently
- Deny they ordered the goods
- Claim the card has been stolen
- Claim the card number was used without their authority
- Claim they never received the goods
- Claim the goods were not as described, defective, or not of merchantable quality

If the genuine cardholder successfully disputes a CNP transaction to their card issuer, it can be charged back to you. You should also be aware that a card issuer can dispute a transaction several months from the date of the transaction (or the date the goods/services were due to be delivered) to raise a chargeback – typically six months. A chargeback can also occur if you process a transaction on behalf of a third party (note this is not permitted and will render immediate termination of your merchant agreement).

### **Protect Yourself**

Clearly, in a trading environment that is open to abuse at your expense, you need to take as many steps as possible to help protect yourself to minimise any potential risks outlined above. Simply relying on the minimum amount of credit/debit card information necessary for a transaction to complete, and *an* address, is not sufficient protection.

NetBanx endorses the procedures and guidelines issued by the acquiring banks and the following guidance is given to assist all Direct & Bureau Merchants. The following list is not exhaustive and is intended as a guide only:

NetInvest Group  
Internet House  
Station Court  
Station Road  
Great Shelford  
Cambridge CB2 5NE  
Tel: 01223 845594  
Fax: 01223 847176  
URL: <http://www.netinvest.co.uk>  
email: [info@netinvest.co.uk](mailto:info@netinvest.co.uk)

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- Ensure that your web pages and online catalogue/shopping cart system collects as much information as possible online, that can be used to check the validity of the cardholder, *before* delivering any goods.
- Consider using postcode address verification
- Request a telephone number and check the name/address of the cardholder with directory enquiries. Call the cardholder. Be wary of mobile and personal 07\*\*\* numbers, as these are location independent and are not covered by directory enquiries.
- In general, be extremely vigilant with overseas orders, or orders for delivery in the UK where cards are issued outside of the UK. Be wary of delivering goods to countries known to be high-risk areas, e.g. West Africa (Nigeria, Ghana, Sierra Leone), and some eastern countries (Romania, Russia, Latvia & Estonia).
- Always arrange delivery of the goods yourself, using either recorded/registered post or a reputable carrier, and obtain a signed and dated delivery note from the Post Office or Carrier.
- Look into the possibility of your Carrier obtaining a card imprint, or specify that the delivery should not be completed without the driver seeing the actual card and checking the signature for receipt of the goods against the card.
- Never release goods to a third party allegedly sent by the cardholder (e.g. taxi driver/messenger).
- Request acknowledgement of delivery, and that goods are received in good order.
- Watch out for high value sales which are 'too easy', especially for goods that are easily sold-on.
- Consider if a sale is excessive in comparison with your normal business.
- Keep a record of addresses quoted to see if different card transactions relate to the same address.
- Beware of demands for next day delivery, requests to alter the delivery address at short notice, and telephone calls on the day of delivery asking what time the goods will be delivered.
- Consider requesting the name of the Bank who issued the card.
- Consider requesting a fax, signed by the cardholder, to be sent to confirm the order, including a copy of both the front and back of the card.
- If your instinct tells you something "isn't quite right", follow your instincts.

### ***Chargebacks – Transaction Disputes***

When a cardholder disputes a transaction, the card issuer will usually request a copy of the sales voucher or other documentation. NetBanx will provide the necessary transaction details that took place, but the responsibility to evidence the act of supply and delivery, plus any other factors relating to the provision of goods and services is wholly your responsibility. You must therefore retain legible copies of all sales documentation. Generally, transaction documentation must be kept for at least 3 years. Proper accurate records are essential – if a request is made by NetBanx or an acquiring bank, you must provide the information by the date stated, otherwise under the card scheme rules the card issuer has the automatic right to make a chargeback. Failure to provide proof of sale may result in a chargeback. Also, if the documentation provided does not satisfy the card issuer, or there is another irregularity with the transaction, the card issuer will raise a chargeback.

If sufficient information is available to resist the chargeback, the acquiring bank will (where appropriate) forward evidence to the card issuer. The acquiring banks make no guarantee that any steps they take will be successful. If you do not respond by the date you are advised of, the acquiring bank cannot defend the chargeback.

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