

The Game Has Changed

(How Changes in the Credit Card Processing Industry Put You at Risk)

By Perry Pokrandt, Senior Account Executive with ACCO Partner Worldpay

If you haven't upgraded to EMV terminals, for face to face transactions, you will be liable for a good portion of the chargebacks banks were previously absorbing. Your liability starts when you swipe or face to face key a chip card. If there is fraud or related activity, or simply the inclination of the home owner to contest your charges on a swiped or face to face keyed chip card, you will be liable not the bank.

So what we are saying is, **"THE GAME HAS CHANGED"**

The US Market is the last of the G20 countries to convert to Chip to reduce credit card fraud. But what is interesting to note is that the risk of fraud may have increased for those merchants taking face to face transactions without EMV functionality.

EMV -- which stands for Europay, Mastercard and Visa -- is a global standard for credit cards equipped with computer chips and the technology used to authenticate and secure) chip-card transactions. In October of 2015 the standard when into place with new industry guidelines were introduced to the US market..

Terry Crowley, CEO of TranSend, a company that makes software to help merchants and their equipment work with the EMV standard said, *"There's an invisible hand at work that is about to kick everyone in the pants and accelerate US Dipping into EMV slots. If you use a chip card at the point of sale that says swipe – and you later say it wasn't me – there is very little a merchant can do to dispute that charge".*

So how is this different than where you are today? We all have dishonest customers who try to scam us out of what is owed through the use of chargebacks. Most of you have gone down this road and have learned, over the years, all that is needed to prove you did the work and to collect the money that is owed you. But as I said above, and Terry Crowley echoes, *"The game has changed. I have seen a growing instance of chargebacks when the card is chip and the card then is swiped. Bank do not handle these transactions as they have in the past."* Simply stated, *"Banks can choose not to allow you a chance to contest the dispute. This leaves you with the choice to eat your loss or you are forced to go to court to sue for what is owed."*

This is scary stuff, so let me try to clarify. The liability shift that came with EMV was intended to reduce fraud and protect the industry. It was not predicted that banks would see this as an opportunity to save themselves the time, the trouble, the headache, and the money of handling chargebacks. The new system says that when they receive a chargeback claim, where a chip card was swiped or keyed face to face: the bank can simple wash their hands of the claim and

leave the merchant hanging. This means you have no ability to contest the chargeback and claim your cash.

“Making it worse, most merchants do not realize that banks have the ability to dispute charges without customer requests to do so”, points out Bill Weeks Director of Merchant Boarding and Exceptions at Worldpay. *“There is now a trend that is being seen where banks, not customers are initiating chargebacks because the card was not being properly handled. Banks are out to protect themselves first. This can leave businesses on the outside looking in”.*

First Annapolis Consulting Inc. says, *“Hiccups in the US payment card industry’s monumental shift to EMV chip card technology are beginning to surface”.* This my friends is a monumental understatement. My most serious example of this comes from a HVAC guy who had a \$42,000 chargeback awarded to his merchants with no opportunity to contest the claims. He is still awaiting his day in court.

Jeff Stock, Vice President of operations at North American Bancard told Digital Transactions News that they had discussed the issue with the card brands, which manage the chargeback system but leave actual implementation to their issuers. *“Their response was not inspiring.”* he said *“They told us everybody knows about the rules for EMV chargebacks and if the merchants want to avoid EMV chargebacks they need to get an EMV [point of sale] terminal”*

So what do you do? You have three choices to avoid this kind of risk to your company’s financial health.

- First is to stop taking cards, but that will have its effects.
- Second, you can choose to only key in transactions via a phone call to the office, but that costs more than dipping or swiping.
- Lastly you can take advantage of the ACCO credit card relationship with Worldpay as Worldpay has a state of the art Blu-tooth EMV reader with mobile App that will work with your Apple or Android devices. You will still run into nasty customers from time to time, but with this system you will be able to fight back against chargebacks.

For those of you swiping. I urge you to think how \$42,000 in missing revenue would impact your business. Heck, think about missing \$2,485 as per the included Notification of Chargeback Denial, ***“Due to the regulations of MasterCard we are unable to reverse the chargeback. Please contact your customer directly in order to recoup your funds”.***

I invite you to call me to discuss this program. The process is simple, the cost of conversion is downright inexpensive to free. Plus ACCO pricing through Worldpay can help to fatten your bottom-line.

Contact me to learn more:

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[REDACTED]

NOTIFICATION OF CHARGEBACK

A debit has been processed to your account via ACH for the below transaction under the following MasterCard regulation:

Chip Liability Shift

Definition: Under Chip liability shift, a U.S. region acquirer may represent a chargeback for reason code 4870 (Chip Liability Shift) in which the issuer alleges counterfeit fraud, if the acquirer can prove that the disputed transaction occurred at a hybrid POS terminal or involved a magnetic stripe-only card.

Cardholder Account Nbr: 524582*****[REDACTED]	Terminal ID: LK[REDACTED]
Reference Number: 255360671631020-[REDACTED]	Merchant ID: 542929806-[REDACTED]
Transaction Date: 06/11/2017	Batch Nbr: 61[REDACTED]
Transaction Amount: \$2,485.00	Batch Amount: \$2,940.62
Chargeback Amount: \$2,485.00	Sequence Nbr: 3
Invoice Number: Invoice s ID 81	POS Entry Mode: Keyed
Device ID: 1-0001	

WorldPay provided the Issuing bank with your supporting documentation to refute the chargeback. However, the issuing bank was unwilling to accept the supporting documentation and continued the dispute.

Due to the regulations of MasterCard we are unable to reverse the chargeback. Please contact your customer directly in order to recoup your funds.

If you have any questions regarding this chargeback notification, please call the Chargeback Department at 1-800-859-5965 option 8.