

Disputes and Fraud Overview



Sertifi

Dispute Terminology



Early Fraud Warnings (EFWs)

- EFWs are notices generated to flag payments that are suspected to be fraudulent.
- An EFW is created when a cardholder lodges a claim of fraud with their issuing bank and occurs before an official chargeback.

Inquiry / Retrieval

- Amex does not proactively withdraw funds or fees associated with disputes until the dispute is lost. In Stripe, this is reflected as a dispute inquiry.
- Inquiries can become chargebacks if evidence is considered insufficient.

Dispute / Chargeback

- Other card networks proactively withdraw funds and fees associated with disputes, and then return them only if dispute is won (also known as a “chargeback”).

Withdrawn Dispute

- The customer has withdrawn the dispute, either because it was made in error or because Sertifi proactively encouraged them to.

Disputes at Sertifi

Dispute Process at Sertifi (SertifiPay Only)



1. The payments team will provide details of the dispute.
 - a. Dispute notification
 - b. Cardholder information
 - c. Transaction information
 - d. Reason codes
 - e. Subjective information on the situation

2. The payments team will set a call with the folder owner and finance teams to review the situation and determine a response.

3. Payments team will work with Merchant to respond as decided.
 - a. Encourage the cardholder to withdraw and provide a refund. (Permanent record.)
 - b. Accept the dispute.
 - c. Compile and submit evidence to counter the dispute.

Dispute Prevention

Avoid Card-On-File Transactions



Not all card-not-present (CNP) transactions are created equal.

The card companies can tell how it was processed.

Merchant-Initiated Transactions or MIT

- Card-on-file
- Higher cost
- Processed without the cardholder present
- Not tied to a document
- *Very hard to defend for chargebacks*

Cardholder-Initiated Transaction CIT

- Completed by the cardholder
- Includes CVV
- Eligible for 3D Secure
- Tied to contract and policies
- *Far easier to defend against chargebacks*



Used when you cannot charge the card in advance of cancellation policy.

<https://corp.sertifi.com/resources/chargeback-education/>

Always Review eAuth Forms

- Signer Name must = Cardholder Name
- Review Addresses (Spelling, P.O., location)
- Email address
 - Business vs. personal
 - Looks like cardholder name
- Review fraud score
- Same day/Next day check in
- ***If it looks sketchy require a pre-payment!***

Effective Customer Communication



Before

**Tie Payments to
Contract/Policies**

**Ensure the Cardholder
Is the Signer**

**Save the email thread
from negotiation**

After

**Easy to Find Customer
Service Number/email**

**Reasonable Refund
Policies**

**Ensure Staff Is
Available and
Empowered**

Authenticating Your Customers



Make mandatory checks in your checkout flow:

- CVC Check is always mandatory
- AVS/ZIP Check
 - Global defaulted off (cards with AVS “unavailable” are exempt)
 - US - decline on full mismatch
- 3D Secure
 - Mandatory in EU and UK; US cards 96% enrolled
 - Defaulted to only run if required by the card issuer
 - Can be set to be required if card is enrolled
 - Precludes cardholders from claiming fraud
 - Helps merchants fight on a level playing field and reduces friendly fraud

The image shows two screenshots of a Stripe checkout flow. The top screenshot is a payment page for a €2.00 purchase of a T-shirt. It includes a form for card payment with fields for email (janedoe@stripe.com), card number (5555 5555 5555 4444), expiration date (01 / 25), and name on card (Jane Doe). A blue button labeled 'Pay €2.00' is visible. The bottom screenshot shows the same page with a 'Purchase Authentication' overlay. The overlay contains the text: 'Purchase Authentication', 'We've sent you a text message to your registered mobile number ending in 2329.', a 'Confirmation code' input field, a 'Confirm payment' button, and a 'Resend code' link. The background of the bottom screenshot is dimmed.

Summary



- ✓ **Process online transactions whenever possible and for high risk eAuth**
- ✓ **Tie the payment to cancellation policies and services**
- ✓ **Authenticate customers (AVS, CVV, 3D Secure)**
- ✓ **Signer and Cardholder Name should match**
- ✓ **Resolve issues before a dispute is filed**

Handling Disputes

Responding to Disputes



- **The burden is on your business to prove:**
 - **The person who made the purchase owns the card and authorized the purchase**
 - The cardholder understood and accepted your ToS and Cancellation / Refund policy at the time of purchase
 - The services to be delivered were clearly detailed
 - The services were rendered or available
- **The best response is to communicate with the cardholder.**
 - Save pre and post event emails with the cardholder
 - Follow up customer calls with confirmation emails
- **Solving the dispute without the bank involved is ideal.**
 - Heed early fraud warnings. Act fast!!!!

Best Practices for Responding to Disputes



Dispute Components

- ✓ Present a clear and concise case (see appendix)
- ✓ Address the specific reason for the dispute
- ✓ Demonstrate that the dispute reason is not applicable or incorrect
- ✓ Compile the correct evidence (see appendix)

Formatting

- ✓ Bulleted lists
- ✓ High resolution screenshots
- ✓ Circles, arrows, callout boxes
- ✓ Clear product descriptions
- ✓ Files must be 8MB or less
- ✓ No links or colored images

Visa Compelling Evidence 3.0 (New in 2023)



- Visa released new rules for handling disputes from repeat customers. This could apply to previous guests or deposit schedules where the initial transaction was older than 6 months.
- Under the CE 3.0 policy, merchants must provide evidence of previous legitimate transactions, over 120 days old, for the same payment card, that have not been disputed or flagged as fraudulent.
- The transactions must include any two of the following details: IP address, device ID or device fingerprint, shipping address, or user account. However, one of those two details must be either an IP address, device ID or device fingerprint.
- SertifiPay has access to the IP, ID and fingerprint to provide in response.

Example 1: EFW's



Early Fraud warnings:

- Hotel in FL had a guest whose card was compromised separately from their event. The card issuer preemptively issued EFW's for the 5 deposit transactions processed from Oct. through Feb. Sertifi was able to notify the hotel; and ultimately the guest who stopped the EFW's before they turned into disputes. Funds were pulled and no fines were levied.
- Hotel in Brisbane Australia had an EFW for a 3rd Party guest stay in early Jan 2024 from a deposit collected 5 days prior. An EFW was issued and Sertifi alerted the hotel immediately. The guest was still in the room, authorities were notified, and the thief was apprehended!

Thank you, Dave Jenkins- international crime fighter!!!

Questions?

Appendix- Dispute Evidence Best Practices

General Evidence Submission Best Practices



When submitting evidence:

- **Present a clear case.** Remember that there is a human reviewing your case. Therefore, a clear, point-by-point narrative makes it easy for them to decide in your favor.
- **Provide screenshots and tell your whole story.** Evidence is often transmitted by fax, so the reviewer cannot click on your links or enjoy full-resolution images. Always put all relevant information into your evidence, especially if you have written communication with the customer.
- **Address the specific reason for the dispute.** Show that you've notified the customer and provide information that disproves fraudulent activity.

General Evidence Submission Best Practices



When submitting evidence (continued):

- **Keep your evidence relevant and to the point.** Provide only the facts surrounding the original purchase, using a neutral and professional tone.
- **Include proof of customer authorization.** Prove the legitimate cardholder was aware of and authorized the transaction in such cases. Any data that shows proof of this is a standard part of a compelling response, such as:
 - Signed receipts or contracts
 - AVS (Address Verification System) matches
 - CVC (Card Verification Code) confirmations
 - IP address that matches the cardholder's verified billing address
 - Any other evidence of authorization (e.g., 3DS authentication)
- **Include a copy of your terms of service and refund policy.** Provide proof that your customer agreed to and understood your terms of service at checkout or didn't follow your policies.

General Evidence Submission Best Practices



Demonstrate due diligence:

- Details of the purchase, including a copy of the itemized contract
- Consumer's full name (underscore that this is who made the purchase)
- Registered email address of the consumer (underscore that this is the email associated on the account)
- Telephone number of the consumer
- IP address associated with the transaction

NOTE: If you use any additional method to verify these details, include that in your evidence.

General Evidence Submission Best Practices




Cater to the reviewer (banks use legacy systems to review evidence).

- Clear and concise communication that tells a story is vital
 - Outline the evidence you are submitting and why it supports your case
 - Bulleted lists explaining the evidence and why the charge is legitimate
- Use circles, arrows, and callout boxes to highlight and explain important parts of your evidence. Do not cover the text.
- Include customer communications/emails
- Use large, high-resolution images / screenshots (4.5MB limit)
- Do not highlight text
- Put URL instead of hyperlink

Recommended Evidence by Dispute Category



DISPUTE CATEGORY	TO WIN, PROVE THE FOLLOWING:
 FRAUDULENT	The rightful cardholder made the purchase, and that they made it willingly and knowingly from you. <i>(Email or other communications with the cardholder, contract signed by the cardholder)</i>
CREDIT NOT PROCESSED	The rightful cardholder acknowledged the refund policy before making their purchase. <i>(Communications with the cardholder, contract signed by cardholder)</i>
UNRECOGNIZED	The rightful cardholder made the purchase and that they made it willingly and knowingly from you.
GENERAL	The rightful cardholder intended to make the purchase and is not entitled to credit as much evidence as you have available.
PRODUCT NOT RECEIVED	The reservation was honored and contracted services were rendered
DUPLICATE	The two charges are for distinct transactions, or that credit has been processed on one of the charges.
PRODUCT UNACCEPTABLE	The services provided were as described in the contract