EDR Response Guide

Merchant chargeback

This guide has been prepared to assist financial firms in preparing a quality external dispute resolution (EDR) response for complaints about a chargeback by a merchant. This is a **guide only**.

It is important to note the following:

* All issues raised in a complaint should be addressed. If there are multiple issues, please refer to the additional EDR response templates available or consider addressing them in a separate section, as it is important that all issues are addressed.
* This is your EDR response. As such it is to be sent to both AFCA and the complainant. It is to the benefit of all parties for the complainant to understand the reason for your position.
* AFCA will generally seek more information if a complaint does not resolve at Registration & Referral. AFCA still expects a response to any subsequent requests for information.

This guide may change over the time to reflect any feedback.

To ensure a comprehensive response for merchant chargeback complaints, an EDR response should include the sections outlined below.

## Complaint details

|  |
| --- |
| Complaint details |
| Financial firm name |  |
| Financial firm reference |  |
| Complainant name | [consumer or business name] |
| AFCA reference |  |

## Summary of complaint

List of complainant transaction(s):

|  |  |  |
| --- | --- | --- |
| Transaction date | Amount  | Date and method of notification to the complainant by financial firm |
|  |  |  |

Summarise all issues raised by the complainant: [include necessary background information]

If the financial firm has taken steps to attempt to resolve include details: (eg. the financial firm provided a response to the complainant, offering to [ ]. The complainant rejected the offer and said [ ].)

## Financial firm’s position

Outline how you have considered all of the issues raised in a complaint and set out the financial firm’s reasons for its position, noting what information you have considered to reach this view. It is important you consider your obligations and whether you have met them.

Preferably, the financial firm should set out its position in a logical narrative format, which steps the customer through the chargeback process, and then explains how the process was followed in the present complaint. An example of this format, with potential headings, is provided below.

## Chargebacks

A chargeback is a process of reversing a charge made on a cardholder’s credit card account. The credit card schemes (Visa and MasterCard) have rules which set out the particular reasons for which chargebacks can be claimed.

The rights of a cardholder to complaint a transaction are set out in the credit card conditions of use. The most common reason for charging back a transaction is that the cardholder says it was not authorised. A chargeback can also be raised if the cardholder paid for the goods or services in question “by other means”, such as cash, or if the goods paid for have not been received.

When the cardholder notifies their financial institution of the complaint, the financial institution notifies the merchant’s financial institution of the reason for seeking the chargeback. The merchant’s financial institution can either accept the chargeback or refuse it. To refuse a chargeback, the merchant’s financial institution must show that the chargeback is not valid under the scheme rules. If the chargeback is refused, the charge is “re-presented” to the cardholder’s account.

In complaints about merchant chargebacks AFCA will consider whether the financial firm has established:

* the financial firm appropriately debited the disputed transaction(s) from the complainant’s merchant facility
* the financial firm appropriately responded to the chargeback requests.

##  Merchant facility details

* The complainant accepted the terms of the merchant facility on [date].
* The financial firm provided the following training to the complainant in respect of the merchant facility [set out details].

## Chargeback details

Where a chargeback was raised, in respect of each disputed transaction:

* The financial firm received notification of the chargeback request on [date].
* The chargeback reason code used was [ ] based on [how this was consistent with the relevant scheme rules].
* The cardholder provided [identify documents] to support their claim.
* The complainant responded to the disputed transaction(s) on [date] and provided [identify documents].
* The financial firm’s reasons for allowing the chargeback are [set out reasons including how it is consistent with the relevant scheme rules].
* The complainant is liable for the disputed transactions on the basis of clause [ ] in the merchant agreement.

## Arbitration under the scheme rules

* The claim was referred to arbitration on [date].
* The financial firm made the following submissions at arbitration [summarise].
* The arbitration was determined in favour of the cardholder for the following reasons [ ].

## Jurisdictional issues?

Include the details of any jurisdictional issues the financial firm wishes to raise. Ensure you refer to the AFCA Operational Guidelines and any relevant approach documents.

Full details of the section of the AFCA Rules must be included to ensure that AFCA and the complainant understand the jurisdictional issue(s) being raised.

## Complainant’s position (optional)

[If necessary, outline the complainant’s position on the financial firm’s decision].

## Proposals to resolve the complaint

Set out any action the financial firm is willing to take/accept to resolve the complaint.

[If you require further information before you can offer a resolution, please provide details of what information is required].

## Supporting information

Provide a list of all the supporting information provided. In relation to a complaint about a merchant chargeback, the following information is usually required:

* signed merchant agreement
* signed merchant facility checklist
* training material given to the merchant
* account statement(s) showing the transaction(s) in complaint
* disputed transaction form completed by the cardholder (which may be in the form of an electronic file)
* cardholder’s supporting documents
* relevant section(s) of the card scheme rules
* correspondence between the financial firm and the cardholder’s financial institution
* all letters sent by the financial firm to the complainant in regards to the chargeback(s)
* all documents received from the complainant in response to the disputed transaction(s)
* all documentation considered at the arbitration (if applicable)
* arbitration’s decision (if applicable).

If other issues are raised, we offer a range of resources in the member resources section of the Secure Services portal. These include other EDR response guides, specific complaint topic guides and the Complaint Information Documentation guide.