



Summit Strategies Educational Brief:

Understanding Chargebacks

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The term "chargeback" describes the process that occurs once a customer refuses to accept responsibility for a charge on his or her credit card. It may also be initiated by the issuing bank due to a technical issue, such as no authorization approval code received.

There are many reasons why chargebacks happen, but here are some of the most common. Your customer:

- Did not receive a product or service
- Does not recognize the charge or payee on his or her credit card statement
- Believes the product or service was defective, damaged or not as it was described
- Was a victim of fraud - his or her credit card was stolen or used without consent

Here are the steps of the chargeback process that happen once a customer realizes there is a problem with his or her transaction:

1. Your customer contacts their issuer (bank that stands behind the card) and explains the problem, and asks for money back.
2. The issuer researches the accuracy of the claim. If it is considered unreasonable, he or she is then responsible for the payment, and your settlement funds are not impacted.
3. If your customer appears to have a reasonable claim, the issuer will make a temporary credit payment to your customer and begins the chargeback process.
4. During the chargeback process, the card issuer will obtain funds from the respective payment brand, who in turn debits the funds from the processor. The processor, in turn, will debit the funds from your settlement account.
5. The processor then sends you documentation that notifies you about this chargeback.
 - If you fill out and submit this documentation to the satisfaction of the processor chargeback analyst, you could get the chargeback funds returned to you. The analyst reviews your rebuttal to ensure compliance with the association rules and regulations.
 - If you do not fill out and submit this documentation, the chargeback automatically moves forward unchallenged and the chargeback funds will not be returned to you.

Chargeback Documentation

The processor carefully reviews all chargeback's to ensure their validity. In the event you do get a chargeback, you will receive a Chargeback Document from us. This document informs you that a debit has been made to your business checking account and gives you the option of accepting or contesting the adjustment. If contesting the adjustment, you will be required to respond by providing all specified information requested on the Chargeback Response form. Note: The debit occurs upon receipt of the chargeback, but this document does not generate until the chargeback has been statused as "return to merchant" (RTM).