CashFlows™

Chargeback & Anti-Fraud Guide

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About this Guide

This document is designed provide you an overview of what chargebacks are and how to protect yourself against fraud.

This document is strictly confidential and is subject to the confidentiality provisions of our Terms and Conditions. Every attempt has been made to provide information that is as specific and consistent as possible. However, in such a dynamic industry it is impossible to anticipate every possible scenario. For that reason, this document may be subject to ongoing review and change.

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Introduction

In certain circumstances a cardholder may wish to dispute a transaction.

This can happen for a number of reasons, including card misuse, genuine processing errors, or the cardholder being dissatisfied with the goods or level of service provided. When a transaction is disputed, the card issuer and the acquiring bank operate according to clearly defined and well-established procedures to resolve the dispute. These procedures are designed to establish whether the merchant should receive (or retain) the disputed payment or whether the funds should be returned to the cardholder's account. The process of returning the funds to the cardholder is known as a chargeback.

To reduce the number of chargebacks it is essential that merchants and acquiring banks carefully monitor disputed transactions and respond promptly to retrieval requests. If a merchant is receiving a large percentage of disputed transactions they are required to take corrective action to prevent disputes from arising, or they may face fee assessments from the card schemes.

What are chargebacks, retrieval requests and high risk warnings?

Chargebacks are the full reversal of transactions by the card issuer. A chargeback is generated when a cardholder disputes a transaction on their credit card statement.

A retrieval request also known as a "Copy request" or a "Request for Information" (RFI) is a request from the cardholder's issuing bank for copies of a signed sales receipt or other suitable documentation to prove the validity of a transaction. This is normally request when the cardholder does not recognise a specific transaction on their card statement or if cardholder's issuing bank has detected the transaction as potential fraudulent.

Prior to receiving a chargeback or retrieval request a transaction can be flagged by the cardholder’s issuing bank as ‘High Risk’ enabling merchants to refund the transaction and to prevent a potential chargeback.

Time scales

How long does a chargeback/retrieval request take?

The time scales vary for each chargeback reason and card scheme. A chargeback may be raised several months after the original transaction. The first chargeback time limit is generally calculated from one of two dates:

1. The date the transaction is processed by the card scheme, or;
2. The date of expected receipt of services (e.g., for travel services, the expected date of travel).

The first chargeback time limit begins on the calendar day following these dates, and the issuing bank has typically up to 180 days from this day to raise the chargeback.

Chargeback time scale formula

For the sake of simplicity, CashFlows uses the following formula for calculating the Chargeback Time Scale (CTS):

CTS = 180 days +<period between pre-payment/deposit and receipt of the product/service>
+<guaranteed/warranty period> + <period of subscription /membership>

How the chargebacks/retrieval request process works?

Chargebacks/retrieval requests occur as follows:

1. The cardholder queries the transaction.
2. The card issuer requests information about the cardholder's transaction from CashFlows (this is known as a retrieval request). When raising a request, issuing banks do not state the reason for the request and they are not required to confirm whether the information provided is sufficient for the cardholder. A chargeback may or may not subsequently be raised.
3. CashFlows informs the merchant by email that a retrieval request has been made on a transaction.
4. CashFlows will represent the merchant interests in trying to avoid subsequent chargebacks by collecting the details of the transaction (incl. cardholder's name, address and 3DSecure details) and sending them to the issuing bank via the card schemes. If the merchant has already refunded the transaction, CashFlows will notify the card issuer of this and request that the retrieval request is retracted.
5. The card issuer examines the information with the cardholder and determines whether the information was returned in the correct time frame and whether it satisfies the cardholder's query. If the transaction is no longer disputed, the process stops here.
6. If the transaction information does not satisfy the cardholder's query in accordance with the rules, or the supporting documentation fails to arrive in the specified time frame, the card issuer will raise a chargeback on behalf of the cardholder and send the details of the chargeback to CashFlows. Throughout the process, relationships are clearly defined. Their cardholder liaises with the card issuing bank, the card issuing bank liaises CashFlows, and CashFlows liaises with the merchant.
7. If a chargeback is raised, CashFlows informs the merchant by email so that they can create a representment case to dispute the cardholders claim and reclaim the transaction funds (see *Representments* on page 10 to see what information is required).

Why do chargebacks/retrieval requests occur?

There are many reasons and reason codes associated with chargeback's and retrieval requests. In many cases the chargeback may be due to fraud. Therefore, it is important that a merchant takes steps to protect themselves from loss due to fraud.

Fraud

A cardholder may have had their card information stolen and used in a fraudulent purchase. In such circumstances the reason for the chargeback could be one of the following:

1. The cardholder states that they did not authorise or participate in the transaction.
2. One of these "error" messages is received by the merchant
    - invalid card
    - non matching
    - fictitious account number
    - unassigned cardholder account number
    - incorrect card member account number;
      or
3. Missing/invalid signature (after a retrieval request has been responded to by the merchant); or
4. Secondary identification not recorded/does not reflect the cardholder (after a retrieval request has been responded to by the merchant); or
5. Warning bulletin (card reported lost/stolen after authorisation); or
6. Incorrect cardholder name (after a retrieval has been responded to by the merchant) Counterfeit transaction

The following are also common reasons for receipt of chargebacks and retrieval requests:

Product quality

A cardholder may have purchased a product/service and:

1. It was delivered in poor condition.
2. It did not work.
3. It broke down soon after purchase.
4. The product was not as described in the sales literature.

Customer service problems

A cardholder may have purchased a product/service and:

1. It was not delivered.
2. They were charged incorrectly for it.
3. They were charged more than once.
4. They were charged in the wrong currency (not the currency on their receipt).
5. There were errors in the addition of the total amount billed to them.
6. A retrieval request/RFI has not been responded to or the information provided is insufficient to justify the debit to the cardholder.
7. The cardholder has already/since paid by other means.
8. The merchant has not supplied sufficient proof that the goods were despatched.
9. The cardholder is in a legal dispute with the merchant.

Note: It is important that you provide as much information as possible when you receive a chargeback/RFI and that all documentation is legible and given within the time frame stipulated.

Refund problems

A cardholder may have purchased a product/service and:

1. They were promised a refund and did not receive one.
2. The transaction was an advance booking and the cardholder did not arrive to receive the service or cancel within the period permitted.
3. The cardholder has returned the goods to the merchant.
4. It was part of a recurring billing authority that is now cancelled.
5. They paid a deposit but have since cancelled the order.
6. They were promised a refund but instead were charged again (credit erroneously posted as a sale).

Processing problems

A transaction may have been processed where:

1. The expiry date on the card had passed.
2. The total amount of the sale was split into two or more parts to obtain authorisation (split sale).
3. The cardholder was debited more than once.
4. There was a miss-post (the wrong card was debited).
5. The card was accepted before its valid date.
6. The card number is incorrect and cannot be applied to an existing account.

Representments – disputing a chargeback

A representment is also known as a "dispute response". A representment occurs when a merchant disputes a chargeback with reason.

Email representment requests should be made to: *chargebacks@cashflows.com.*

How long do I have to dispute a chargeback or respond to a retrieval request?

From the date that the retrieval request or chargeback appears in your current account you have 7 days to dispute it formally and provide supporting documentation for the dispute. If you fail to do this within 7 days, you may forfeit the right to dispute the chargeback due to the timescale of processing Representments.

Note: Chargebacks can be avoided only if you have provided proof that the genuine cardholder received all the goods or services ordered, in perfect condition. This includes proof of delivery signed by the cardholder.

What should I do if I do not have supporting documentation?

Provide whatever information you have. Please don't ignore the request. In addition, you may choose to contact your customer directly to address the inquiry or issue.

May I issue a refund for a transaction where I have received a retrieval request or chargebacks?

You can refund a retrieval request however; you cannot refund a chargeback, because it is a violation of card scheme regulations to issue a refund for a transaction that has entered the chargeback process.

Do all chargebacks start with a retrieval request?

No. Issuing banks are not required to submit retrieval requests for most chargeback reasons.

What is an auto-representment?

We automatically represent certain chargebacks as we determine them disputable within the rules. An example is when a transaction had previously been issued a full refund.

What information is required to represent (dispute) a chargeback?

In order for a representment case to be considered for bank submission, the following details must be provided within 5 business days.

1. Scanned document (referred to as a "sub draft") showing the cardholder's information (name, address, card number, expiry date, CVV response, phone number, email address, IP number, etc.) And a description of the goods or services provided for this transaction.
2. Any of these additional, optional items, provided to increase your chances of winning a representment case:
   a) A copy of a paper sales draft or fax showing the cardholder's signature.
   b) A legible photocopy of the front and back of the customer's credit card.
   c) A legible photocopy of the cardholder's passport or driver's licence.
   d) Any additional proof of the order authorisation or merchant fulfilment.

How do I submit a representment case?

Email your complete case, with scanned (tiff format) attachments, to: *chargebacks@cashflows.com.*
You will be notified, with reason, if your case is rejected by our Chargeback Assessment team.

How do I know if my representment case is sufficient?

We notify you by email of the receipt of your representment case and advice you on if the information provided is sufficient or if we require additional information to enable us successfully represent your case against the Chargeback.

How do I know if my representment case was won or lost?

Unfortunately Card Schemes do not provide details regarding each representment case, therefore the only way of telling if your representment case was successful is that you have not received a second chargeback 45 day after the date that your representment case was submitted to the schemes.

What information is required to dispute a second chargeback?

Reversing a second chargeback is rare. A case may be made in good faith with substantial dispute collateral. Present your case via email or fax for special consideration if you believe your case is valid.

Currency difference

According to the card scheme rules a merchant is required to absorb foreign currency exchange loss on any international transaction.

The good faith/collection assistance process

Once the chargeback process has been completed, or the card scheme time scales have expired, there is no further recourse to the card issuing bank. However, there may be reasons, outside the card scheme rules and regulations, where we would wish the issuing bank to reconsider the circumstances surrounding a chargeback.

This can be achieved by a good faith/collection assistance attempt, which is a letter to the card issuing bank, with supporting documentation, requesting that it reconsider the chargeback decision. The card issuing bank is not obliged to view the case, make payment, or even reply to a good faith/collection assistance request. This option is considered a last resort and can only be considered if you can provide evidence that the chargeback is invalid or that you have corrected the original defect.

CashFlows helps to meet card scheme rules and to mitigate exposure to any fraud by automatically blocking all new transactions for a card number previously involved with a chargeback related item.

How you can help yourself

It is not possible for you to avoid chargebacks completely. However, the following tips could help you reduce the number of retrieval requests and chargebacks you may receive.
To help in the prevention of chargebacks, we recommend that you follow the guidelines below. If you fail to follow these recommendations your transactions are more likely to be rejected or in due course charged back to you.

General

1. Ensure that you have read and understood your supplier agreement.
2. Double check all details for transactions.
3. Supply as much information as possible when you receive a request for information.

Website requirements

Your website should display the following information:

1. A complete description of the goods and services offered
2. Details of your returns/refund policy
3. Customer service contact, including email address, phone number, and address
4. Transaction currencies in which you can transact
5. Export restrictions (if known)
6. Delivery methods and timing

Delivery of your product/service

You should retain documentary evidence of the delivery, together with a description of the goods/services supplied, for a minimum of 12 months.

Do not despatch goods by whatever means (including online delivery) to a third-party address (that is, an address other than the cardholder's address) – this is considered very high risk. When delivering the goods, obtain the cardholder's signature to show proof of delivery. If possible, take an imprint of the card at this point.

Product quality/customer service/refund policy

You should ensure that:

1. Your products are of high quality and reflect any undertakings or advertised qualities and claims made in your sales literature
2. Delivery of your product/service is prompt and within the timescales advised to the cardholder
3. All cardholder charges are "quality checked"
4. You have a refund policy and honour it
5. You respond quickly to retrieval requests and chargebacks

Refunding a transaction

You can refund a transaction; however, once you receive a chargeback, it is too late to refund the transaction. If you do so you risk losing the money twice. It is also a breach of card scheme rules to issue a refund for a transaction that has entered the chargeback process.

Practical advice on avoiding fraudulent chargebacks

There are a number of things that you can do to reduce your risk.

1. Require that the customer send you a signed fax, preferably with a photocopy of the front and back

of the card, so that you can check the signature. Your website should allow the user to automatically print the order form, so it only needs to be printed out and sent.

2. Arrange for customer to set up an account first and either check with the issuing bank of the credit card that the provided address is correct, or have the customer fax a copy of their latest credit card statement and/or passport/driving licence.
3. Verify the use of the credit card to the customer's actual postal address by other means than email, such as a letter, phone call, fax, or SMS message, to reduce the level of fraud risk.
4. Implement a rule-based order-checking system to eliminate typical scams from your web site.
5. Use AVS or a third-party address-checking system (e.g., Equifax, 192.com) to ensure the customer's address is verified. Avoid shipping to an address different from the billing address.

Note: Do not despatch goods by whatever means (including online delivery) to a third-party address (that is, an address other than the cardholder's address).

1. If you must send goods to a shipping address that is different from the mailing address associated to the consumer's credit card, we suggest that you call the consumer and have them fax a copy of at least one bill from the address, or a copy of the driver's licence of someone who lives at the address that was provided. We recommend that you never ship to P.O boxes.
2. Check each transaction against previous transactions for a given credit card and check for any anomalies.
3. Avoid shipping to countries such as those with known high levels of fraud (see *high-risk countries*).
4. When delivering goods, obtain the cardholder's signature to show proof of delivery. If possible, take an imprint of the card at this point.
5. Retain documentary evidence of the delivery, together with a description of the goods/services supplied, for a minimum of 12 months.

Enable Dispute Emails

To help you manage your transactions you can receive email notification when a transaction has been disputed.

When a transaction has been disputed you will receive an email for the following types of dispute:

- High Risk Warning
- Copy Request/ Request for Information (RFI)
- Chargeback
- Representment
- Chargeback reversal

The following example shows the details of the plain text 'Chargeback Notification' email including the original transaction details associated with the Chargeback request.

```
Subject: Notification of a Chargeback
A Chargeback has been processed against your CashFlows profile - 'Test':

  Chargeback Transaction Id:  01F00000238
  Amount:          £51.34
  Chargeback Reason: (75) Transaction Not Recognized

Original transaction details:

  Transaction Id: 01S00000237
  CartId: myId-TSTCartId
  Description: Testing Notifications
  Shopper's Name: John Smith
  Shopper's Email address: xxxxxxxxxx@cashflows.com
  AVS results: Address - Matched, Postcode - Matched
```

```
  CVV/Security Code result: Matched
  3D Secure authentication result: 6 - Attempted Authentication

To defend the chargeback, the card issuer requires additional information
stating that the cardholder recognises the transaction and no longer wishes
to raise a dispute.

You will need to provide us with this supporting documentation within 7
days of receiving the chargeback.

For details about how to defend against a chargeback, please refer to the
Chargeback & Anti-fraud guide available at:
http://www.cashflows.com/support/guides/

For further information about fighting fraud and reducing the risk of a
chargebacks, please visit: http://www.cashflows.com/support/reducing-
fraud.php
```

Figure: Notification of a Sale Email Example

To enable your dispute emails you must contact our Support Team at: *support@cashflows.com* and provide us with a specific email address that you wish the dispute emails to be sent to.

Refund transactions flagged as 'High Risk'

If a cardholder goes to their issuing bank and reports a fraudulent transaction on their account, rather than receiving an immediate chargeback, you may receive a High Risk Warning. This provides your business an opportunity to proactively refund the transaction and maintain low chargeback ratios.

A high risk transaction being refunded does not guarantee there will not be a subsequent chargeback however, it reduces the chance that a subsequent chargeback will be issued. Where a chargeback is received after you have refunded the transaction then we will automatically represent the chargeback.

Review transactions manually-identifying risky transactions

Often, the most effective tool against transaction fraud is to review each transaction manually. The following unusual circumstances may indicate a transaction fraud:

1. Being requested to ship orders outside your own country, especially to known centres of internet credit card fraud such as the ex-eastern bloc or developing countries with undeveloped banking systems.
2. Orders that are outside your norm, for example multiple purchases of an item normally only ordered once (e.g., 10 copies of the latest Britney spears CD, or even 2 television sets), or purchases that vastly exceed the average value of normal orders. Where you have regular purchasers, you should also query orders outside their norm.
3. You should be wary of orders placed by purchasers in the middle of the (their) night. Again, some of these may be legitimate, but some may lead to chargebacks.
4. A customer ordering unusually large amounts of an item without any preference for the size, colour, make, or model.
5. An existing customer who suddenly orders a substantial volume of goods.
6. A customer who provides you with more than one card to cover one order or a set of orders.
7. A customer who orders more than once in a given day.
8. A first-time customer ordering a number of goods quickly.
9. A number of large orders from customers at a trade show.
10. A customer who has attempted the same transaction more than once, with the card failing at the first attempt.
11. A customer who refuses to confirm their credit/debit card and billing

address details.

12. Avoid free email addresses such as hotmail.com and yahoo.com as much as possible, as they cannot be traced back to the owner.
13. Unusual origins, e.g., a US-issued card are offered during a session from an Egyptian-based customer with a delivery address in Italy.
14. Re-tries, in which a person enters multiple credit card numbers until an authorisation is obtained.

High-risk countries

Customers who have purchased their goods/services from or request delivery to one of the following countries carry a higher risk of fraud or other financial crime.

High Risk Countries			
Afghanistan	Albania	Algeria	Angola
Armenia	Azerbaijan	Belarus	Bosnia-Herzegovina
Bulgaria	Burundi	Cambodia	Congo Brazzaville
Croatia	Cuba	Ecuador	Egypt
Eritrea	Ethiopia	Georgia	Guatemala
Haiti	Indonesia	Iran	Iraq
Israel	Kazakhstan	Kirghizstan	Laos
Liberia	Libya	Macedonia	Malaysia
Moldova	Mongolia	Myanmer (Burma)	Nigeria
North Korea	Pakistan	Philippines	Republic of Central Africa
Romania	Russian Federation	Rwanda	Sierra Leone
Sudan	Surinam	Tajikistan	Turkmenistan
Ukraine	Uzbekistan/ouzbekist	Yemen	Yugoslavia
Zaire	Zimbabwe		

To help reduce the risk of fraud and chargebacks to your business, we provide a range of services and procedures including a way to block transaction from specific country IP ranges. For further information about how to block a customer's country, please refer to your Account Management System Guide at: http://www.cashflows.com/support/guides

Useful websites for further information and advice

1. **APACS** -the UK payments association is the trade association for institutions delivering payments services to end customers. It is also the main industry voice on issues such as electronic payments, electronic banking and e-banking fraud. APACS maintains www. banksafeonline.org.uk
   http://www.ukpayments.org.uk
2. **Get safe online** -sponsored by government and leading businesses providing expert advice to protect everyone against internet threats
   www.getsafeonline.org
3. **Home office identity fraud steering committee** -collaboration between UK financial bodies, government and the police to combat the threat of identity theft.
   www.identitytheft.org.uk
4. **Interactive media in retail group (imrg)** -imrg is the industry body for global e-retailing.
   www.imrg.org
5. **Microsoft security at home** -protect your pc
   http://www.microsoft.com/en-gb/security/default.aspx
6. **Miller smiles** -the internet's biggest archive of spoof email and phishing scams
   www.millersmiles.co.uk

7. **The serious organised crime agency** -the UK agency which combats national and transnational serious and organised hi-tech crime within, or which impacts upon the United Kingdom.
   http://www.soca.gov.uk
8. **Financial Fraud Action** – shop safe online provides online retailers with information on MasterCard Secure Code and Verified by Visa - secure services that make online shopping safer. These services have been developed by Visa and MasterCard to provide extra protection, making the online shopping experience safer for everyone: consumers and retailers alike.
   http://www.financialfraudaction.org.uk
9. **Spamfo** -spam information; a resource with information relating to spam, news, reviews, faq and useful links
   www.spamfo.co.uk/
10. **Stay safe online** sponsored by the **US national cyber security alliance**
    www.staysafeonline.info

Note: we do not endorse any individual vendors and we are not responsible for the contents of any third party web sites or products. These are provided for information only.

Appendix A: Chargeback Reason Codes

Code	Description	Representment Documentation
MasterCard Codes		
4808	Requested/required authorization not obtained	Proof of transaction provided by CashFlows and Automatically represented by CashFlows.
4812	Account number was not on file	No Representment Defence
4831	Transaction amount differs	Proof of sales amount and correct currency of the transaction.
4834	Duplicate processing	Proof of individual sales and receipt of goods for the duplicate.
4837	Fraudulent transaction; no cardholder authorization	Refer to Standard Supporting Representment Documentation.
4841	Cancelled recurring transaction	For recurring transactions, all of the following: a. Evidence of a legally binding contract held between the merchant and the cardholder; b. Proof the cardholder is using the merchandise/ service; and c. Evidence of a previous transaction that was not disputed subject to cancellation date provided by the card issuer **Or** d. Cardholder signed letter stating services were not cancelled or e. Evidence to show transaction was E-commerce and not recurring.
4842	Late presentment	No Representment Defence
4853	Cardholder Dispute Defective/Not as Described	Refer to Standard Supporting Representment Documentation.
4855	Non-receipt of merchandise	Refer to Standard Supporting Representment Documentation.
4859	Services not rendered	Refer to Standard Supporting Representment Documentation.
4860	Credit not processed	Proof of refund or evidence of shopper satisfaction with the goods or services.
4863	Cardholder does not recognize - Potential fraud	Documentation to show all of the following: • The name of the customer • Details of the goods or services that have been provided • The date the goods or services were provided

		• Your outlet name if it's different to what's on the customer's statement • Substitute draft from your merchant account • Any other customer details including IP etc. Refer to Standard Supporting Representment Documentation.
0000	No reason specified	Temporary Code used prior to receiving late notification from the card scheme of the actual chargeback reason.
Visa Codes		
30	Services Not Provided or Merchandise Not Received	Refer to Standard Supporting Representment Documentation.
41	Cancelled Recurring Transaction	For recurring transactions, all of the following: a. Evidence of a legally binding contract held between the merchant and the cardholder; b. Proof the cardholder is using the merchandise/ service; and c. Evidence of a previous transaction that was not disputed subject to cancellation date provided by the card issuer **Or** d. Cardholder signed letter stating services were not cancelled or e. Evidence to show transaction was E-commerce and not recurring.
53	Not As Described or Defective Merchandise	Refer to Standard Supporting Representment Documentation.
71	Declined Authorization	Proof of transaction provided by CashFlows and Automatically represented by CashFlows.
72	No Authorization	Proof of transaction provided by CashFlows and Automatically represented by CashFlows.
74	Late Presentment	No Representment Defence
75	Transaction Not Recognized	Documentation to show all of the following: • The name of the customer • Details of the goods or services that have been provided • The date the goods or services were provided • Your outlet name if it's different to what's on the customer's statement • Substitute draft from your merchant account

		Any other customer details including IP etc.
77	Non-Matching Account Number	No Representment Defence
80	Incorrect Transaction Amount or Account Number	Proof of sales amount and correct currency of the transaction.
81	Fraud - Card-Present Environment	Proof of individual sales and receipt of goods for the duplicate.
83	Fraud - Card-Absent Environment	Refer to Standard Supporting Representment Documentation.
85	Credit Not Processed	Proof of refund or evidence of shopper satisfaction with the goods or services.
93	Merchant Fraud Performance	No Representment Defence
00	No reason specified	Temporary Code used prior to receiving late notification from the card scheme of the actual chargeback reason.

Standard Supporting Representment Documentation

To support a representment of a Chargeback the following details outlines the standard supporting documentation requirements:

- Documentation to prove a link between the person receiving the merchandise and the Cardholder or to prove that the Cardholder disputing the transaction is in possession of the merchandise.
- For a Transaction in a Card-Absent Environment in which the merchandise is collected from the Merchant's location, any of the following:
    - Cardholder signature on the pick-up form;
    - Copy of identification presented by the Cardholder; or
    - Details of identification presented by the Cardholder.
- For a Transaction in a Card-Absent Environment in which the merchandise is delivered, documentation (evidence of delivery and time delivered) that the item was delivered to the same physical address (must show full postal address on tracking and not just the post code/zip code) for which the Merchant received an Address Verification Service match. A signature can be provided as evidence of delivery.
- For a Transaction in which merchandise was delivered to a business address, documentation to show that the merchandise was delivered and that, at the time of delivery, the Cardholder was working for the company at that business address. A signature can be provided as evidence of delivery.
- For a Transaction in a Card-Absent Environment, documentation to show that the Transaction uses an IP address, e-mail address, address and telephone number that had been used in a previous, undisputed Transaction.
- Evidence that the person who signed for the merchandise was authorised to sign for the cardholder or is known by the cardholder i.e. cardholder signed declaration authorising the signatory.

- Evidence that the Transaction was completed by a member of the Cardholder's household or family.
- Evidence of customer satisfaction of the purchased product/service i.e. signed proof of the completion of work carried out.
- For electronic commerce digital downloads from a merchant's website/ application, include the description of the goods/services along with the date/time they were downloaded, as well all of the following:
    - Purchaser's IP address and the device's geographical location
    - Purchaser's name and e-mail address linked to the customer profile held by the merchant
    - Proof that the merchant's website was accessed by the cardholder for goods or services after the disputed transaction date
    - Evidence that the same device and card used in the disputed transaction was used in any previous transaction that was not disputed

Appendix B: CashFlows Merchant Monitoring Program

CashFlows Merchant Monitoring Program is designed minimise the risk of an ultimate fee assessment or termination on merchants that have high levels of chargebacks/disputes. The program involves training and proactive input from CashFlows to improve the merchant's chargeback/dispute rate. This program is not guaranteed to prevent a breach of a card scheme threshold but it is our hope that it will help the merchant in improving their chargeback levels so as to hopefully avoid such a breach.

A merchant may be placed in the CashFlows Merchant Monitoring Program if it meets or exceeds any of the following monthly performance activity levels:

- A specific merchant's profile receives an excess of 80 chargebacks for either Card Scheme and/or has a total chargeback-to-sale count rate of 5.0% or higher.
- A specific merchant's profile receives in excess of $3,000 of fraudulent MasterCard transactions or $10,000 of fraudulent VISA transactions.
- The merchant or a specific merchant's profile has a fraud-to-sales dollar volume ratio of 3% or higher.

A breach of any of the thresholds above may result in your business being enrolled in CashFlows Merchant Monitoring Program which includes:

- A mandatory Merchant Anti-Fraud Training call at a cost of £250.
- A £500 Monitoring Fee in each month of breach of our thresholds
- All 'High Risk Warnings' ('TC40'/'SAFE Fraud alerts) being forcibly refunded upon receipt unless they have already been refunded or charged back.
- A fee being applied on each High Risk Warning and/or Chargeback on a Sale – not just the first instance of a High Risk Warning and/or Chargeback on a Sale.

Note: CashFlows reserve the right to re-securitise where we feel we are under-securitised and to terminate our services where our thresholds are breached.

For further information about the Card Scheme Fees Assessments, please review to:
http://www.cashflows.com/support/merchant-monitoring-program.php

Appendix C: Card Scheme Rules

This information is intended to summarise the primary Rules and regulations contained in the International Operating Regulations of the Card Schemes as amended from time to time (the "Rules") so as to enable Merchants to operate within those Rules. For the avoidance of doubt, the Rules always prevail over this information in the event of any dispute.

The Card Schemes have the right, either in law or in equity, to enforce any open of the Rules pertaining to the relevant Card Scheme and to prohibit conduct that creates a risk of injury to that Card Scheme or which may adversely affect the integrity of that Card Scheme's systems, information, or both.

Display of Card Scheme symbols

Merchants should display and exhibit (and keep displayed and exhibited) to the general public at each of their points of sale world-wide at which cards are accepted for payment for product(s), such identification symbols or decals as are approved or supplied by the Bank/Processor from time to time.

Cardholder authority

Merchants should always obtain authority to debit the cardholder's account for each sale. It is Merchants sole responsibility to procure the authority of the cardholder and the Merchants are responsible for producing evidence satisfactory to the Bank/Processor that authority was obtained for debiting the cardholder's account.

Merchants should retain documentary evidence of dispatch of the approved product(s) purchased.

The acceptance of cardholder not present card transactions does not guarantee payment from the Bank/Processor whether or not authorisation has been granted by the Card Scheme or a card issuer for any particular sale.

Recurring Payment Agreement

Merchants taking recurring payments must obtain the cardholder's express consent and inform the cardholder the exact details of the agreement including:

- The amount of the Recurring Payment
- Whether the amount is fixed or variable
- The Schedules date(s) of the Recurring Payment
- Whether the Schedules date(s) are fixed or variable

Any changes to a cardholder’s Recurring Payment Agreement must also be communicated at least seven working days prior to the next payment being taken. You must communicate to cardholder in any of the following situations:

- More than six months have elapsed since the last payment
- A trial period, introductory offer or promotional activity has expired
- There are changes to the Recurring Agreement: - any change to the amount of the Recurring Payment and/or - any change to the date of the Recurring Payment

Terms and conditions of sale

Merchants should at all times clearly display at their points of sale the terms and conditions of sale. In addition, the Merchant should at all times display in a prominent position at its at its points of sale a

complete and accurate description of the approved product(s) offered for sale or supplied by the Merchant and the nature of the commitment that the cardholder is assuming.

Merchant points of sale should contain clear details and information about customer service, its contact details (including legal name, trading name, legal address, business address, email, phone and fax), currencies accepted, its delivery policy and the country of its domicile and registration (if applicable) and its refund/returns policy. Merchants should also comply with all requirements and guidelines in respect of Internet payments issued by the Bank/Processor or any Card Scheme together with all legal and regulatory requirements that apply from time to time.

Merchants should clearly inform the cardholder that they are committing to payment before they select to continue with any action that should result in a payment to the Merchant. Merchants should afford the cardholder an unambiguous option to cancel the payment at this juncture. The Bank/Processor may investigate any complaint, which it receives from a cardholder about the Merchant and should be entitled to require that the Merchant amends and/or clarify the terms and conditions of sale immediately upon the receipt of a notice from the Bank/Processor to this effect. If the Merchant processes recurring sales the Merchant should offer an online cancellation facility to cardholders. Merchants should notify cardholders at the outset that subsequent charges will be debited to their card for such recurring payments.

No discriminatory surcharges

Merchants should not directly or indirectly require any cardholder to pay a surcharge, to pay any part of the fees or Merchant Service Charge, whether through any increase in price or otherwise, or to pay any separate charge in connection with the transaction in which a card is used. A surcharge is any fee, charged directly or indirectly, deemed by the Card Schemes to be associated with the use of a card that is not charged if another payment method is used.

Merchants may not engage in acceptance practices that discriminate against, or discourage the use of a specific card brand in favour of any other card brand or payment method that is also accepted.

Fee Assessments

Excessive levels of chargebacks and disputes are subject to Fee Assessments. For further information, please refer to our Merchant Monitoring Program.

Refunds

Refunds (in any form) are not permitted to MasterCard or Visa cards for gaming transactions.

Refunds to a card, when there has been no corresponding sale on that same card are not permitted under the Card Scheme Rules. The Merchant should only process Refunds where there is a corresponding sale and then only up to the value of that sale and no more.

Refunds should only be made to the card upon which the original sale was debited and not to any other card.

Each Refund must be processed in the original sale currency and to the value of the original sale or part thereof (at the rate of exchange prevailing at the time of the Refund as advised by the Bank/Processor if applicable).

Transaction invalidity, chargebacks, disputed sales and time limitations

The card Issuer reserves the right not to honour transactions from the Merchant, for instances when the submission provided by the Merchant to the Bank/Processor does not comply with the specifications referred to in the Card Scheme Rules.

A sale may be invalid if:

- It is split into two or more connected sales; or
- Incurred where the cardholder to whose account that charge is made disputes in writing to their card Issuer, the authenticity of the sale; or
- In respect of which the original Receipt or copy thereof was requested in writing by the Bank/Processor but not supplied by the Merchant within a reasonable timescale; or
- Product(s) were not dispatched to the address held on file by the card Issuer and the cardholder disputes in writing the receipt of such product(s); or
- The copy of the sale receipt presented to the Bank/Processor is incompatible with the copy of the sale receipt provided to the cardholder; or
- Previously submitted to the Bank/Processor (duplicates); or
- The card has expired or not yet become valid at the time of the sale; or
- It does not contain a valid card account number assigned by the appropriate Issuer; or
- Submitted in an illegible or improperly formatted manner; or
- In violation of the law or currency regulations as applied to cards in the country in which and at the time that the transaction was incurred; or
- The amount of the sale does not agree with the sum of the individual approved product(s) purchased; or
- A receipt is issued which is for any reason illegal, unenforceable, or of no legal effect; or
- Presented to the Bank/Processor in a currency other than that of the original sale; or
- The Merchant is unable to prove to the satisfaction of the Bank/Processor that the debit of the cardholder's relevant account was authorised by the cardholder; or
- The Merchant has not provided the product(s) purchased by the cardholder; or
- (In the card Issuer's exclusive opinion) the Merchant has not supplied the product(s) as advertised; or
- (In the card Issuer's exclusive opinion) the product(s) supplied was not of merchantable quality or fit for their intended purpose.

A chargeback is possible from the date of the initial sale until 180 days after the date the consumer should have received everything they paid for (this may be a date after the date of the initial sale). For example, if a consumer pays for a holiday on 1st February 1998-2011 and the Holiday is for 2 weeks starting 14th July 1998-2011 and finishing 1st August 1998-2011 they can chargeback until 1st February 2011 (180 days after their holiday would have completed). This is why Banks/Processors see future delivery as more risky.

In the event that the total value of invalid transactions effected by the Merchant exceeds a level that the Bank/Processor considers excessive or unreasonable, the Bank/Processor usually reserves the right to chargeback the total value of the invalid transactions and/or terminate the Merchant Agreement.

Where required the Merchant should provide reasonable and timely co-operation (including access to the Merchant's related records) with any enquiries from the Bank/Processor, the Bank/Processor's authorised agents, the police or other official investigators regarding suspected fraud.

The decision as to whether a chargeback stands as valid is solely that of the card Issuer and such decision may be conclusive as to the determination of any chargeback.

If the Merchant fails to notify the Bank/Processor that it disputes a chargeback within the specified period, of receipt of the Bank/Processor's notice, the Bank/Processor may pass the debit to the Merchant and the Merchant forfeits their right of dispute.

Merchant Monitoring Programs

The major card schemes all impose additional fee assessments for merchants with excessive chargebacks/disputes. They do this because "trust" in their brand by cardholders is vital to the continued success of their brands.

CashFlows strongly recommend all Merchants read the following guides which are available online:

- http://www.mastercard.com/us/merchant/pdf/BM-Entire_Manual_public.pdf
- http://usa.visa.com/merchants/operations/chargebacks_dispute_resolution/index.html