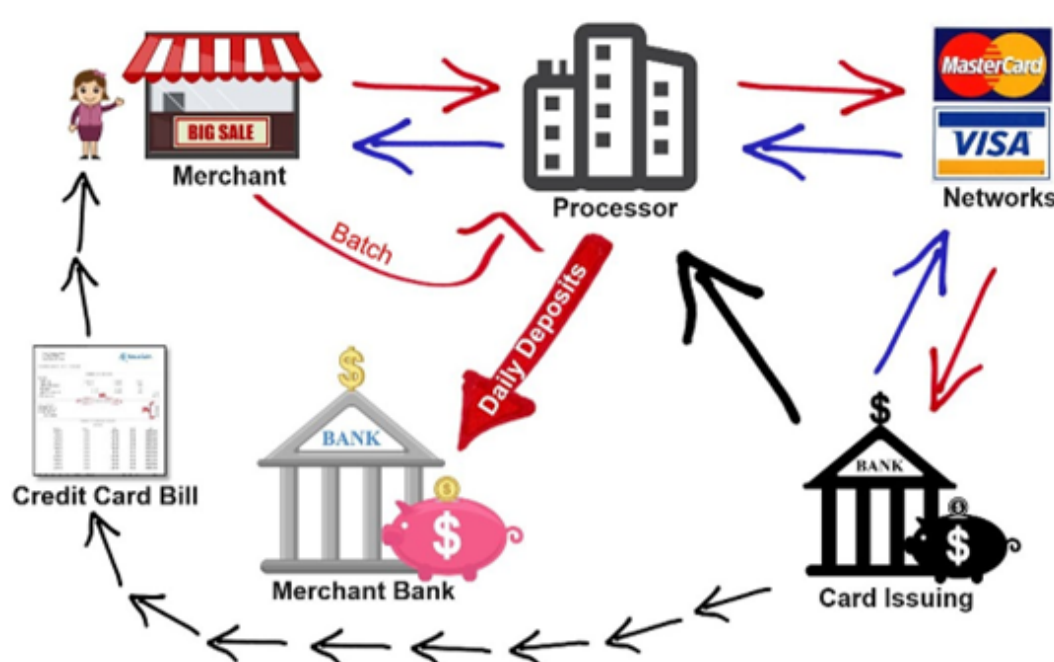


## Key Insights on how credit card processing works



### Keyed transactions

Merchants pay a higher processing percentage for keyed transactions due to the risk of a chargeback. So this feature should be used selectively. An inserted transaction will always be the most secure method.

### Swiped Transactions

A significant percentage of US based credit cards are chip based, but there remain cards with none, thus requiring a swipe, such as MC/Visa/Amex/Discover gift cards.

### Inserted Transactions

The most secure method of accepting credit cards and a shield against chargebacks. Still not an absolute for winning a chargeback, but a significant step in the right direction.

### Bad Chip on the Card...Fallback

If your credit card machine rejects a card's chip, otherwise known as a fallback, some units will then allow a swipe to take place. As long as the merchant includes the appropriate indicators that identify the transaction as a fallback, the merchant's liability can be reduced if the transaction is fraudulent.

You will see this situation arise when a customer is having a hard time getting the credit card terminal to read their EMV chip; they can swipe the magnetic stripe instead when prompted since most EMV cards still have this feature for backward compatibility.

### Receipts

We recommend you re-print this receipt at the register in case of a chargeback. We have recently come across a few banks, a.k.a. card issuers, that will not accept a re-print of a receipt from your back-office printer. Instead, they require a receipt from the register.

Within the Lightning Sales Journal report, an invoice can be quickly retrieved in Lightning Web, Lightning iPad, and Lightning iPhone. We recommend you re-print this receipt at the register.

### Return Policy Printed on your Receipts

It is best practice to include your return policy on all your receipts.

Please note that in Lightning you can have a different return policy for each payment method.

### Non-Integrated (Not a recommended solution)

In the rare event your business is not using an integrated credit card device with Lightning, meaning you process the sale in Lightning, then you go to a stand-alone device and key in the amount. When the transaction is authorized, you must keep a copy of the receipt for a few years.

### Chargeback Rules

It is worth noting that credit card processors, such as EPSG, a Lightning Certified Elite Partner, or any other processor, all adhere to the same chargeback rules. No processor has a leg up on the other related to chargebacks..

### Chargeback Tibits

\*A customer has the right to re-dispute a transaction, so in the event of a win, please know that the customer does have a recourse. We recommend you don't throw away any documentation you submit for the original chargeback in the unlikely event that the same transaction reappears.

\*The card brands are not your friend, as they are heavily consumer focused. *The opinion of the writer of this article is based on decades of experience.*

\*We have seen merchants who are skeptical about a customer, even with a chipped transaction, ask for a driver's license and have the customer on video and still lose the case. In this situation, the card brands will recommend you file a police report.

\* Timelines: All chargebacks have a stated deadline, and merchants have complained they never received the paperwork via USPS or e-mail. They became aware due to a random debit from their checking account. If this is the case, take immediate action, as we have seen this date having a little flexibility.

\* As with all credit card networks, there are chargeback limits to avoid partnering with merchants with excessive chargeback ratios. In addition, chargebacks can indicate fraud or subpar business practices, both of which card brands aim to avoid protecting their cardholders and financial interests.

### Visa Ratio Limits for example

- Early Warning: Reaching a chargeback ratio of 0.65% with at least 75 total disputes.

- Standard Threshold: Reaching a chargeback ratio of 0.9% with at least 100 total disputes.

- High-Risk: Reaching a chargeback ratio of 1.8% with at least 1,000 total disputes.

If you lose a chargeback, you have the right to request arbitration, otherwise known as the last step. Card brands do not approve arbitration cases unless the merchant can provide further evidence to prove their claim. Once the new evidence is reviewed, the chargeback reason code may reflect information the merchant left out.

### Chargeback Recourse

If you lose a chargeback, you have the right to request arbitration, otherwise known as the last step. Card brands do not approve arbitration cases unless the merchant can provide further evidence to prove their claim. Once the new evidence is reviewed, the chargeback reason code may reflect information the merchant left out.

Winning an arbitration case is never guaranteed. Confusion, mistakes, and missed deadlines are all endemic problems. Plus, even if the merchant did everything required to the best of their ability, they still rarely win disputes that escalate to arbitration. As a result, card networks usually default to the most expedient solution. And, in the interest of protecting consumers, they might err on the side of cardholders. The goalposts are always shifting from constantly evolving rules and regulations. The alternating policies between card networks, to ever-changing terminology—fighting can be daunting, at best. an arbitration case is never guaranteed. Confusion, mistakes, and missed deadlines are all endemic problems.

Ultimately, taking a case through the arbitration process may not be financially advantageous as additional fees apply, which can be steep.

Please note not all card brands adhere to the same rules, so all statements are not absolute. The industry is constantly evolving, which we find not to be in the merchant's favor.

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