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Global Card Fraud to Reach $43.8B; Visa Claims Resolution (VCR) to Help Merchants, with Caveat

With the launch of Visa Claims Resolution (VCR) just three months away, dispute mitigation and loss prevention specialist Chargebacks911 highlights the new VCR processes and timelines to help merchants successfully navigate the transition.

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According to The Nilson Report, global card fraud losses are on the rise—from 2016 to 2025, they are projected to nearly double, climbing from $22.8 billion to nearly $50 billion.(1) Consumer-perpetrated chargeback fraud, also known as "friendly fraud," is reported to account for the largest share of those losses and remains an ongoing challenge for eCommerce retailers; so when Visa announced that its new Visa Claims Resolution (VCR) initiative would "[make] the dispute process better for merchants,"(2) many welcomed the news. Merchants' only defense against friendly fraud is through disputing the chargeback to claim back their funds. With VCR implementation scheduled for April 15, 2018,(3) leading dispute mitigation and loss prevention firm Chargebacks911 analyzes what the changes will mean for merchants and acquirers and how they can ready themselves for the new requirements.

The Nilson Report estimates that card issuers experienced nearly 71% of gross fraud losses in 2016, with merchants and acquirers accounting for the remaining 29%, or $6.7 billion. However, the report also acknowledges that friendly fraud is "difficult to quantify" and can be "almost impossible to mitigate".(1) Visa claims that its VCR initiative will shorten the dispute process, which means accelerated timeframes for resolving disputes and other impending changes. The company also aims to categorize reason codes into source segments, similar to MasterCard's 2015 initiative.

Monica Eaton-Cardone, co-founder and Chief Operating Officer (COO) of Chargebacks911, says merchant preparedness dictates whether VCR is regarded as an opportunity or a challenge. She notes that VCR anticipates a 14% reduction in chargebacks for merchants who are prepared to engage in a much shorter—near real-time—dispute-response model.

To help prepare merchants for the coming changes, Eaton-Cardone has summarized four key ways VCR is likely to impact eCommerce retailers:

1) Chargeback reason code 75, “Unrecognized Transaction”, will be eliminated. Issuers will now be required to obtain more information from the cardholder and conduct due diligence before filing a dispute, which will benefit merchants. While this may not eliminate any additional chargebacks, it will ensure cases are coded properly and help give merchants more accurate insights into disputes.

2) Variations between schemes mean greater potential for error. Merchants can no longer rely on closely matching reason codes and interpretations (as is the current case between Visa and Mastercard) to help identify and decode chargeback claims. Those that use legacy systems or lack the in-house expertise to dynamically address these changes and consequential workflow requirements will suffer most..

3) Merchants that don’t provide dispute data in a timely manner will pay additional fees. In effort to increase VCR adoption and use, Visa has indicated that merchants who do not engage in dispute activity (similar to representing retrievals) will forfeit their dispute rights and be liable for higher fees.

Response times for chargeback disputes are being reduced by 50% or more. Banks currently have 45 to 100 days to process disputes and representments. This corresponds with the 15 day limit many banks impose on merchants. With the introduction of more digital processes, VCR promises to reduce this window by half, with discussions of reducing further to just 20 days by October 2018.

The Industry’s concerns over the tightened timelines have impacted the VCR rollout, which was originally planned for October 2017. Visa subsequently delayed implementation of VCR until April 2018 “in response to client feedback, and to help ensure the readiness of stakeholders around the world.”(3) Eaton-Cardone urges businesses to ensure they understand the Implications of Visa Claims Resolution, especially the new timelines. She cautions that merchants who do not reply to disputes in time risk losing their cases, which will negatively impact profitability. Likewise, if acquirers have difficulty meeting Visa’s abbreviated timelines, they could lose business if case losses mount and clients pull their merchant accounts.

“Companies that are able to adapt quickly to Visa’s new dispute processes and timeframes will welcome VCR with open arms,” stated Eaton-Cardone. “However, those who are not equipped to respond swiftly to Visa’s process changes—or who do not fully comprehend the impact of VCR on workloads, response times and profitability—may find their chargebacks soon multiply to unsustainable levels.”

While some might assume VCR means an end to chargebacks, Eaton-Cardone says merchants will still have to contend with them—only they’ll now be referred to as disputes. “We have always maintained that merchants need to provide feedback to issuers, and the representment process was developed to do just that,” she explained. “With VCR, there is even more incentive for merchants to engage. While this can be a complicated process, establishing this protocol for chargebacks and disputes is a sound business practice and something we strongly support. We are very excited for VCR and look forward to positive changes long-term.”

Eaton-Cardone advises merchants and acquirers to immediately review their current chargeback management processes to determine if they have the systems and resources in place to meet Visa’s new protocols and deadlines. With just three months to go until the global VCR launch, she says businesses must be prepared to implement the necessary changes before Visa's go-live date.

For those who need more time to comply with Visa's mandates, or who simply don't have the in-house expertise or staff to effectively respond to disputes in a scalable manner, Eaton-Cardone recommends partnering with an experienced chargeback management and dispute mitigation firm that is ready for the VCR changeover.

Chargebacks911 is also dedicated to educating eCommerce merchants on ways to optimize profits, minimize chargebacks and combat fraud. To that end, Monica Eaton-Cardone and her team will be participating in a number of upcoming industry events, including Affiliate Summit Europe in London, Panama GB Summit in Panama City and the 2018 MAC Annual Conference in Las Vegas. For details on Chargebacks911's comprehensive risk management and tactical representment solutions, informative articles and other merchant resources, visit https://chargebacks911.com.

About Chargebacks911 and the VCR Initiative:

Chargebacks911, known as The Chargeback Company in Europe, safeguards over 2.4 billion online transactions every year, representing clients in 87 different countries. It is the first global company fully dedicated to mitigating chargeback risk and eliminating chargeback fraud, and the company has won the Customer Choice Award for Best Chargeback Management Solution at the CardNotPresent Awards for two years in succession. As industry-leading innovators, Chargebacks911 is credited with developing the most effective strategies for helping businesses maximize revenue and reduce loss in a variety of industries and sectors within the payments space.

Chargebacks911 provides comprehensive and highly scalable solutions for chargeback compliance, handling services and fraud strategy management. Chargebacks911's unparalleled category experience and Intelligence Source Detection (ISD™) technology identifies the true source of chargebacks, optimizes revenue recovery opportunities, mediates disputes, safeguards reputations, monitors transactions 24/7 and helps proactively prevent future fraud. To learn more about Chargebacks911, visit http://www.chargebacks911.com.

1. HSN Consultants, Inc. "Card Fraud Losses Reach $22.80 Billion"; The Nilson Report; issue 1118, October 2017.

2. Visa. Visa Claims Resolution: Efficient Dispute Processing for Merchants; April 14, 2016.

3. Visa. "Visa Claims Resolution Implementation Date Change"; Visa Merchant Business News Digest; April 11, 2017.

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