Solid Base
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THE MERCHANT'S PLAYBOOK

Chargeback Proof

How to cut chargebacks, win the disputes you cannot avoid, save your merchant account, and recover when it is taken away

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Twenty years on the merchant side of the card networks

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INTRODUCTION

Why I wrote this book

I have operated online businesses for twenty years, and in that time I have worked with almost every kind of merchant account provider there is: big banks, independent sales organisations, payment facilitators, high-risk specialists, and offshore acquirers. I have also been terminated by more than a dozen of them. Some of those terminations were my own fault. Most of them came down to one number that nobody explained to me until it was too late: the chargeback ratio.

Nobody teaches you this when you open your first store. The processor's welcome email talks about settlement times and interchange rates. It does not tell you that a handful of angry or dishonest customers, spread over a slow month, can trigger a letter that freezes your funds for six months and puts your name on an industry blacklist for five years. You learn that the hard way, usually on a Friday afternoon, when your dashboard shows a balance you cannot withdraw.

This book is what I wish someone had handed me at the start. It is not written by a lawyer or a bank employee. It is written by a merchant, for merchants, and it is organised around the only three questions that matter:

- **How do I stop chargebacks from happening?** Most of them are preventable, and the prevention is cheap compared to the cure.
- **How do I win the ones I cannot prevent?** The industry average win rate is somewhere between twenty and thirty percent. With the method in Part III, I consistently win sixty to seventy percent of the disputes I choose to fight, and I will show you why the difference is almost entirely preparation.
- **What do I do when my account is terminated anyway?** Because sometimes it will be, and the merchants who survive are the ones who planned for it before it happened.

A word on tone. I am going to be blunt about the banks, because the system is genuinely tilted against you and pretending otherwise does not help. But I am also going to be blunt about merchants, because a large share of the chargebacks I see are self-inflicted: slow shipping, no tracking, vague product pages, unreachable support, billing descriptors nobody recognises. Fix those and you have already solved half the problem.

Everything here is practical. Every chapter ends with a short list of the things to actually do. The appendices contain the letters, emails, and checklists I use myself, so that you do not have to write them from scratch at midnight with a deadline the next morning.

Let us start with the mechanism, because you cannot fight what you do not understand.

PART I

Understand the game

You are playing against a system that was designed before you arrived, by people who were not thinking about you. Learn its rules before you try to bend them.

CHAPTER 1

What a chargeback actually is

A chargeback is a forced reversal of a card payment, initiated by the cardholder's bank, that takes the money out of your account first and asks questions later. That last part is the whole story. In almost every other commercial dispute, the person who wants money back has to ask for it and prove they deserve it. In a chargeback, the money leaves before you have even been told there is a problem, and the burden of proof sits on you.

Where chargebacks came from

The mechanism was written into United States consumer law in the 1970s, when credit cards were new and mail-order fraud was common. The Fair Credit Billing Act of 1974 gave cardholders the right to dispute a billing error with their card issuer and have the charge suspended while it was investigated. The card networks then built the operational rules that let a cardholder's bank pull the money back from the merchant's bank. Similar protections exist today in the United Kingdom, the European Union, Canada, Australia, and most developed markets, sometimes through law and sometimes purely through network rules.

The intent was reasonable: a customer should not be stuck paying for a stolen card or for goods that never arrived. The problem is that the mechanism has not fundamentally changed in fifty years, while the volume of online commerce, the ease of clicking a "dispute this charge" button in a banking app, and the sophistication of dishonest buyers have all exploded.

The five parties

Every chargeback involves five parties, and it helps to know exactly what each one wants.

Party	Who they are	What they care about
Cardholder	Your customer, or someone using their card.	Getting their money back with the least effort.
Issuer	The bank that gave the cardholder the card (Chase, Barclays, DBS, and so on).	Keeping the cardholder happy. The cardholder is their customer. You are not.
Card network	Visa, Mastercard, American Express, Discover, JCB, UnionPay.	Writing the rules, collecting fees, and protecting the brand from fraud and bad merchants.
Acquirer	The bank or processor that holds your merchant account (Stripe, Adyen, Worldpay, a high-risk specialist, your local bank).	Not losing money on you. They are financially liable if you disappear owing refunds.

Merchant	You.	Keeping the sale and keeping the account.

Notice that only one party in that list is on your side, and even they are only on your side until you become a risk to them. The acquirer is not your friend. The acquirer is your guarantor, and guarantors watch you closely.

The lifecycle of a dispute

The exact names and time limits vary by network, but the shape is always the same.

1. The cardholder complains

The cardholder contacts their issuer, by phone, in the app, or on the website, and says one of a small number of things: I do not recognise this charge, I never received this, it was not what I ordered, I cancelled this, I was charged twice, or my card was stolen. The issuer maps that complaint to a **reason code**, which is a short alphanumeric label from the network's rulebook. The reason code determines what evidence you will need. Cardholders generally have 120 days from the transaction date, or from the date they expected delivery, to raise a dispute, although some categories allow longer.

2. Optional: the inquiry or retrieval request

Some issuers, and American Express in particular, will first send an inquiry asking for a copy of the transaction record before they escalate. Treat every inquiry as a chargeback in waiting. Respond quickly and completely. A well-answered inquiry often ends the matter.

3. The chargeback is filed

The issuer gives the cardholder a provisional credit and sends the chargeback through the network to your acquirer. Your acquirer debits your account for the transaction amount and adds a chargeback fee, typically between fifteen and one hundred dollars depending on the provider and your risk category. You receive a notification, usually by email and in your merchant dashboard. The clock is now running: you generally have between seven and thirty days to respond, depending on the acquirer, and the acquirer's deadline is always shorter than the network's because they need time to process your response.

4. Representment

You submit evidence that the transaction was legitimate and that the cardholder's claim is wrong. This is called representment, because you are re-presenting the transaction to the issuer. Your acquirer forwards your evidence to the issuer. Everything in Part III of this book is about doing this well.

5. The issuer decides

An analyst at the issuing bank reviews your package and either reverses the chargeback, in which case the money comes back to you, or upholds it. Under Visa's current process, most disputes are resolved at this point. Under Mastercard's, the issuer may escalate again.

6. Pre-arbitration and arbitration

If either side disagrees with the outcome, the dispute can be escalated to pre-arbitration, where the other party has one more chance to respond, and then to arbitration, where the card network itself makes a binding decision. Arbitration carries a filing fee, usually several hundred dollars, paid by the losing party. For most small and mid-sized merchants, arbitration is only worth it for large tickets.

Chargeback, refund, dispute, reversal: the vocabulary

People use these words loosely and it causes expensive confusion.

- A **refund** is something you initiate. You choose to send money back. It costs you the transaction fee you already paid, but it does not count against your chargeback ratio.
- A **dispute** is the umbrella term used by processors like Stripe and PayPal for any cardholder complaint, including inquiries and chargebacks. On some platforms a "dispute" is a chargeback; on others it is a step before one.
- A **chargeback** is the formal, network-level reversal. It always counts against your ratio, whether you win or lose.
- A **reversal** or **chargeback reversal** is what happens when you win: the issuer reverses their own chargeback.
- An **authorisation reversal** is unrelated: it is you cancelling an authorisation hold before capture.

The single most important sentence in this section: **a refund you issue yourself never counts against you; a chargeback always does, even if you win it.** That asymmetry drives most of the advice in Part II.

What a chargeback really costs

Merchants tend to think of a chargeback as losing the sale. It is much worse than that. Add it up for a single hundred-dollar order of physical goods:

Cost component	Typical amount
Sale amount reversed	$100
Cost of goods, already shipped and usually not returned	$40
Outbound shipping	$8
Chargeback fee from your acquirer	$15 to $100
Original processing fee, not refunded	$3
Staff time to gather evidence and respond	$30 to $60
Damage to chargeback ratio	Unquantifiable, potentially fatal

Industry studies consistently put the true cost of a chargeback at two to three times the transaction amount. On thin-margin products you can lose a week of profit on one dispute. And none of that includes the ratio, which is the subject of Chapter 4 and is the thing that actually ends businesses.

Reason codes: the language of the dispute

Every network has its own list. Visa reorganised theirs in 2018 into four categories: Fraud (10.x), Authorisation (11.x), Processing Errors (12.x), and Consumer Disputes (13.x). Mastercard uses four-digit codes such as 4837 for "no cardholder authorisation" and 4853 for "cardholder dispute", with sub-reasons. American Express and Discover have their own. The full quick reference is in Appendix C. For now, understand that the reason code is the issuer's *claim*, not a finding of fact, and that your job in representment is to show the evidence that specifically contradicts that claim. Sending a generic pile of documents does not work. Sending exactly the document that answers the reason code does.

DO THIS NOW

- Find out from your processor exactly how many days you have to respond to a chargeback. Write it on the wall.
- Find out the chargeback fee on your account. If it is more than $25, ask why.
- Make sure chargeback notifications go to an inbox someone reads every day, not to the founder's personal email that gets checked weekly.