

# Visa Claims Resolution

Optimizing the Dispute Process for Merchants



**VISA**

# Agenda

What is VCR?

How VCR Helps Merchants

VCR Migration Timeline

# What is VCR?

VCR will improve the dispute ecosystem with a new enhanced dispute process that has the following objectives

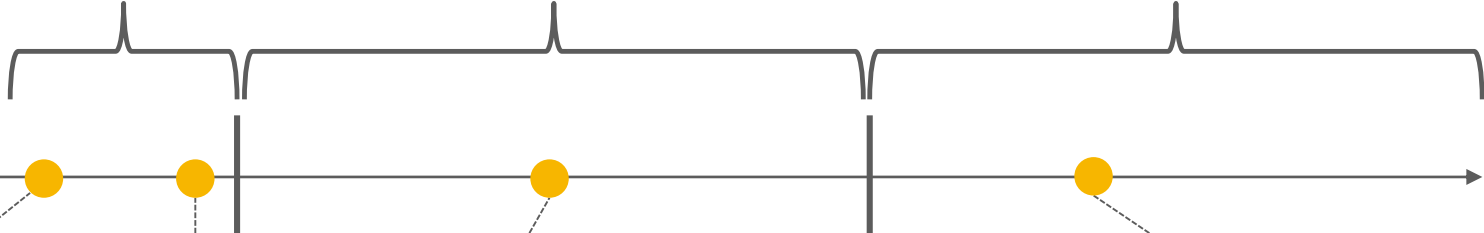
Objectives:	Description:	Data:
Prevent and Customize	Visa will block issuer chargebacks if they are not supported by the transaction data	<p>Invalid Chargebacks<sup>1</sup> 14% of Claims</p> <p>Remaining Chargebacks 86% of Claims</p>
Automate & Resolve Disputes Quicker	Claims follow one of two paths to completion: Allocation and Collaboration	<p>Existing VROL 100% of Claims</p> <p>Automation<sup>1</sup></p> <p>Collaboration 20-40% of Claims</p> <p>Allocation 60-80% of Claims</p>
Streamline Existing Workflows	Reason codes will be consolidated into 4 major claim categories and workflows will guide users to provide key data to simplify the process	<p>22 Dispute Codes</p> <p>1 Fraud</p> <p>2 Authorization</p> <p>3 Processing Errors</p> <p>4 Consumer Disputes</p> <p>Allocation</p> <p>Collaboration</p>

1. Based off FY 2014 chargeback reason code buckets

# How VCR Helps Merchants

Dispute optimization is a key driver in the Visa Claims Resolution Initiative; benefits to merchants are being introduced throughout the dispute cycle

## Pre-Dispute      Dispute Submission      Dispute Response / Pre-Arbitration



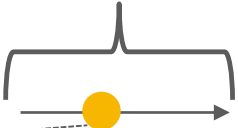
**Visa Merchant Purchase Inquiry**  
Share dispute details before dispute is initiated

**Associated Transactions**  
VROL proactively identifies Associated Transactions and requires Issuers to verify

**Chargeback Rights Identification / Edits**  
VCR automates CB Rights identification

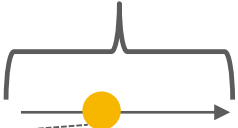
**Response Certification**  
Issuers must respond to acquirer/merchants or accept liability

### Governance



**Index**  
Health score to monitor ecosystem usage

### Rules



**Rule Changes**  
Modernize rules to protect ecosystem

# Visa Merchant Purchase Inquiry (VMPI)

VMPI allows merchants to proactively send detailed supplemental information to issuers PRIOR to a dispute being submitted

## Current Landscape

- Digital goods purchases are on the rise; low dollar and difficult for ecosystem to handle
- “Unrecognized” disputes are increasing, particularly in the digital goods space
- Today, acquirers/merchants are \*reacting\* to financial claims filed by cardholders/issuers
- Impact can be severe for cardholder experience and consumer confidence

## Key Reasons for Consumer Complaints

“I did not make this purchase, it must be fraud.”

“I am not sure if I made this purchase because I don’t recognize it.”

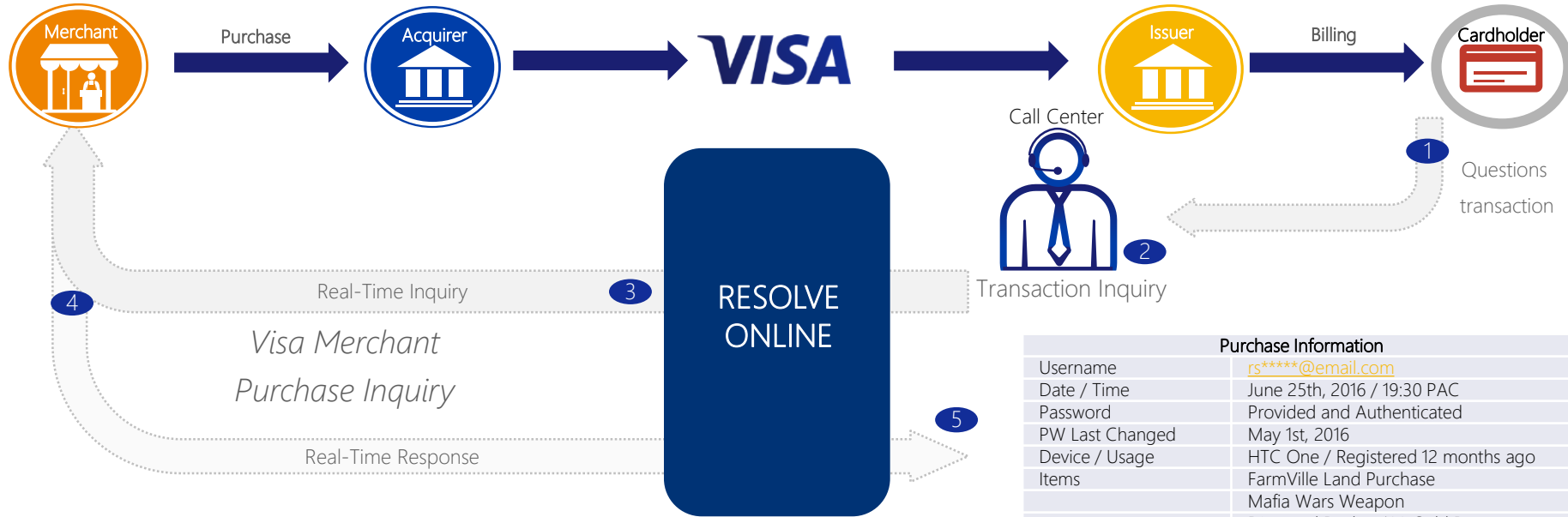
“I made this purchase, but there’s a problem.”

## Opportunity

- Introduce an Application Programming Interface (API) for issuers to notify merchants before a dispute is raised
- Enable the merchant to provide specific transaction detail, at the beginning of the dispute process, to allow issuers to “talk off” disputes before they occur (**Proactive representation**)
- Goal is to reduce/eliminate claims BEFORE they become formal disputes, and where possible, reduce dispute timeframes from 45 days to 45 seconds

# Visa Merchant Purchase Inquiry (VMPI) Process

The VMPI process is a real-time data sharing exercise from merchant to issuer through Visa Resolve Online (VROL)



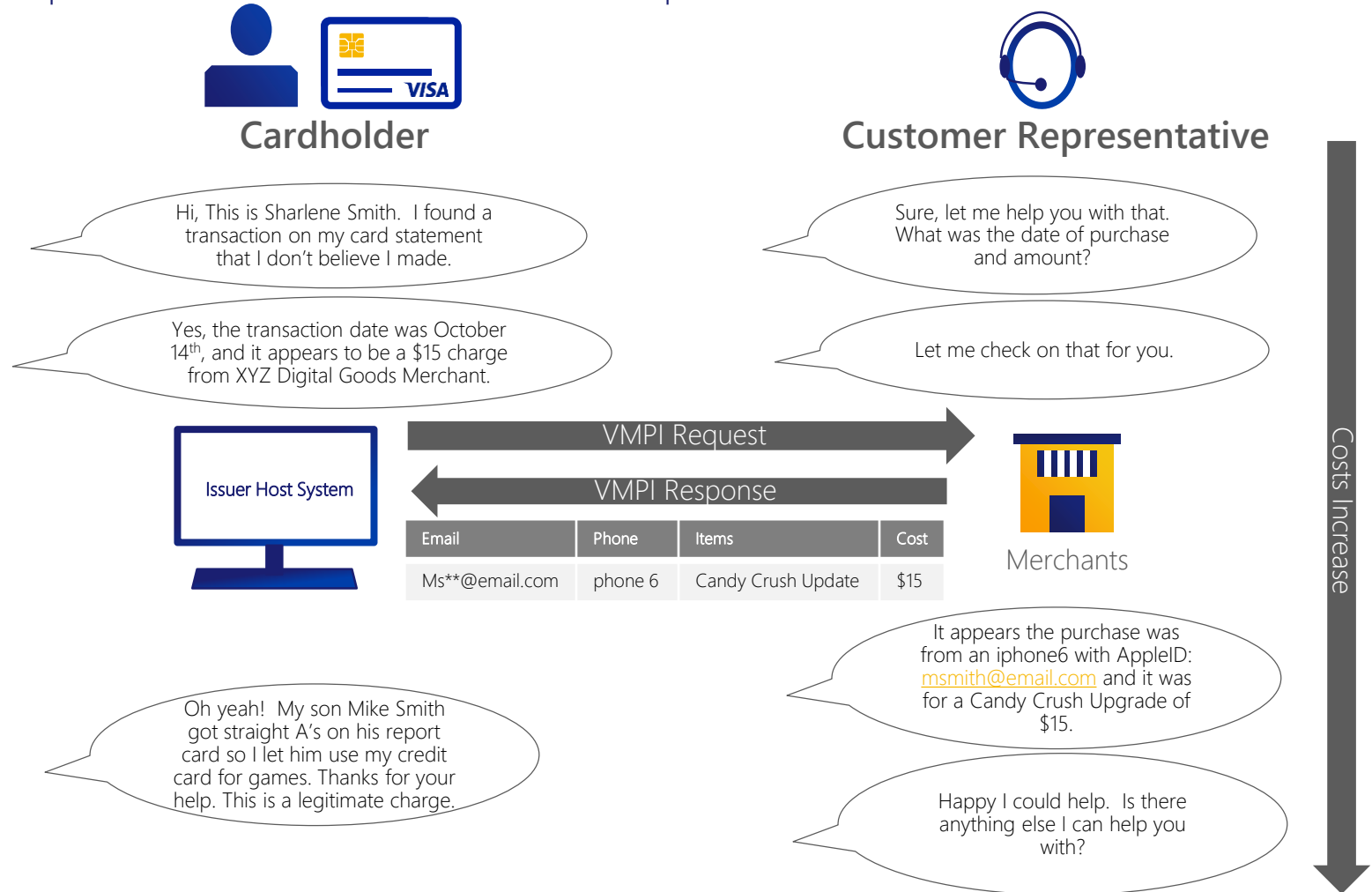
Purchase Information	
Username	rs*****@email.com
Date / Time	June 25th, 2016 / 19:30 PAC
Password	Provided and Authenticated
PW Last Changed	May 1st, 2016
Device / Usage	HTC One / Registered 12 months ago
Items	FarmVille Land Purchase Mafia Wars Weapon Diamond Dash – 100 Gold Bars
Total amount	\$10.00
Response Information	
Merchant Response	Account Credited Full Amount \$10.00
Requested CH Action	Change Password on next login
Merchant Phone	1800 123 4567 (Optional)
Reference Number	100031254

## Steps:

- 1 Cardholder contacts the Call Center
- 2 Representative conducts a VROL-Transaction Inquiry
- 3 VROL Recognizes merchant (as Integrated) and generates a **Real-Time Purchase Inquiry** to the merchant via an API
- 4 Merchant renders the response within the established schema
- 5 Response is provided to the Issuer user

# VMPI Sample Talk Track

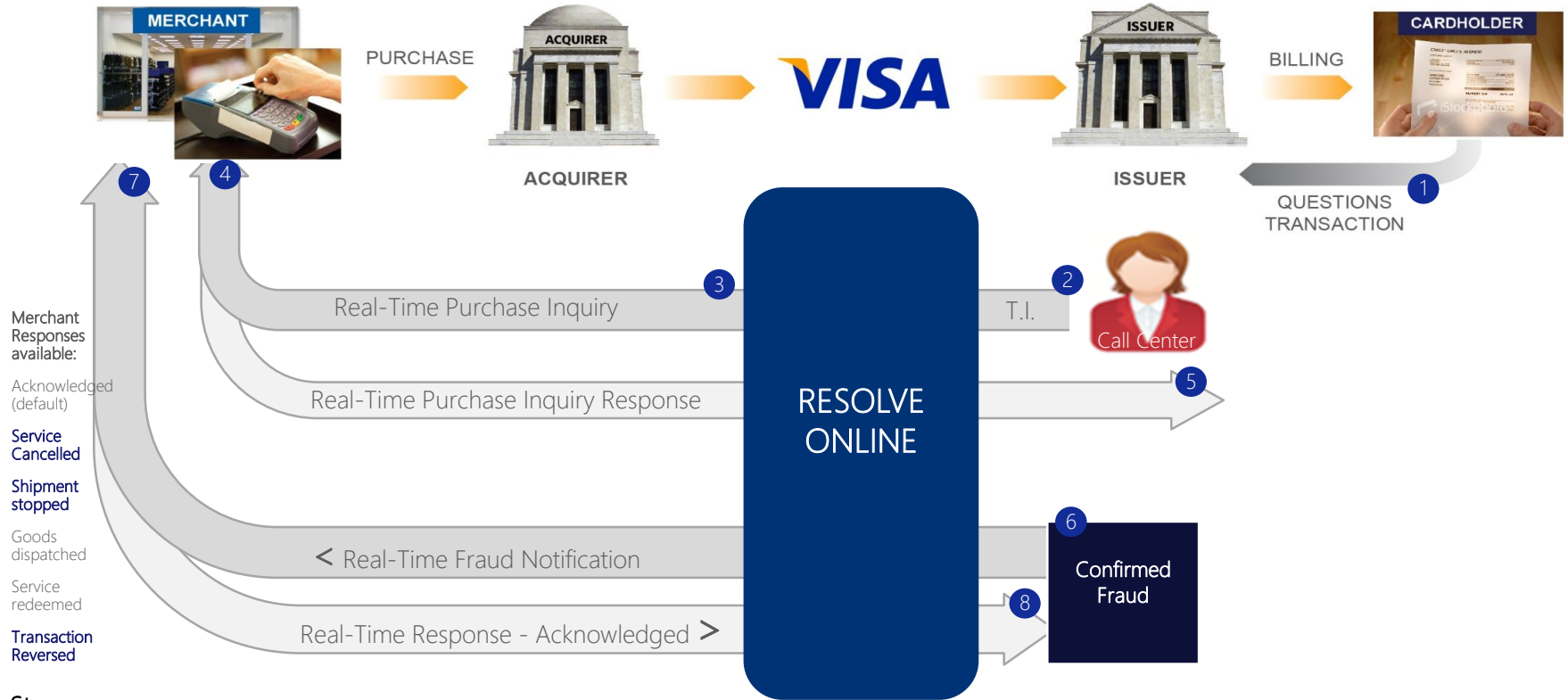
Issuers can incorporate VMPI data into their talk track with cardholders and use this merchant-provided information to reduce disputes




VMPI data can be used to "talk off" unrecognized and other potential disputes to reduce chargebacks and improve customer satisfaction

# Visa Merchant Purchase Inquiry - Fraud Notifications

Participating merchants are eligible to receive push notifications on fraud reports initiated through Visa Resolve Online, and eventually, all fraud reports







- Steps:**
- 1 Cardholder contacts the Call Center
  - 2 Representative conducts a VROL-Transaction Inquiry
  - 3 VROL Recognizes Merchant (as Integrated) and generates a **Real-Time Purchase Inquiry** to the merchant via an API – Using the original transaction information
  - 4 Merchant renders the response within the established schema
  - 5 Response is provided to the Issuer user
  - 6 Cardholder indicates that the purchase is Fraudulent, Fraud report is triggered
  - 7 Real Time Fraud Notification is sent to merchant (and listed on FRS with TC40)
  - 8 Response sent by merchant (Optional)

 *Merchants may use fraud notification information to enable better decisions on delivery of goods/services or future transactions to mitigate losses*



# Dispute conditions under four VCR categories

VCR is consolidating chargeback reason codes into four dispute categories; for fraud and authorization, the dispute condition is identified with the data in VisaNet

 <b>10. Fraud</b>	 <b>11. Authorization</b>	 <b>12. Processing Errors</b>	 <b>13. Consumer Disputes</b>
10.1 – EMV Liability Shift Counterfeit Fraud 10.2 – EMV Liability Shift Non-Counterfeit Fraud 10.3 – Other Fraud-Card Present Environment 10.4 – Other Fraud-Card Absent Environment 10.5 – Visa Fraud Monitoring Program	11.1 – Card Recovery Bulletin 11.2 – Declined Authorization 11.3 – No Authorization	12.1 – Late Presentment 12.2 – Incorrect Transaction Code 12.3 – Incorrect Currency 12.4 – Incorrect Account Number 12.5 – Incorrect Amount 12.6.1 – Duplicate Processing 12.6.2 – Paid by Other Means 12.7 – Invalid Data	13.1 – Merchandise/ Services Not Received 13.2 – Cancelled Recurring 13.3 – Not as Described or Defective Merchandise/ Services 13.4 – Counterfeit Merchandise 13.5 – Misrepresentation 13.6 – Credit Not Processed 13.7 – Cancelled Merchandise/Services 13.8 – Original Credit Transaction Not Accepted 13.9 – Non-Receipt of Cash or Load Transaction Value



*Issuer will select dispute category*

*Visa's dispute system will determine dispute condition based on VisaNet transaction data and information supplied in dispute questionnaire*

*Acquirer/Merchant will receive the dispute category and dispute condition for all disputes*

# Associated Transactions

VCR requires issuers to review associated transactions (credits, reversals, adjustments) PRIOR to dispute submission to reduce rework on the merchant/acquirer side

## Overview

Associated Transactions provides issuers with credits, reversals, and/or adjustments that may be pertinent to decision making on a current dispute. These transactions will be identified using Visa's authorization, clearing and settlement systems looking historically at transactions with similar characteristics.

The Associated Transactions identification will use a proprietary algorithm to identify transactions that may be related, as well as a scoring mechanism to provide high, medium, or low likelihood matches.

## Business Objective

The Associated Transactions is being introduced into the dispute process to proactively identify an action like a credit, reversal or adjustment that render the dispute invalid. If the merchant has already credited the cardholder for the transaction the issuer is disputing, all parties benefit from that never becoming a dispute as less work will be required for both acquirers and issuers.

## Usage Conditions and Details

If Associated Transactions are found, the issuer must review and confirm the relationship for each transaction.

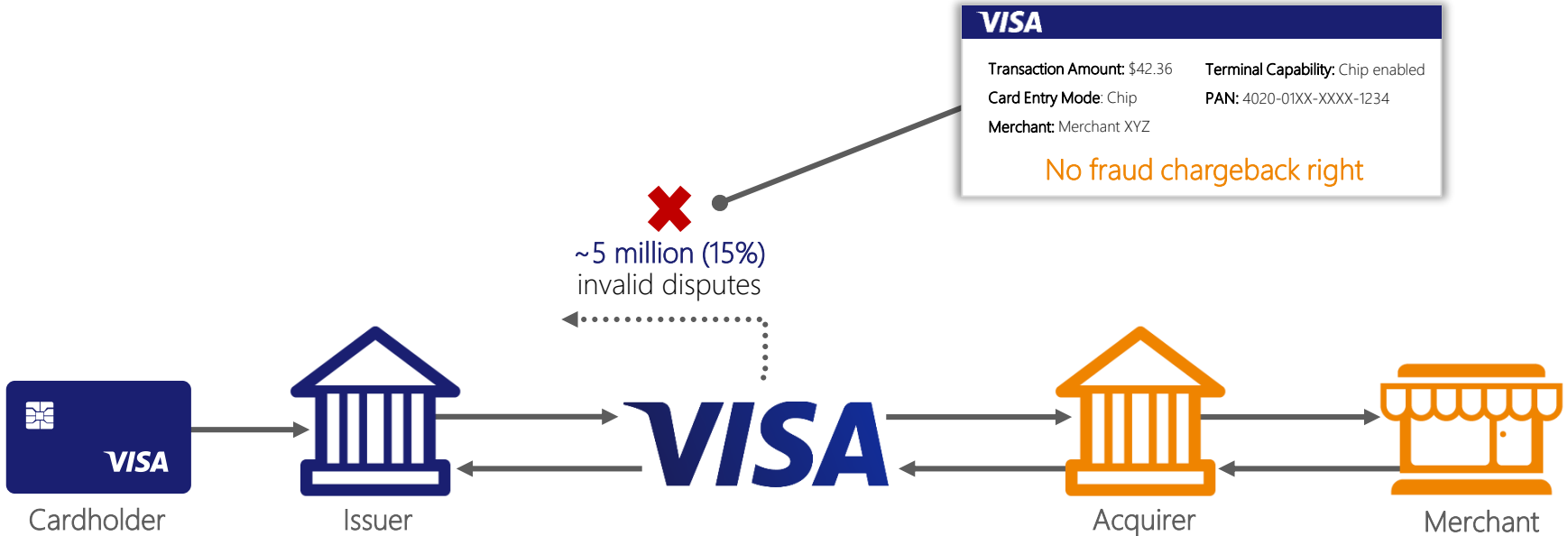
Associated	Transaction Date / Time	CPD/ Settled Date
<b>Selected Transaction:</b>	06/10/17 07:13:47	06/10/17
<input checked="" type="radio"/> Yes <input type="radio"/> No	06/10/17 07:13:06	06/10/17
<input checked="" type="radio"/> Yes <input type="radio"/> No	06/10/17 07:14:06	06/10/17
<input checked="" type="radio"/> Yes <input type="radio"/> No	06/10/17 07:14:06	06/10/17



*If found, issuers must verify credits/reversals/adjustments are associated to a dispute or not*

# Chargeback Rights Identification

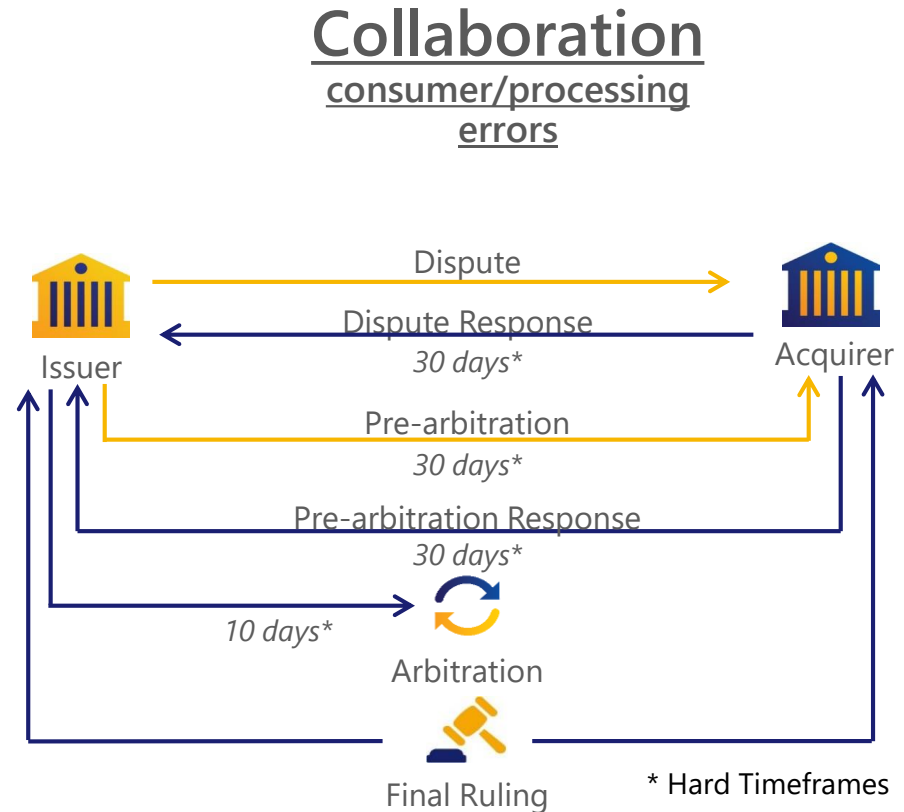
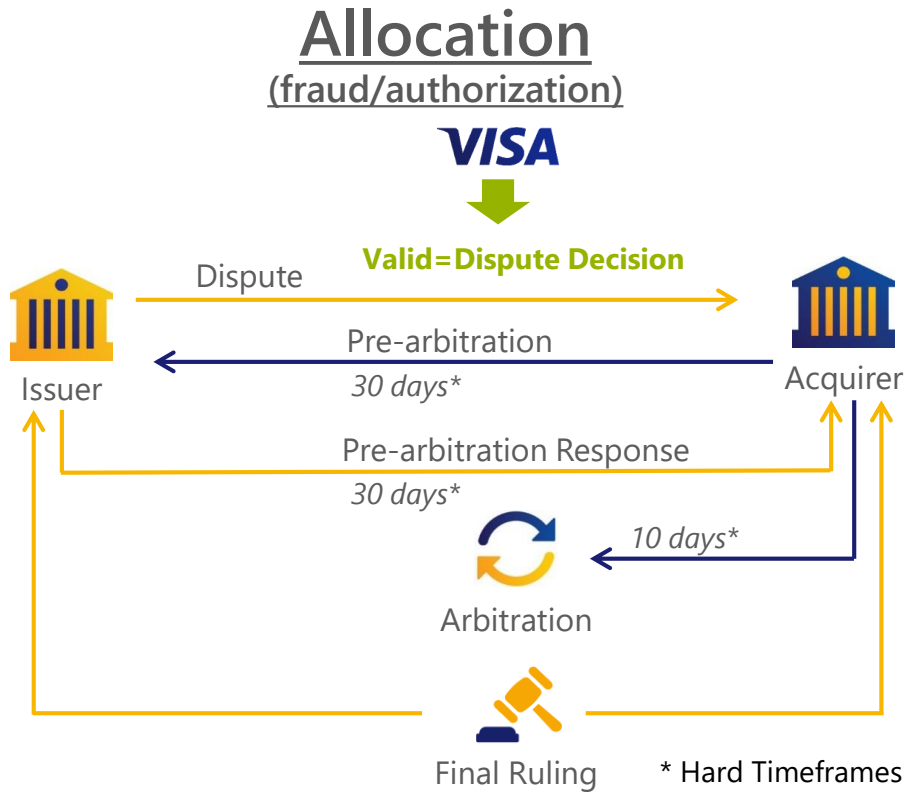
Visa will introduce comprehensive global edits to review and reject invalid disputes from issuers



*Blocking invalid disputes and passing along verified disputes will reduce the time merchants/acquirers spend reviewing/researching disputes for validity*

# Response Certification

Visa is introducing a streamlined approach for fraud and authorization disputes; cycle times have also been modified



 For disputes under Allocation, Visa will proactively provide an automated dispute decision based on the Visa rules. Acquirers and merchants will have the ability to respond under certain conditions.

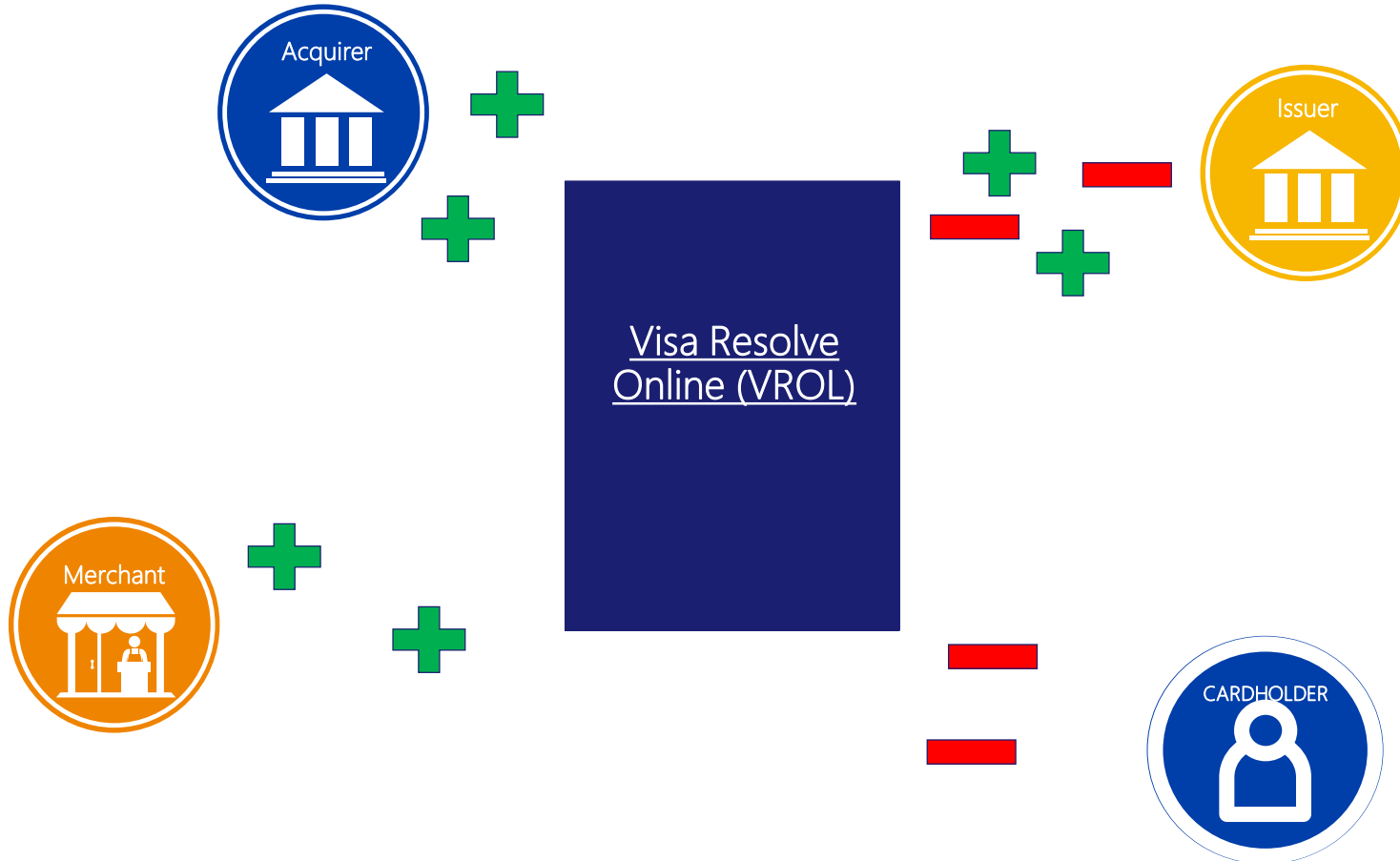
Issuers are required to review and address merchant/acquirer submissions; failure to do so results in acceptance of liability.


# Indices

Clients will be assigned an index "score" based on their use of the ecosystem

KEY:

Dispute Event  
that will \_\_\_  
Score



 Client activity will be monitored where positive and negative events will impact their "index"; if thresholds are achieved the client may be notified by Visa to identify potential remediation

Visa's Chargeback and Fraud Monitoring Programs will remain in place with VCR

# Rule Changes

## New Fraud Rules effective with VCR implementation

### Fraud Dispute Limit

- Place a limit on the number of card absent fraud disputes that can be processed on a single account number
- Issuer may charge back a maximum of 35 transactions on a single account number within a 120 day timeframe
- A new edit will block disputes after the limit has been reached

### Fraud Disputes – Account Status

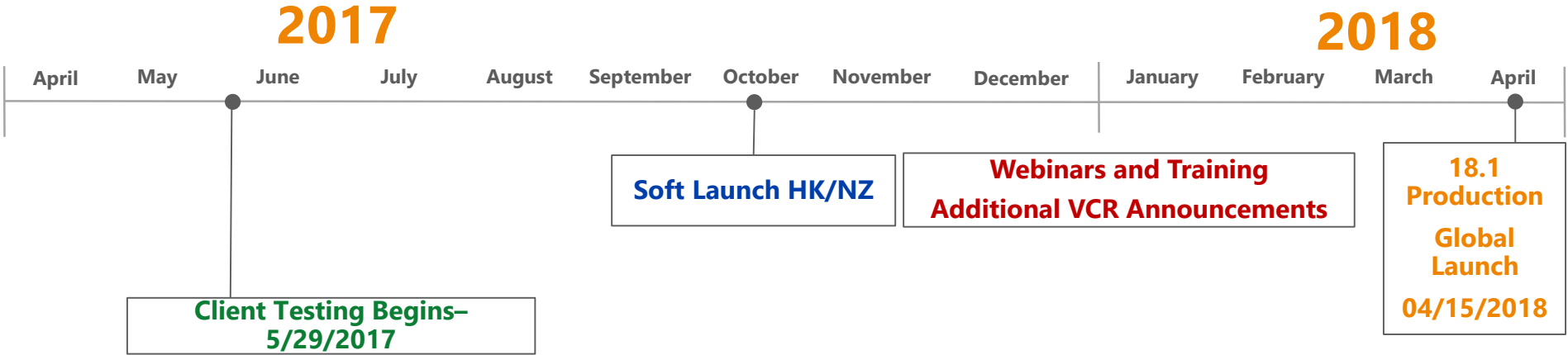
- Block claims initiated for original transactions that occurred on a date after the first fraud report or first fraud chargeback for the same account number
- Remove requirement for issuers to list the account number on the exception file and close account prior to initiating a fraud dispute
- As part of proper fraud management, issuers are still required to properly manage a fraudulent account. Issuers should continue to close the account
- This new edit will prevent issuers from passing liability to the acquirer when they have not taken the necessary steps to prevent future fraud on the same account number



*Rule changes have been incorporated into the VCR solution protecting merchants from issuer abuse or attempts to pass fraud along to merchant when rules weren't followed*

# Migration Timeline

VCR will be going live globally in April 2018 with client testing beginning in May 2017



# Summary of Merchant Benefits

Reduction in Dispute Volume	Pro-active Dispute Resolution	Identify, Track & Monitor Abuse	Better Customer Experience
<ul style="list-style-type: none"><li>• VCR comprehensively evaluates VisaNet and dispute data, reducing dispute volume by blocking invalid disputes from entering the system</li><li>• New rules to limit fraud disputes on a single PAN</li></ul>	<ul style="list-style-type: none"><li>• Through a series of new products and services, VCR gives merchants a proactive way to resolve disputes through Visa Merchant Purchase Inquiry</li><li>• Proactively identify remediating transactions such as credits, reversals and adjustments through Associated Transactions</li><li>• Receive notification of Visa fraud reports to enable better decisions on delivery of goods/services or future transactions to mitigate losses</li></ul>	<ul style="list-style-type: none"><li>• Indices provide Visa a mechanism to proactively identify training opportunities or abuse prompting quicker troubleshooting and resolution</li></ul>	<ul style="list-style-type: none"><li>• Quicker timelines provide a better customer experience and faster resolution</li></ul>