

Card Brand Guidance for Managing COVID-19 Related Chargebacks

In light of the significant increase in chargebacks resulting from COVID-19, Visa, Mastercard and American Express recently issued guidance to assist acquirers, issuers, and merchants in navigating the dispute process. Below is a summary of that guidance.

Visa

On March 27, 2020, Visa released a bulletin titled “Managing Disputes Through COVID-19: Programs, Best Practices and FAQs to Help Clients” in which it provides guidance about managing and responding to disputes as a result of COVID-19.

Notably, Visa is implementing a COVID-19 Dispute Monitoring Program and is working to identify additional programs focused on reducing the amount of disputes and eliminating or preventing invalid disputes from the system.

Visa has outlined certain expectations for its stakeholders. First, it expects that cardholders and merchants work directly to resolve the issue before a dispute is initiated in the system. It further expects that issuers and acquirers be flexible in resolving disputes to minimize the impact on cardholders and merchants.

On April 1, 2020, Visa implemented a COVID-19 Dispute Monitoring Program to monitor daily disputes and flag practices that appear inconsistent with the Visa dispute rules. Issuers that are submitting more than 50 invalid disputes daily will be flagged and required to reverse all invalid disputes within three business days. Visa is taking a hard line here. If an issuer fails to comply with reversing such invalid disputes or is repeatedly flagged under this program, such action will be deemed an egregious non-compliance which could result in non-compliance assessments and the loss of access to filing Visa consumer disputes for relevant reason codes.

Visa is also making some temporary adjustments to its current Excessive Dispute Programs to ensure there is less burden on its clients and merchants that have been impacted by COVID-19. For example, the Visa Dispute Monitoring Program (VDMP) and Visa Fraud Monitoring Program (VFMP) will both be suspended for merchants in the Travel & Entertainment (T&E) MCCs through the July compliance cycle, among other changes. However, no changes will be made to Visa’s Global Brand Protection Program. Thus, there will not be any concessions granted to merchants or acquirers that are tied to illegal or brand damaging activity.

Visa also outlined best practices for issuers and acquirers. For instance, issuers should encourage cardholders to resolve disputes with merchants directly before initiating the dispute process and they must give merchants adequate time to process a refund before initiating the dispute process. For their part, acquirers should advise merchants to contact cardholders proactively to resolve issues outside of the dispute process and only submit valid responses to disputes, among other things.

The full Visa bulletin can be found here:

<https://usa.visa.com/dam/VCOM/global/support-legal/documents/managing-disputes-through-covid-19.pdf>

Mastercard

Mastercard has reportedly issued confidential guidance (which has not been made publically available) regarding dispute resolution management during COVID-19 to acquirers and issuers. ISOs, processors, and payment facilitators may wish to check with their sponsor bank if they have not received Mastercard COVID-19 chargeback related guidance.

American Express

On April 10, 2020, American Express announced that it is extending the amount of time merchants have to respond to a cardholder dispute to 30 days worldwide for disputes that are received between March 1, 2020 and May 31, 2020.

American Express also announced steps they are taking to help reduce the potential spread of COVID-19 at the point-of-sale which include raising contactless transaction thresholds (in 28 countries with more to come) and reminding merchants globally that American Express does not require them to collect the Card Member's signature at the point of sale.

A copy of the American Express statement can be found here:

<https://about.americanexpress.com/press-release/american-express-commitment-backing-colleagues-customers-and-communities-affected>.

Participants in the payments chain would be well advised to keep an eye out for further guidance from the card brands as developments occur.

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