Chargebacks guide

Overview

Chargebacks are shopper requests for funds reversal made directly to the bank/PayPal, possible only if the payment was made using a credit/debit card or PayPal. As a rule of thumb, buyers contact their credit card bank/issuer or PayPal directly to initiate a chargeback.

2Checkout charges commissions for the initial transactions associated with orders refunded as a result of chargeback disputes initiated by shoppers.

Credit/debit card chargebacks

The chargeback process for credit/debit card transactions is described below.

Chargebacks are triggered by shopper requests to their credit/debit card issuer to dispute charges appearing on their credit card statement. Only chargebacks for payments made using the following credit/debit cards are accepted:

- VISA/MasterCard
- American Express
- Discover
- JCB
- Carte Bleu
- Diners Club
- EloCard
- HiperCard
- UnionPay

Shoppers may issue chargebacks for multiple reasons, including but not limited to:

- Shoppers haven’t received the purchased items;
- Shoppers are unsatisfied with purchases and are unable to resolve the problem directly with you;
- Shoppers are charged multiple times for the same order;
- Shoppers claim that they received your agreement for a refund, but the refund was never processed;
- An unauthorized party made a purchase with the shoppers’ credit card details;
- Shoppers have concerns about the validity of the purchase (they don’t recognize the charge on the statement);
• Shoppers claim that they did not agree to subscription renewals.

CHARGEBACK TIME LIMITS

The chargeback time limit refers to the specific time window allowed for parties to respond to each phase of a chargeback dispute. Cardholders, banks, and merchants each need to keep to the deadlines imposed by the card networks or risk losing a claim.

Cardholders/Card issuers

In most cases, cardholders have up to 120 days from the transaction processing date to file a chargeback (the limits for cardholders can vary from one issuer to another and/or depending on the chargeback reason code).

2Checkout Merchants

Should provide us any information or documents available that they might have regarding the disputed order, within 3 working days from the chargeback notification, in PDF format – if they want to challenge the case.

Chargeback resolution

It might take between 90-120 days until a final resolution is received. The decision is based on a standard set of rules and regulations created by Visa/MasterCard and is then communicated to 2Checkout and the shopper.

WORKFLOW

1. The issuer bank contacts 2Checkout’s bank with a request for the transaction details.
2. 2Checkout is informed by its bank/payment processor of the chargeback dispute, and the chargeback amount is debited from 2Checkout’s bank account.
3. 2Checkout responds to the open chargeback disputes by providing required documents to the bank.
4. You receive an IPN (instant payment notification) of the open chargeback dispute from 2Checkout.
5. 2Checkout restricts the disputed amount from being paid to you.

While chargebacks are handled directly by banks, 2Checkout still plays a role in resolving disputes. We are notified by the banking entities we’re working with of every chargeback, receiving information requests for each incident. The reason provided by the shopper to its issuer also reaches 2Checkout along with the request for transaction details.

6. 2Checkout provides the following standard details to the bank:
   ◦ Payment method used by the shopper (PayPal account or first and last 4 digits of the card) to confirm the transaction.
   ◦ Name, address and email of the shopper to be verified by the bank and compared to the ones used to create the bank account.
   ◦ Delivery details: subscription codes, attachments, or delivery confirmations.
   ◦ Issued invoices
   ◦ Terms and conditions, refund policy from your website showing that the shopper accepted the charge based
on your public policies.

- In case of a renewal transaction, the bank is also informed about the shopper’s agreement to the renewal made in the shopping cart.

2Checkout acts as a mediator between the bank, shopper and you, once a chargeback has been initiated. You will receive a request for additional details regarding the transaction to help us defend the dispute against the bank.

7. 2Checkout may request any shopper, transaction or subscription-related documents from you, including, but not limited to:
   - Proof of delivery, in case it was made directly by you.
   - Support tickets received from the shoppers and answered by the support team, showing the customer issue resolution.
   - Any correspondence you had with the shoppers showing the validity of transactions, the fact that they placed the order and agreed to the delivery.
   - Proof that subscriptions delivered to shoppers are in use.
   - Correspondence with shoppers related to refund requests.

8. 2Checkout forwards all details received from you to the bank, adding further explanations if necessary. Based on the details received from 2Checkout and from the shopper, the bank and the credit/debit card issuer offer a resolution to the dispute. The decision is based on a standard set of rules and regulations created by Visa/MasterCard and is then communicated to 2Checkout and the shopper.

9. 2Checkout notifies you and the case is closed when a chargeback is won. 2Checkout pays the chargeback amount to you in full.

10. 2Checkout creates a reversal transaction when a chargeback is lost. You are notified about the lost case and the debited amount.

Note: In case of renewal transactions, a chargeback can be initiated for each individual payment.

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**Giropay transaction chargebacks**

The chargeback process involving Giropay payments (direct transfer of funds between bank accounts) is similar to the one for credit/debit cards.

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**PayPal chargebacks**

The PayPal chargeback process is similar to the one for credit/debit cards, with one important difference: both the shopper and 2Checkout directly negotiate the dispute with PayPal. PayPal chargebacks occur after shoppers contact PayPal to dispute charges made to their account.

PayPal chargebacks may be issued for a number of reasons, including but not limited to:

- Shoppers haven’t received the purchased items.
- Shoppers are unsatisfied with purchases and are unable to resolve the problem directly with you.
- Shoppers were charged multiple times for the same order.

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https://knowledgecenter.2checkout.com/Documentation/27Refunds_and_chargebacks/Chargebacks_guide

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• Shoppers claim that they received your agreement for a refund, but never received the refund.
• An unauthorized party made a purchase with the shoppers’ PayPal details.
• Shoppers have concerns about the validity of the purchase (they don’t recognize the charge on the statement).
• Shoppers claim they did not agree to subscription renewals.

WORKFLOW
1. Shoppers contact PayPal requesting a chargeback.
2. PayPal contacts 2Checkout with a request for the transaction details. The reason provided by the shopper to PayPal is sent to 2Checkout along with the request for transaction details. **Note:** Based on how the funding source is set by shoppers in their PayPal accounts, they can dispute transactions directly to their bank instead of PayPal. In this case, PayPal acts as a mediator between 2Checkout and the shopper’s issuing bank.
3. PayPal informs 2Checkout about the open dispute, and the amount is debited from 2Checkout’s bank account.
4. 2Checkout responds to the open chargeback dispute contacting PayPal.
5. You receive an IPN (instant payment notification) of the chargeback dispute from 2Checkout.
6. 2Checkout blocks the disputed amount from being paid to you.
7. 2Checkout provides the following details to the bank:
   ◦ Payment method information (PayPal account) to confirm the transaction.
   ◦ Name, address and e-mail of the shopper to be verified by PayPal and compared to the ones used to create the user account.
   ◦ Delivery details: subscription keys, attachments.
   ◦ Issued invoices.
   ◦ Terms and conditions, refund policy from your website showing that the shopper accepted the charge based on your public policies.
   ◦ In case of a renewal transaction, PayPal is also informed about the shopper’s agreement to the renewal made in the shopping cart.

2Checkout acts as a mediator between PayPal, the shopper and you, once a chargeback has been initiated. You will receive a request for additional details regarding the transaction to help us sustain the case in front of the PayPal.

7. 2Checkout may request any shopper, transaction or subscription-related documents from you, including, but not limited to:
   ◦ Proof of delivery, in case it was made directly by you.
   ◦ Support tickets received from the shoppers and answered by the support team, showing the customer issue resolution.
   ◦ Any correspondence you had with the shoppers showing the validity of transactions, the fact that they placed the order and agreed to the delivery.
   ◦ Proof showing that subscriptions delivered to shoppers are in use.
   ◦ Correspondence with shoppers related to refund requests.

8. 2Checkout forwards all details received from you to PayPal, adding further explanations if necessary. Based on the details received from 2Checkout and from the shopper, PayPal offer a resolution to the dispute. The decision is then communicated to 2Checkout and the shopper.
9. 2Checkout notifies you and the case is closed when a chargeback is won. The chargeback amount on which
2Checkout placed a hold when the chargeback was opened is paid to you in full.

10. 2Checkout creates a reversal transaction when a chargeback is lost. You are notified about the lost case and the debited amount.

**Note:** In case of renewal transactions, chargebacks can be initiated for each individual payment separately.