

## Updates and Clarifications to Dispute Rule Language

**Global** | Acquirers, Issuers, Processors, Agents

Visa, Interlink, Plus Networks; V PAY; Europe Processing



**Overview:** Visa will update dispute rule language and make additional revisions for clarity and consistency based on client feedback during the COVID-19 pandemic.

Visa is committed to providing clients with the best tools to navigate the dispute resolution process, which has been impacted by the COVID-19 pandemic. The increase in dispute volume due to COVID-19 has encouraged Visa to re-evaluate some of the dispute rules.

**Effective for disputes processed on or after 16 October 2021**, unless otherwise specified below, Visa will revise the Visa Rules regarding the following dispute-related areas:

- Travel-related disputes under Dispute Category 13 (Consumer Disputes)
- Time frame reductions for third-party gift cards
- Use of compelling evidence for dispute response
- Credits / reversals processed prior to dispute
- Misrepresentation of investment products or services
- Wait time limits for Dispute Condition 13.7 (Cancelled Merchandise / Services)
- Rapid Dispute Resolution (RDR) credit issued

Visa will also make miscellaneous updates to a variety of dispute rules and conditions and will clarify the interpretation of the dispute rules for Dynamic Currency Conversion (DCC). Refer to the sections below and the advance copy of the Visa Rules, available in the Additional Resources section, for detailed information on specific updates.

### Travel-Related Disputes Under Dispute Category 13 (Consumer Disputes)

Since March 2020, Visa has seen an increase in cases where the cardholder was refunded by both the travel agent and travel service provider. **Effective for disputes processed on or after 16 October 2021** for Dispute Condition 13.1 (Merchandise / Services Not Received) for Merchant Category Code 4722—Travel Agencies and Tour Operators, before initiating a dispute, the issuer must wait 30 calendar days from the date the merchant cancelled the service.<sup>1</sup> This additional time will allow the travel agent to obtain the relevant information to ensure duplicate credits are not processed, and is designed to avoid unnecessary work for both the issuer and acquirer.

<sup>1</sup> This does not apply if the waiting period would cause the dispute to exceed the dispute time limit.

## Time Frame Reductions for Third-Party Gift Cards

Visa has seen a large increase in cases for Dispute Condition 13.1 (Merchandise / Services Not Received) due to the insolvency or bankruptcy of merchants as a result of the COVID-19 pandemic. Currently, issuers can process a dispute for a transaction where merchandise or services were not rendered due to merchant insolvency or bankruptcy no later than 120 calendar days from the last date the cardholder expected to receive the merchandise or services, not to exceed 540 calendar days from the transaction processing date. This dispute time limit leaves merchants that sell third-party gift cards open to potential disputes for an extended time even though they have rendered a service.

As a result, **effective for disputes processed on or after 16 October 2021** for transactions that represent the purchase of a third-party gift card without an expiration date, the issuer must initiate the dispute no later than 120 calendar days from the transaction processing date if the merchandise or services were not provided by the third party due to insolvency or bankruptcy.

This rule change will only apply when the third-party merchant has filed for bankruptcy and the gift card has no expiration date. If the gift card does not work (e.g., because the applicable funds were not loaded), the normal dispute rights still apply.

Example case: While shopping at Al's Grocery, the cardholder purchases a gift card for Body Spa without an expiration date. This transaction was processed on 1 November 2021. On 20 February 2022, the cardholder calls the Body Spa to book a treatment and finds that they have filed for bankruptcy. In this case, the last day to dispute under Dispute Condition 13.1 (Merchandise / Services Not Received) would be 1 March 2022 (120 days after the transaction processing date of 1 November 2021).

## Use of Compelling Evidence Dispute Response

Currently, for Dispute Condition 13.1 (Merchandise / Services Not Received), issuers are only required to address the information provided by the acquirer at the pre-arbitration stage if the documentation / information meets the allowable use of compelling evidence (ID#: 0030221). **Effective for dispute responses processed on or after 16 October 2021**, the issuer will be required to address all information supplied by the acquirer to support that the cardholder (or an authorized person) received the merchandise or services at the agreed location or by the agreed date / time.

Issuers must continue to provide the required certifications for compelling evidence for Dispute Conditions 10.1 (EMV® Liability Shift Counterfeit Fraud), 10.3 (Other Fraud—Card-Present Environment) and 10.4 (Other Fraud—Card-Absent Environment).

## Credits / Reversals Processed Prior to Dispute

Visa has seen an increase in cases where a credit was processed prior to the dispute and the issuer did not address why the credit did not resolve the dispute. If a credit is processed, the issuer must provide information to confirm why the credit does not resolve the dispute. It is not acceptable to use explanations such as, "credit does not apply." This limited information causes a delay of the dispute; additionally, it may lead to unnecessary fees associated with arbitration filing.

**Effective for disputes processed on or after 16 October 2021**, if a credit was processed before the dispute, the issuer must either:

- Apply the credit(s) to the disputed transaction, or
- Certify to which transaction(s) the credit(s) was applied and why the credit(s) does not resolve the dispute.

Examples of proper certification include but are not limited to the following:

- The merchant processed five transactions (on 1 April, 2 April, 3 April, 4 April and 5 April) and only three credits. The three credits were applied to the sales that posted on 1 April, 2 April and 3 April. The cardholder is still due an additional two credits.
- The merchant credit was applied to the transaction with acquirer reference number (ARN) 12345678901234567890123 that posted on 22 April. The cardholder is due a credit for the transaction in dispute.

## Misrepresentation of Investment Products or Services

Visa continues to see disputes involving investment trading merchants under Dispute Condition 13.5 (Misrepresentation). In some cases when the issuer requests documentation from their cardholder for a dispute, the cardholder has been either locked out or can no longer access their account, making it difficult to support the dispute. In an effort to further combat fraudulent operations through binary option trading platforms, **effective for disputes processed on or after 16 October 2021**, if the cardholder is unable to access the merchant's website, the issuer must supply evidence to prove that the account is inaccessible or inactive.

Examples of evidence to prove the cardholder's account is inaccessible include but are not limited to the following:

- Correspondence, such as an email, addressed to the cardholder advising the account is inaccessible
- A copy of the merchant's webpage showing that the cardholder's account is inaccessible after the cardholder attempted to log into or access the account

## Wait Time Limits For Dispute Condition 13.7 (Cancelled Merchandise / Services)

To further align dispute time limit restrictions for both merchandise and services and allow all merchants time to issue a credit to a cardholder account, **effective for disputes processed on or after 16 October 2021**, before initiating a dispute, an issuer must wait 15 calendar days from the date the merchandise was returned or services were cancelled.<sup>1</sup>

In addition, **effective 17 April 2021**, Dispute Condition 13.7 (Cancelled Merchandise / Services) will be updated to require the issuer to provide the disposition of the merchandise when the merchant refused the return of the merchandise, refused to provide a return merchandise authorization, or informed the cardholder not to return the merchandise.

<sup>1</sup> This does not apply if the waiting period would cause the dispute to exceed the dispute time limit.

## Rapid Dispute Resolution Credit Issued

In July 2020, Visa introduced an enhancement to RDR that provides an improved process for merchant credit processing. Through the RDR service, when a participating merchant replies with a merchant credit response, Visa Resolve Online (VROL) will submit a dispute financial (via a TC 15).

As the merchant has already accepted the liability, VROL prevents the acquirer from responding to the dispute via pre-arbitration. However, if there is a situation where duplicate credits have been processed (once through the dispute process and once through merchant credit), Visa will give the acquirer the opportunity to reclaim the credit. To ensure all clients are aware of compliance rights, this situation is now included in the compliance examples specified under Compliance Conditions and Required Documentation in the Visa Rules (ID#: 0030228).

## Miscellaneous Updates

To promote more efficient dispute resolution for clients, the following miscellaneous dispute rule updates will be included with the revisions effective on **16 October 2021**.

Dispute Rule / Condition	Rule Update															
Attempt to Settle	The onus is on the issuer to ensure that the cardholder has not already received a credit from the merchant before pursuing the dispute. Therefore, Visa will update this rule to remind issuers that they must not pursue disputes unless the cardholder has suffered a financial loss. This change does not impact Dispute Category 11—Authorization.															
Dispute Resolution Process Pre-Arbitration Response	Issuers will not be required to change the dispute code if a credit was issued after the dispute and they have changed the amount to cover the difference between the debit and the credit.															
Dispute Category 13—Cardholder Letter Requirements	Issuer processing requirements have been updated to align with cardholder letter requirements for Dispute Category 10 to indicate that a letter without a signature may be submitted if it was provided through a secure method (e.g., secure online banking).															
Dispute Condition 13.1 (Merchandise / Services Not Received)—Dispute Processing Requirements	<ul style="list-style-type: none"> <li>Rules for disputes involving a travel agency using a Visa Commercial card Virtual Account have been updated to require that the issuer must certify that the Virtual Account holder suffered a financial loss. <b>Example:</b> A client makes a hotel reservation through an online travel agency (OTA). The OTA uses a Commercial card Virtual Account to pay the hotel on behalf of their client. If the hotel is unable to provide the services to the client, a dispute will not be allowed unless the client has directly asked the OTA for a refund.</li> <li>A detailed description of the merchandise or services will no longer be required when the enhanced data fields are correctly populated in the clearing record. <b>Example:</b> The enhanced data field contains the flight ticket number and destination city. In this instance, the issuer is not required to supply a detailed description of merchandise or services.</li> <li>Additional details will be required from the issuer when the dispute relates to the purchase of merchandise or services to be delivered later. <b>Example:</b> The merchant is unable to provide a flight for a future date as they have gone bankrupt. The issuer must advise this at the dispute stage in order to establish why the dispute is being processed before the expected date.</li> <li>Rules will be updated to clarify that individual transactions that contain a multiple clearing sequence number (MCSN) that result from the same authorization will be treated as one transaction towards the three-transaction limit for the cardholder letter requirement. <b>Example:</b> The cardholder disputes all the transactions below for non-receipt of services. For Jet Airlines, the merchant processed one authorization and cleared the transactions with the same transaction ID and MSCN. This can be considered as one transaction toward the three-transaction limit. Noah’s Farm is a separate merchant; therefore, in this example, the issuer does not need to provide a cardholder letter to support the dispute as they did not exceed the three-transaction limit.</li> </ul> <table border="1" data-bbox="578 1717 1419 1940"> <thead> <tr> <th><u>Central Processing Date</u></th> <th><u>Merchant Name</u></th> <th><u>Transaction ID</u></th> </tr> </thead> <tbody> <tr> <td><b>04/22/2020</b></td> <td><b>Jet Airlines</b></td> <td><b>123456789101112-01</b></td> </tr> <tr> <td>04/22/2020</td> <td>Noah’s Farm</td> <td>567891234569820</td> </tr> <tr> <td><b>04/22/2020</b></td> <td><b>Jet Airlines</b></td> <td><b>123456789101112-02</b></td> </tr> <tr> <td><b>04/22/2020</b></td> <td><b>Jet Airlines</b></td> <td><b>123456789101112-03</b></td> </tr> </tbody> </table>	<u>Central Processing Date</u>	<u>Merchant Name</u>	<u>Transaction ID</u>	<b>04/22/2020</b>	<b>Jet Airlines</b>	<b>123456789101112-01</b>	04/22/2020	Noah’s Farm	567891234569820	<b>04/22/2020</b>	<b>Jet Airlines</b>	<b>123456789101112-02</b>	<b>04/22/2020</b>	<b>Jet Airlines</b>	<b>123456789101112-03</b>
<u>Central Processing Date</u>	<u>Merchant Name</u>	<u>Transaction ID</u>														
<b>04/22/2020</b>	<b>Jet Airlines</b>	<b>123456789101112-01</b>														
04/22/2020	Noah’s Farm	567891234569820														
<b>04/22/2020</b>	<b>Jet Airlines</b>	<b>123456789101112-02</b>														
<b>04/22/2020</b>	<b>Jet Airlines</b>	<b>123456789101112-03</b>														

<p>Dispute Condition 13.1 (Merchandise / Services Not Received)—Dispute Response Supporting Documentation / Certification</p>	<ul style="list-style-type: none"> <li>For an airline transaction, acquirers will be permitted to supply evidence to show the flight departed, rather than supplying the flight manifest with the passenger information. However, in some cases the acquirer will still need to supply the flight manifest to support that the cardholder was onboard.</li> </ul> <p><b>Example:</b> The issuer advised the cardholder’s flight was delayed, and due to the cardholder needing to make a connecting flight, the cardholder was unable to wait. As the issuer is making the claim that the cardholder was not onboard, the acquirer would need to supply a flight manifest containing the passenger name to support their dispute response.</p> <ul style="list-style-type: none"> <li>Rules will be updated to advise that the acquirer may respond with additional information rather than evidence to prove that the future services are still available and the merchant is willing to provide the service to the cardholder.</li> </ul>
<p>Dispute Conditions 13.1 (Merchandise / Services Not Received), 13.3 (Not as Described or Defective Merchandise / Services) and 13.7 (Cancelled Merchandise / Services)</p>	<p>Europe rules will be aligned with the rest of the world to state that disputes are not valid for automated fuel dispenser transactions.</p>
<p>Dispute Conditions 13.3 (Not as Described or Defective Merchandise / Services) and 13.7 (Cancelled Merchandise / Services)</p>	<p>Rules will be aligned with Dispute Condition 13.1 (Merchandise / Services Not Received) to confirm disputes are not permitted if the cardholder states the transaction is fraudulent.</p>
<p>Dispute Condition 13.6 (Credit Not Processed)—Dispute Processing Requirements</p>	<p>Rules will be expanded to clarify the information / evidence the issuer can supply to support that the cardholder is due a credit.</p> <p><b>Example:</b> The issuer can supply an email from the merchant to the cardholder that indicates the merchant has agreed to issue credit for the transaction in dispute.</p>

## Dynamic Currency Conversion

Currently, under Dispute Condition 12.3 (Incorrect Currency), the acquirer may respond to a DCC dispute by either:

- Processing a dispute response in the merchant’s local currency or the currency dispensed at the ATM for the transaction amount before DCC occurred, excluding fees or commission charges directly related to DCC that were applied to the transaction, or
- Providing evidence that the cardholder expressly agreed to DCC.

For ATM transactions, the evidence includes an extensive list of information to support that the cardholder agreed to the DCC total. Therefore, **effective for dispute responses processed on or after 1 February 2021**, if the acquirer is able to supply all the required evidence to support the ATM in their dispute response, this will be considered a remedy. The issuer will not be permitted to continue the case because the cardholder disagrees with the charge.

**Note:** This change is not documented in the advance copy of the Visa Rules. Visa is clarifying the interpretation of the rule, not changing the dispute response requirements.

The dispute process remains unchanged for POS transactions. If the cardholder continues to dispute the charge, the issuer may pursue the case to pre-arbitration.

Also, **effective immediately**, the issuer must not file the arbitration for the full amount for either POS or ATM transactions. The issuer may only file the arbitration for the difference between the amount charged and the amount (in the merchant’s or ATM local currency) on the day of the transaction. If the case is filed for the full amount, this may result in an unfavorable ruling.

EMV® is a registered trademark in the U.S. and other countries and an unregistered trademark elsewhere. The EMV trademark is owned by EMVCo, LLC.

### For More Information

Merchants and third party agents should contact their acquirer.

© Visa. All Rights Reserved.