

Dispute Resolution Management During COVID-19

Mastercard is closely monitoring the impact of COVID-19 on the payment ecosystem and recognizes the challenges this may have on all participants, particularly when it comes to dispute resolution management. Over the coming months, we expect both issuers and acquirers to see a chargeback volume increase.

We strongly encourage issuers to have cardholders attempt to resolve disputes with merchants before processing a chargeback. In many cases, merchants are offering refunds, or have instituted flexible policies such as fee waivers, store credit or vouchers (collectively, 'reasonable alternatives') for future service. We support these efforts and encourage acquirers to recommend such practices to their merchants in order to reduce chargebacks. Ultimately, if an amicable resolution can be achieved between the cardholder and a merchant, this will be beneficial to the entire payment ecosystem during this unprecedented situation.

Best practices and frequently asked questions are provided in this document to guide customers through common dispute scenarios. This information is considered initial guidance and does not pre-empt the consideration or final disposition of an arbitration or compliance case. Every case is reviewed on an individual basis based on the facts and circumstances presented, and in accordance with the standards found in the *Chargeback Guide*.

As this situation is constantly evolving, we recommend monitoring Mastercard communications and announcements for any changes. If customers have specific questions on chargeback standards or arbitration that are not addressed in this document, they may contact Mastercard's Dispute Resolution Management team at:

All Regions	Dispute.Resolution@mastercard.com
Europe	Dispute.Resolution.Europe@mastercard.com

Best Practices for Dispute Handling

Mastercard encourages cardholders, merchants, issuers and acquirers to resolve disputes amicably and flexibly. These best practices are intended to serve as a guide for dispute resolution in order to minimize the impact on affected cardholders and merchants, particularly during this difficult time.

For Issuers:

- Advise cardholders to discuss and resolve disputes with merchants before filing a chargeback, as many merchants are proactively offering refunds and reasonable alternatives for future service.
- Take advantage of pre-dispute intelligence solutions designed to give cardholders more clarity on the nature of their purchase and related service terms. These solutions can be leveraged prior to both the formal dispute cycle and, in many cases, can avoid unnecessary fraud claims entirely.
- Inquire about any refunds being processed by merchants before filing chargebacks. Because of high volumes, it may take longer than usual for a merchant to process a refund. Merchants should be given at least 15 calendar days to process refunds.

For Acquirers:

- We recommend that you advise your merchants to proactively engage cardholders who will not receive services and provide cardholders with refunds or reasonable alternatives for future services in order to prevent chargebacks.
- Where possible, acquirers, should take advantage of Mastercard Collaboration pre-chargeback dispute resolution services (such as those offered by Ethoca) to enable merchants to proactively provide a refund to resolve the consumer's reason for dispute/complaint before the formal chargeback cycle.
- While merchants may consider offering reasonable alternatives for future service when the merchant has cancelled the service, such reasonable alternatives cannot be imposed on cardholders in lieu of refunds unless properly disclosed in the terms and conditions of purchase. To pre-empt chargebacks, merchants should consider processing refunds promptly after a cardholder declines a merchant offer for reasonable alternatives.
- When a cardholder is credited twice (once by the issuer as a result of a chargeback and again through a refund or reasonable alternative), the acquirer may process a second presentment which identifies the refund or reasonable alternative accepted by the cardholder.

Chargeback FAQs

Chargeback message reason code 4853 (Cardholder Dispute) governs dispute resolution for most scenarios that will arise from COVID-19-related disputes. This includes, but is not limited to:

- Goods or Services Not Provided
- Goods or Services Were Either Not as Described or Defective
- Credit Not Processed
- Failed Travel Merchant – Intra-EEA and Domestic European Transactions Only

Cardholder Termination & Merchant Cancellation Policies

- 1. Question: A cardholder declined use of available services due to concerns related to COVID-19. For example, the cardholder chose not to fly following precautionary advice or to avoid mandated quarantines upon arrival. Does an issuer have chargeback rights?**

Answer: No. The issuer does not have chargeback rights if a cardholder chose not to use services made available by a merchant, as the merchant has fulfilled its obligations linked to the transaction. This also applies to non-airline merchants, such as hotels and other venues that kept their obligations to deliver services.

Note: There may be a chargeback right if a refund is due per the terms and conditions properly disclosed to the cardholder at the time of the purchase and the refund has not been processed. For example, when the cardholder cancelled a refundable reservation in accordance with the cancellation policy. We strongly encourage issuers to have cardholders first attempt to resolve disputes with merchants before processing a chargeback however, even when not required by the Mastercard standards.

- 2. Question: A cardholder is unable to use available services because of travel restrictions on the cardholder. For example, a cardholder may not be permitted to board an operating flight due to their nationality or medical symptoms, or the cardholder cannot reach a hotel stay due to border closures. Does an issuer have chargeback rights?**

Answer: No. The issuer does not have chargeback rights if a cardholder cannot use or access services made available by a merchant, as the merchant has fulfilled its obligations linked to the transaction. This also applies to non-airline merchants, such as hotels and other venues that kept their obligations to deliver services.

Note: There may be a chargeback right if a refund is due per the terms and conditions properly disclosed to the cardholder at the time of the purchase and the refund has not been processed. For example, when the cardholder cancelled a refundable reservation in accordance with the cancellation policy. We strongly encourage issuers to have cardholders first attempt to resolve disputes with merchants before processing a chargeback however, even when not required by the Mastercard standards.

- 3. Question: A cardholder has been charged a no-show penalty because they didn't cancel a hotel reservation as per the cancellation policy. Does an issuer have chargeback rights?**

Answer: No. The issuer does not have a chargeback right if the hotel was open and made the service available to the cardholder, as the cardholder didn't cancel the hotel reservation as per the cancellation policy.

- 4. Question: A cardholder missed their flight (for any reason) and as a result, missed a subsequent separate non-refundable service, such as a cruise or prepaid hotel reservation. Does an issuer have a chargeback right for the subsequent missed service?**

Answer: No. The issuer would not have chargeback rights for the subsequent missed service unless the cardholder is entitled to a refund as per the merchant terms and conditions properly disclosed to the cardholder at the time of the purchase.

Merchant Cancellations

- 1. Question: The cardholder purchased goods/services and the cardholder was notified that the merchant will not be able to provide the goods/services. Does an issuer have chargeback rights?**

Answer: Yes. There is a chargeback right when goods/services are not provided, including when they are cancelled by a merchant due to government restrictions, insolvency or other exceptional circumstances. We strongly encourage issuers to have cardholders first attempt to resolve disputes with merchants before processing a chargeback, even when not required by the Mastercard standards.

Note: For Failed Travel Merchants involved in Intra-EEA or Domestic European transactions, please refer to the Chargeback Guide for chargeback rules concerning bond coverage. There is no chargeback right if the transaction is sufficiently covered by a bond.

- 2. Question: The cardholder is notified that the date of an event (e.g. concert, sports event) was changed or postponed due to COVID-19 restrictions; however, the cardholder cannot or does not want to attend on the new date. Does an issuer have chargeback rights?**

Answer: Yes. There is a chargeback right when services are changed or postponed and this is not accepted by the cardholder. Cardholders are not obligated to accept reasonable alternative services unless required by the merchant terms and conditions properly disclosed to the cardholder at the time of the purchase.

- 3. Question: The cardholder purchased a travel package through a travel agent that included flights and other services, such as hotel accommodation or a cruise. The flights were cancelled but the other services are available for use. Does an issuer have chargeback rights for the entire transaction?**

Answer: Under these facts, the issuer would usually have chargeback rights for the entire travel package that was purchased. However, whether the issuer has chargeback rights for the entire transaction amount, or only a partial transaction amount, will depend on the travel package terms and conditions properly disclosed to the cardholder at the time of the purchase.

Note: If the cardholder created their own package and booked each item separately, then the flight cancellation would not give rise to chargeback rights on the other separately booked services. The cardholder would need to cancel the hotel, tour, cruise, etc. within the required merchant cancellation terms and conditions properly disclosed to the cardholder at the time of the booking.

- 4. Question: The merchant declines to process a refund for cancelled services citing a "Force Majeure" clause in the merchant terms and conditions properly disclosed to the cardholder at the time of purchase. Does an issuer have chargeback rights?**

Answer: Mastercard will honor merchant terms and conditions properly disclosed to the cardholder at the time of the purchase. Due to the complexity of contractual disputes including the applicability of clauses like "Force Majeure" to COVID-19, Mastercard's review and ultimate determination of these disputes will be fact-specific.

Should an acquirer challenge this type of chargeback in a second presentment, we recommend that acquirers do the following:

- Provide the contract governing the terms and conditions of the purchase
- Specify the relevant section(s) of the contract under which the second presentment is being made
- Provide details on how the specific section(s) of the contract is/are applicable to the chargeback claim (i.e. if the "Force Majeure" clause is the basis of the second presentment, provide details (including dates) and documentation that support how each aspect of the clause has been met by the specific facts and circumstances at hand)

Reasonable Alternatives for Future Services

- 1. Question: The merchant has cancelled services and offered the cardholder a reasonable alternative for future service. Does Mastercard prohibit this?**

Answer: No. We are supportive of these efforts and encourage acquirers to recommend such practices to their merchants. Ultimately, if an amicable resolution can be reached between the cardholder and the merchant, this will be beneficial to the entire payment ecosystem during this difficult situation.

- 2. Question: The merchant has cancelled services and offered the cardholder a reasonable alternative for future service. The cardholder declines this reasonable alternative but the merchant refuses to process a refund. Does an issuer have chargeback rights?**

Answer: Yes. Reasonable alternatives for future services cannot be imposed on the cardholder in lieu of a refund, unless the merchant has a right to provide the cardholder with such reasonable alternatives based on the terms and conditions properly disclosed to the cardholder at the of the purchase, or based on applicable legislation or government regulations that should be provided in the dispute documentation.

- 3. Question: The merchant has cancelled services and offered the cardholder a reasonable alternative for future service. The cardholder does not want this reasonable alternative but the merchant refuses to process a refund citing legislation or government regulation. Does an issuer have chargeback rights?**

Answer: Mastercard will review and factor in relevant and applicable legislation or government regulation aimed at addressing COVID-19 disputes. For example, the cardholder may need to accept a voucher in lieu of a refund if a government issues legislation or regulations that enables a merchant to provide a voucher in lieu of a refund. Due to the complexity and uniqueness of the COVID-19 situation, we cannot pre-confirm the applicability of such government legislation or regulations to individual scenarios prior to arbitration case filing.

- 4. Question: The merchant has cancelled services and the cardholder has accepted a reasonable alternative for future service from the merchant. Does an issuer have chargeback rights if the merchant later becomes insolvent and the reasonable alternative cannot be used?**

Answer: Yes. By accepting the reasonable alternative for future service, the cardholder and merchant have agreed to new terms and conditions for the same purchase transaction, which is still considered a Mastercard transaction. In the case of a reasonable alternative (e.g. voucher or merchant-branded gift card), Mastercard allows issuers to submit chargebacks if the merchant becomes insolvent and the service is not provided.

Other General Questions

1. **Question: The cardholder has incurred out of pocket expenses after the merchant cancelled services. Does the issuer have chargeback rights for the out of pocket expenses?**

Answer: No. As always, out of pocket expenses or other financial damages resulting from cancelled services cannot be included in a chargeback. Only the transaction amount can be charged back if there is a valid chargeback right.

2. **Question: The cardholder has ordered goods to be delivered but they have not arrived by the scheduled or mutually acceptable extended delivery date. For example, the merchant has shipped the goods but due to quarantines or travel delays the package has not arrived. Does the issuer have chargeback rights?**

Answer: Yes. As always, the merchant is responsible for ensuring the goods reach the cardholder by the latest expected delivery date. If the goods are expected to arrive late, issuers are encouraged to ask the cardholder for patience and flexibility to avoid the need for a chargeback.