

## Managing Disputes Through COVID-19: Programs, Best Practices and FAQs to Help Clients

**Global** | *Acquirers, Issuers, Processors, Agents*  
*Visa, Interlink, Plus Networks; V PAY; Europe Processing*

**Overview:** Visa is providing additional information on programs, best practices and frequently-asked questions about managing and responding to disputes as a result of the COVID-19 outbreak.

We appreciate that managing and responding to disputes during this unprecedented time is challenging for all involved. Visa recognizes that solutions will be required to help address the influx of disputes that are expected due to the situation.

Visa is implementing a COVID-19 Issuer Dispute Monitoring Program and working to identify additional programs focused on reducing dispute volumes and eliminating or preventing invalid disputes in the system. We will continue to share updates on these support programs, as available.

Visa has not changed its dispute rules in response to this event. It is our expectation that cardholders work directly with the merchant to resolve their issue before a dispute is initiated. Further, it is our expectation that issuers and acquirers are flexible in resolving disputes to minimize impact on cardholders and merchants.

The following document outlines the measures Visa is taking to help support clients with dispute processing. It is intended to assist clients with managing day-to-day cardholder and merchant dispute inquiries, using scenarios that we expect may arise given the COVID-19 situation. As a reminder, Visa's rules and processes are subject to local laws and regulations.

### COVID-19 Dispute Monitoring Program

Visa will implement a COVID-19 Dispute Monitoring Program beginning April 1 to help maintain the integrity of the dispute process by reducing invalid disputes initiated into the system. The program will monitor daily dispute volumes with a focus on consumer-related disputes, and will flag any practices that may be inconsistent with current Visa dispute rules. If necessary, Visa will require issuers to reverse invalid disputes. A summary of the program is as follows:

- The program will monitor dispute volumes for Airlines, Entertainment, Lodging, Transportation, and Travel Services.
- Any issuer submitting more than 50 invalid disputes daily will be flagged by the program. A dispute for goods or services not received is considered invalid if (a) it lacks detailed explanation of the dispute reason, (b) the merchant is able to provide the service, or (c) the cardholder has not attempted to resolve the dispute with the merchant directly.

- Issuers flagged by the program will be required to reverse all invalid disputes within three business days.
- Failure to reverse invalid disputes and/or repeated flagging by this program will be viewed as egregious non-compliance and could result in non-compliance assessments, and ultimately loss of access to filing Visa consumer disputes for relevant reason codes.

## **Excessive Disputes Programs During COVID-19**

Visa operates a suite of compliance programs that are focused on minimizing the impact excessive dispute rates may have on the payments ecosystem. Given the current crisis environment, Visa is modifying the programs to ensure that there is less burden on our clients and merchants impacted by the pandemic. To that end, we are making the following changes:

- The Visa Dispute Monitoring Program (VDMP) and Visa Fraud Monitoring Program (VFMP) will both be suspended for merchants in the Travel & Entertainment (T&E) MCC's through the July compliance cycle. Risk will not be sending program identifications to acquirers for T&E merchants during this time period.
- The Visa Acquirer Monitoring Program will also be suspended for disputes arising from T&E merchants through the July compliance cycle.
- Regional Risk teams are also empowered to suspend and / or waive VDMP or VFMP fees for non-T&E merchants that can demonstrate they have been directly impacted by the pandemic.

Visa's Global Brand Protection Program will not be impacted by these temporary policy changes. Merchants and acquirers tied to illegal or brand damaging activity will not be granted any concessions.

## **Best Practices**

Visa expects our clients to act in good faith and make every effort to be flexible when resolving disputed transactions involving cardholders and merchants. Our expectation is that cardholders work directly with the merchant to resolve their issue, ahead of initiating a dispute with their issuer. This is why we have established this requirement prior to the initiation of a dispute.

In response to the COVID-19 situation, many merchants are offering refunds and have adopted flexible policies (e.g., fee waivers and vouchers/credits). Our expectation is that acquirers will continue to recommend such practices to their merchants to help reduce disputes wherever possible.

## **Issuers**

- Encourage cardholders to resolve issues with merchants directly before initiating the dispute process.
- Due to the expected high volume of cancellations and refund requests related to the COVID-19 situation, issuers need to give merchants adequate time to process a refund before initiating the dispute process.
- Issuer should review internal procedures to prioritize workloads appropriately to ensure you complete the most urgent or costly disputes first.
- Given concerns about increases in dispute volumes due to COVID-19, it is critical that issuers only submit valid disputes for processing.

## Acquirers

- If a merchant is unable to provide services, acquirers should advise merchants to contact cardholders proactively to resolve the issue outside of the dispute process.
- Merchants are ultimately responsible for issuing a refund to the cardholder when the merchant has cancelled the service. Merchants can offer a credit or voucher for future use if that is acceptable to the cardholder, but should process a refund promptly if the cardholder declines the merchant's offer.
- If a cardholder has requested a refund from the merchant and at the same time initiated a dispute with the issuer, and is credited twice (e.g., once by the issuer as a result of a dispute and additionally through a refund or reasonable alternative), the acquirer can process a dispute response.
- Acquirers should use archived documentation (e.g., merchant refund policy, terms and conditions, etc.) to provide supporting documentation when responding to disputes.
- Given concerns about increases in dispute volumes due to the COVID-19 situation, it is critical that acquirers only submit valid responses to disputes.

## FAQs

### Disputes Involving Cancellations by a Merchant

**Question 1: The cardholder purchased goods/services and the merchant decides to cancel the good or service. For example, an airline cancels a flight due to low demand. Does an issuer have dispute rights?**

**Answer:** Yes, there is a dispute right when goods/services are not provided for any reason, including bankruptcy or other circumstances. The EXCEPTION is cancellations due to government prohibition as government regulation and/or law supersedes Visa rules on dispute rights. Our expectation is that issuers require a cardholder to attempt to resolve disputes with merchants before initiating a dispute.

**Question 2: The cardholder purchased goods/services and the merchant cancels the good or service due to a government prohibition. For example, an airline cancels a flight because the government closed the border or a gym closes operations because of a government mandate to cease operations. Does an issuer have disputes rights?**

**Answer:** No, if the merchant has not provided the service due to a government-imposed prohibition, the cardholder does not have a dispute right. Government regulation and/or law supersedes Visa rules on dispute rights. The cardholder should work directly with the merchant to resolve.

**Question 3: A cardholder has tickets for an event such as a sports match, a concert or a theater performance that was cancelled and rescheduled; however, the cardholder does not want to attend the event on the alternate date chosen by the merchant. Does an issuer have dispute rights?**

**Answer:** Yes. The merchant is responsible for providing the purchased service on the agreed upon date and the cardholder is not required to accept an alternate date. However, if the reason for the cancellation of the event was due to a government-imposed prohibition on proceeding with the event as originally scheduled, then the cardholder would not have a right to dispute the transaction. Government regulation and/or law supersedes Visa rules on dispute rights. The cardholder should work directly with the merchant to resolve.

## Disputes Involving Cancellations by a Cardholder

**Question 4: The cardholder purchased services, however chose not to use them due to the cardholder's concerns related to COVID-19. For example, the cardholder chooses not to travel on their scheduled flight and cancels their ticket. Does an issuer have dispute rights?**

**Answer:** No, the issuer does not have dispute rights if a cardholder chose not to use services made available by a merchant, as the merchant has fulfilled its obligations to provide the service and has properly disclosed its terms and conditions. This also applies to non-airline merchants, such as hotels and other venues that kept their obligations to deliver services. The cardholder should work directly with the merchant to resolve.

**Question 5: A cardholder is unable to take a scheduled flight due to travel restrictions on the cardholder. For example, a cardholder may not be permitted to board a scheduled flight due to their nationality (as a result of government travel restrictions) or medical symptoms, or the cardholder cannot reach a hotel stay due to border closures. Does an issuer have dispute rights?**

**Answer:** No. The issuer does not have disputes rights if a cardholder cannot use or access services made available by a merchant as long as the merchant and has properly disclosed its terms and conditions. This also applies to non-airline merchants, such as hotels and other venues that kept their obligations to deliver services. The cardholder should work directly with the merchant to resolve.

**Question 6: 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 Dispute right for the subsequent missed service?**

**Answer:** No. The issuer would not have dispute rights for the subsequent missed service. The cardholder should work directly with the merchant to resolve.

## Use of Credit / Vouchers in Lieu of a Refund

**Question 7: A cardholder purchased a good or service and decided to not to use it, however the merchant was willing and able to provide the purchased goods / service. As a courtesy, the merchant offered a credit / voucher for future use. The merchant went bankrupt before the cardholder uses the credit / voucher. For example, a cardholder calls the airline and does not want to travel because of COVID concerns so the airline issues a credit voucher for future use. Does the cardholder have a dispute right?**

**Answer:** No. The merchant was able to provide the service and the cardholder cancelled outside of the merchant's properly disclosed policy. Since the issuer did not have the dispute right for a refund on the original transaction, the extension of the voucher by the merchant to the cardholder does not later change the dispute rights.

**Question 8: A merchant notifies the cardholder they are cancelling the service and offers a voucher for future use. Even though the cardholder has a right to dispute the transaction and receive a refund, the cardholder agrees to accept the voucher. If the merchant then files for bankruptcy before the cardholder uses the voucher, does the issuer have a right to file a dispute?**

**Answer:** Yes. Since the issuer had the dispute right to get a full refund, the acceptance of the voucher does not change those dispute rights. The cardholder would have to file the dispute in the appropriate time frame which is either 120 calendar days from the transaction date or 120 calendar days from the last date that the Cardholder expected to receive the merchandise or services, not to exceed 540 days from the transaction date.

## Disputes Involving the Purchase of Gift Cards

**Question 9: The cardholder purchased a proprietary gift card from a merchant. The merchant goes out of business and the cardholder calls the issuer to initiate a dispute as they cannot receive goods/services or a refund from the merchant. Does the issuer have dispute rights?**

**Answer:** Yes. The gift card represents purchased services and the merchant is unable to provide the service. The timeframe to dispute the transaction is either 120 calendar days from the transaction date or 120 calendar days from the last date that the cardholder expected to receive the goods/services, not to exceed 540 days from the transaction date.

**Question 10: The cardholder purchased a merchant-specific proprietary gift card from a third-party (e.g., a grocery store) using their Visa card. The merchant named on the gift card ceased operations. For example, cardholder buys a restaurant gift card from a gift card display at the local grocery store. The restaurant goes out of business before the cardholder redeems their gift card. Does the issuer have a dispute right?**

**Answer:** Yes. There is a dispute right when goods/services are not provided for any reason, including bankruptcy or other circumstances. Cardholders must first attempt to resolve the dispute with the merchant of record (in this example the local grocery store). The dispute would be against the acquirer of the local grocery store who is the merchant of record on the gift card sale and is ultimately responsible for that transaction. The timeframe to dispute the transaction is either 120 calendar days from the transaction date or 120 calendar days from the last date that the cardholder expected to receive the merchandise or services, not to exceed 540 days from the transaction date.

### Additional General Questions:

**Question 11: Due to a merchant cancellation of a service, the cardholder incurs additional out-of-pocket expenses. For example, a cardholder's flight is cancelled, and they are rebooked for a flight the following day. The cardholder takes a taxi to a nearby hotel to stay the night and wants to be reimbursed for the additional cost of the taxi and hotel. Can these be included in the dispute?**

**Answer:** No, the dispute value is limited to the value of the services not received.

**Question 12: If a cardholder orders merchandise from a merchant and the merchandise is not received by the expected date, can a dispute be pursued?**

**Answer:** Yes. If the merchant fails to provide the merchandise by the expected date, the cardholder would have a valid dispute. Issuers are reminded that cardholder must first attempt to resolve the dispute with the merchant.

**Question 13: A cardholder attempts to return merchandise within the merchants disclosed policy; however, the merchant's location has been closed for business due to the COVID-19 restrictions, or is no longer in business. Would there be dispute rights?**

**Answer:** Yes, the issuer can process a dispute. However, if the acquirer can demonstrate that the merchant was open and able to accept return of the merchandise, the liability will sit with the issuer. The issuer is encouraged to remind the cardholder to contact the merchant directly as some merchants have extended their return windows during this time.

## Resources Available to Help

### Additional Resources

*Visa Merchant Dispute Resolution Best Practices*—Provides best practices targeted to the needs of both card-present and card-absent merchants. This document is designed to help merchants properly handle transactions that have been charged back to their business by their acquiring bank.

*Online Dispute Guide for Merchants*—Designed for smaller merchants responding to transaction disputes.

*Dispute Management Guidelines for Visa Merchants*—Provides merchants and their back-office staff with accurate, up-to-date information to help minimize the risk of loss from fraud and disputes. This document covers dispute requirements and best practices for processing transactions that are charged back to the merchant by their merchant bank.

*Visa Core Rules and Visa Product and Service Rules*—The *Visa Core Rules and Visa Product and Service Rules* govern the participation of financial institution clients in the Visa system.

*Visa Dispute Resolution Frequently Asked Questions and Case Studies*—intended for issuer and acquirer dispute resolution staff and managers, provides Frequently Asked Questions and real dispute scenarios experienced for each dispute condition.

### Training

In April, Visa will launch COVID-19 dispute training for clients. Training will be hosted by Visa Dispute Resolution experts and will address client's questions and concerns. Event details will be published in an upcoming *Visa Business News* article and registration will be available through Visa University.

### Visa Dispute Experts

If clients have specific questions on dispute rules or COVID-19 that is not covered in this document, clients can contact Visa Dispute Support at [DisputeSupport@visa.com](mailto:DisputeSupport@visa.com).

**Note:** For Visa Online resources, you will be prompted to log in.

### For More Information

**AP, Canada, CEMEA, LAC, U.S.:** Contact your Visa representative.

**Europe:** Contact Visa customer support on your country-specific number, or email [CustomerSupport@visa.com](mailto:CustomerSupport@visa.com).

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