Handling Chargebacks and Returns

User Guide v1.0

PayNearMe

PayNearMe

Revision History

Document Version	Date	Changes
1.0	08/15/2023	Initial

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Overview

Credit and debit card chargebacks and ACH returns are an inevitable part of payment acceptance. High chargeback or return rates can result in fines, rate hikes, and regulatory risks that can jeopardize banking relationships. PayNearMe's platform helps clients reduce chargebacks and returns through prevention and support.

This document details how clients can process and track chargebacks and returns in the PayNearMe Business Portal.

Notifications

PayNearMe has three methods of notifying clients of a new dispute (for credit and debit cards and card payments made via PayPal, Venmo, and Cash App) or ACH return:

- **The Payment Reverse Callback** – When configured, this callback is triggered when a consumer disputes a payment with his/her debit or credit card issuer or his/her bank issues a return.
- **The Return and Chargeback Report** – This report lists all card transactions that have resulted in chargebacks and all ACH transactions that have resulted in returns.
- **The Settlement Report** – This report provides a list of all transactions settled for the merchant that day and includes adjustments for refunds, chargebacks, and ACH Returns.

Handling Chargebacks

Chargebacks, or disputes, are card payment reversals that are triggered by a consumer's complaint to his/her card issuer about payments he/she deems unauthorized. These include payments made with credit or debit cards as well as mobile wallet payments like PayPal, Venmo, or Cash App. Legitimate reasons for disputing a transaction include the following:
- Fraudulent charges from a compromised credit/debit card
- Duplicate payments
- Wrong Payment Amounts Mistakenly Keyed In
- Unauthorized Payments Caused by a Technical Issue
- Unrecognizable Payee Descriptors
- Payments from a Previously Canceled Recurring Schedule

While chargebacks are an important guardrail to protect consumers from fraud and merchant mistakes, they can also be used by consumers as a method of canceling the

payment either through "friendly fraud" or not-so-friendly fraud. This can result in lost money, increased processing costs, and headaches for clients. Use PayNearMe's Business Portal to challenge chargebacks quickly and efficiently.

Understanding Chargeback Timelines

Chargebacks can take up to 120 days to resolve. Once PayNearMe has notified you of a dispute, you have 29 days to respond by submitting documentation supporting your challenge of the dispute. If you do not respond to the dispute, the case automatically closes at or after 30 days and is considered lost. The following table displays the different events and outcomes that can occur over the course of a chargeback's lifecycle and the timeframe for each.

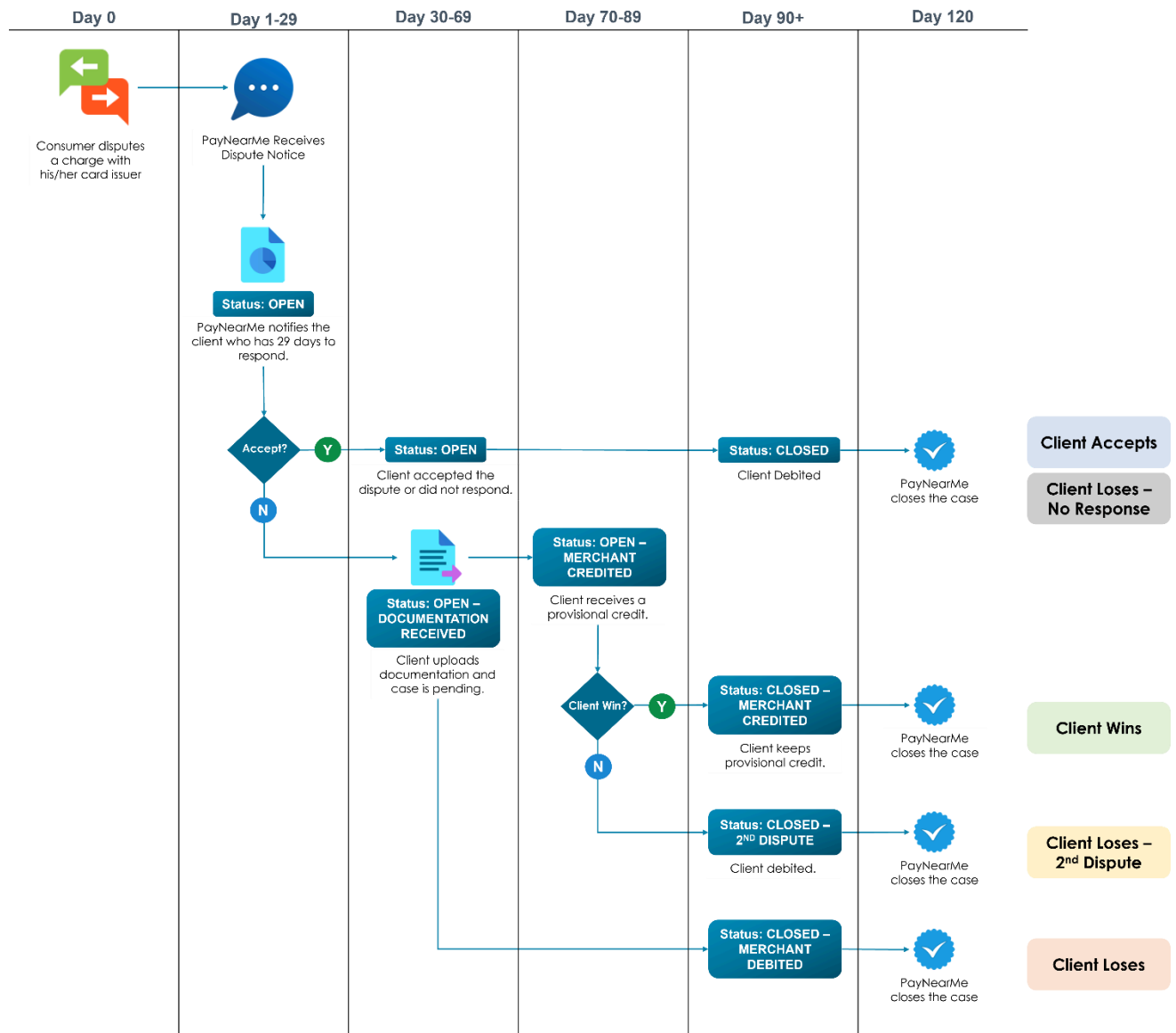| Outcome Flow	Status	Days Open	Client Credit/Debit	Description	Notification
Client Accepts	Open	< 29	Debited	Client is notified and has 29 days to respond.	• Payment Reverse Callback • Returns/Chargebacks Report • Settlement Report
	Open	≥ 30		Client accepts the chargeback.	
	Closed – Client Debited			Client lost and funds remain with the consumer.	Returns/Chargebacks Report
Client Loses – No Response	Open	< 29	Debited	Client is notified and has 29 days to respond.	• Payment Reverse Callback • Returns/Chargebacks Report

Outcome Flow	Status	Days Open	Client Credit/Debit	Description	Notification
					• Settlement Report
	Open	≥ 30		Client did not challenge the chargeback within those 29 days and therefore lost.	
	Closed – Client Debited			Client lost and funds remain with the consumer.	Returns/Chargebacks Report
Client Wins	Open	< 29	Debited	Client is notified and has 29 days to respond.	• Payment Reverse Callback • Returns/Chargebacks Report • Settlement Report
	Open – Documentation Received	< 70		Client challenges the chargeback with documentation and the status of the case is Pending.	Returns/Chargebacks Report
	Open – Client Credited		Credited	Provisional Credit	• Returns/Chargebacks Report • Settlement Report

Outcome Flow	Status	Days Open	Client Credit/Debit	Description	Notification
	Closed – Client Credited			Client wins and gets to keep the funds of the transaction.	Returns/Chargebacks Report
Client Loses – 2nd Dispute	Open	< 29	Debited	Client is notified and has 29 days to respond	• Payment Reverse Callback • Returns/Chargebacks Report • Settlement Report
	Open – Documentation Received	< 70		Client challenges the chargeback with documentation and the status of the case is Pending.	Returns/Chargebacks Report
	Open – Merchant Credited	< 70	Credited	Provisional Credit	• Returns/Chargebacks Report • Settlement Report
	Closed – 2nd Dispute Received and Client Debited		Debited	Client lost and funds are debited back to the consumer.	• Returns/Chargebacks Report • Settlement Report

Outcome Flow	Status	Days Open	Client Credit/Debit	Description	Notification
Client Loses	Open	< 29	Debited	Client is notified and has 29 days to respond	• Payment Reverse Callback • Returns/Chargebacks Report • Settlement Report
	Open – Documentation Received	< 70		Client challenges the chargeback with documentation and the status of the case is Pending.	Returns/Chargebacks Report
	Closed – Merchant Debited			Client lost and funds remain with the consumer.	Returns/Chargebacks Report

The following chart shows the timeframe and statuses associated with each outcome flow detailed in the table above.

PayNearMe

Timeline for Processing Disputes

Day 0	Day 1-29	Day 30-69	Day 70-89	Day 90+	Day 120

Consumer disputes a charge with his/her card issuer

PayNearMe Receives Dispute Notice

Status: OPEN
PayNearMe notifies the client who has 29 days to respond.

Accept? — Y → **Status: OPEN**
Client accepted the dispute or did not respond.

→ **Status: CLOSED**
Client Debited

→ PayNearMe closes the case → **Client Accepts**

Client Loses – No Response

N →

Status: OPEN – DOCUMENTATION RECEIVED
Client uploads documentation and case is pending.

→ **Status: OPEN – MERCHANT CREDITED**
Client receives a provisional credit.

Client Win? — Y → **Status: CLOSED – MERCHANT CREDITED**
Client keeps provisional credit.

→ PayNearMe closes the case → **Client Wins**

N →

Status: CLOSED – 2ND DISPUTE
Client debited.

→ PayNearMe closes the case → **Client Loses – 2nd Dispute**

Status: CLOSED – MERCHANT DEBITED

→ PayNearMe closes the case → **Client Loses**

Processing Chargebacks in the Business Portal

After you receive a dispute notification, you will need to log into the Business Portal to begin processing the dispute. The ability to accept or challenge a dispute requires the following user permissions:
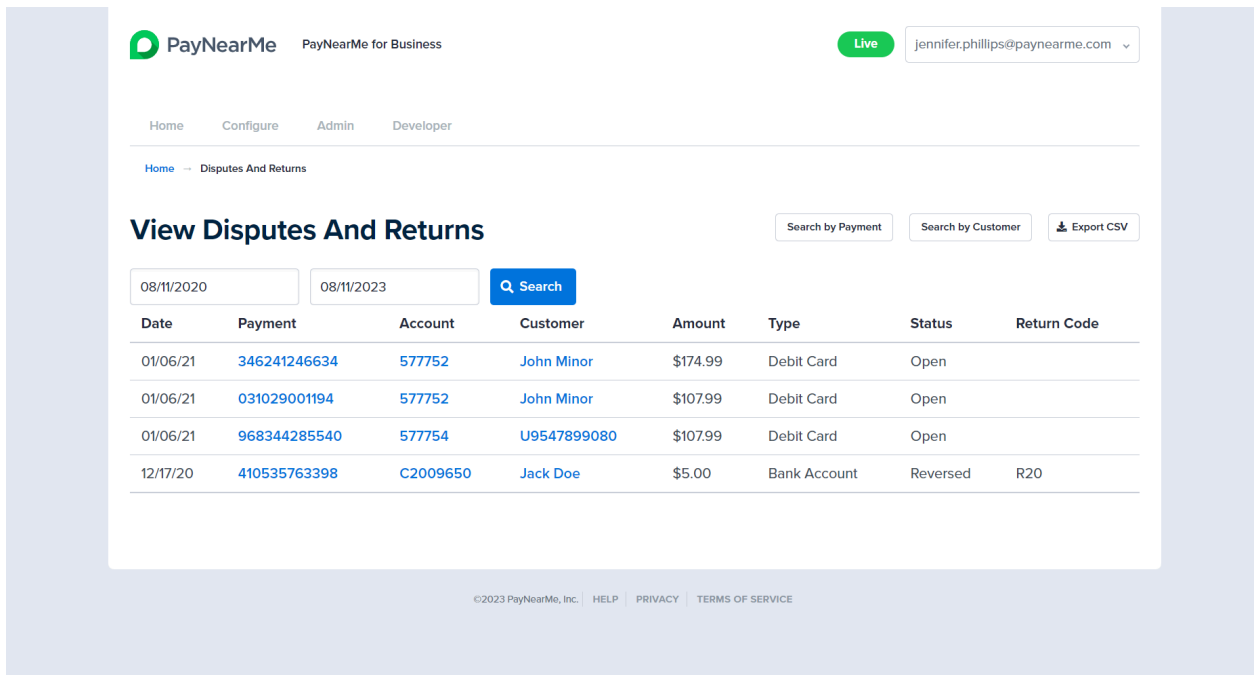
- Admin
- Create Customers/Accounts
- Edit Customers/Accounts
- View Customers/Accounts

- View Payments

Accepting a Chargeback

If after investigating, you determine that the payment was mistakenly or incorrectly authorized, you can choose to accept the dispute, which returns the payment funds to the consumer. To accept a dispute, complete the following steps:

1. Log into the Business Portal.
2. Under the Payments section, click **Disputes and Returns**. The View Disputes and Returns page displays.
3. Use the date fields to define a date range in which to search for the chargeback and then click **Search**.

4. Click the payment link of the chargeback you wish to accept. The Payment Details screen displays.

5. Click **Accept Dispute**. A confirmation message displays asking you to confirm the acceptance.
6. Click **OK** to confirm the acceptance. The Business Portal refreshes the Payment Details screen with the chargeback displayed as Closed.

Challenging a Chargeback

To challenge a chargeback for a transaction that was properly authorized, complete the following steps:

1. Log into the Business Portal.
2. Under the Payments section, click **Disputes and Returns**. The View Disputes and Returns page displays.
3. Use the date fields to define a date range in which to search for the dispute and then click **Search**.
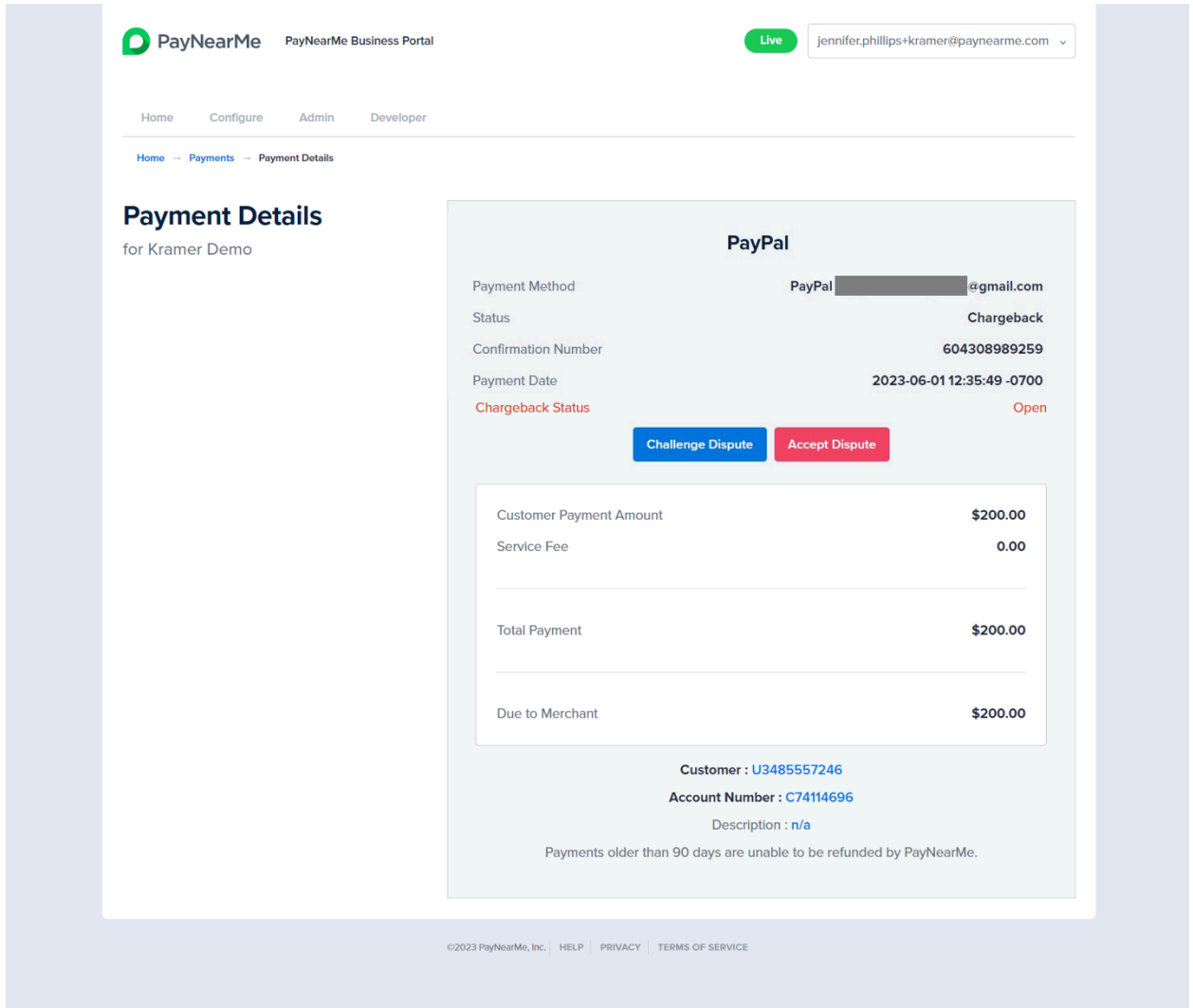
4. Click the payment link of the chargeback you wish to challenge. The Payment Details screen displays.

5. Click **Challenge Dispute**. The Challenge Details screen displays.

6. The Business Portal pre-fills relevant client data. To include the URL of your online store or your business hours, add them to the **Merchant URL** and **Merchant Hours** fields respectively.

7. In the **Dispute Explanation** field, enter why you're challenging the chargeback and what evidence you will be providing. For guidance on what to include in your challenge, see the following section or A Simple Guide to Challenging (and Winning) Chargeback Disputes.

8. Use the **Choose Files** button to upload any supporting documentation you may have to support your chargeback challenge. This documentation can include Authorization Forms, Loan Agreements, Transaction Receipts, or Emails/SMS Messages.

9. Click **Submit**. The Business Portal submits the evidence to the card issuer for review.

Guidelines for Chargeback Documentation

Use the following tips when preparing your chargeback challenge documentation. Overall, chargeback documentation should

- Provide clear, accurate, and legible evidence
- Include images and communications if applicable (at least 10-pt. font)
- Be in English (iIf documentation is not in English, please provide an English translation)
- Provide written terms and conditions of payment arrangement(s) that were accepted by the consumer prior to or during the payment
- Be relevant and concise (to the point)
- Include proof of the customer's authorization

Recommended Evidence to Share

When gathering evidence, be sure to include documents that provide the following:

- **Evidence on How the Consumer's Identity was Verified**: This can include the consumer's name, date of birth, phone number, billing address, and email address.
- **Evidence of Relationship**:
  - Loan Agreement, Affidavit, Authorization form, Bail bond paperwork, etc.
  - Copy of all parties (including co-signers) on the loan agreement and references listed.
  - A relevant document or contract showing the consumer's signature/authorization.
- **Evidence of Consumer Communications**
  - Written communications are preferred, but notations based on verbal conversations are also useful.
  - SMS notifications and text messages can be submitted.
  - Any communication with the consumer that you feel is relevant to your case (e.g., emails proving that they received or agreed to the use of the product or service).
  - Any receipt(s) or messages sent to the consumer notifying them of the charge.
- **Evidence of Previous Disputed and Non-DIsputed Card Transactions**
  - Has the card been used to make previous payments, but NOT disputed?

○ Documentation of non-disputed transaction receipts.
- **Card-Present or Card-Not-Present Transaction**: Was the card used in person at any brick-and-mortar locations before or after the dispute was made?

Handling Returns

PayNearMe uses proprietary, third-party services to verify bank accounts during payment method creation. While thorough, these services cannot absolutely guarantee that the account is valid with sufficient funds. Return codes come in two varieties: consumer-initiated returns and bank-initiated returns.

Consumer-Initiated Returns

Consumer-initiated returns occur when consumers contact their bank to cancel or revoke the transaction authorization on their account. Typically, consumers have up to 60 days to initiate the return and neither PayNearMe nor the client can object or reject the return. If the consumer initiates the return after 60 days of the original debit date, the client can submit a Proof of Authorization (POA) document within 10 days to reject the return. PayNearMe's Compliance Department works directly with clients to submit POA documentation for eligible returns.

Consumer-initiated returns typically occur with the following return codes:

Return Code	Cause	Time Frame
R05	Unauthorized debit using corporate SEC code	60 Calendar Days
R07	Consumer revoked authorization (i.e., the consumer originally authorized the transaction and then revoked it)	60 Calendar Days
R08	Stop Payment requested on transaction	60 Calendar Days
R10	Unknown originator and/or unauthorized to debit receiver's account	60 Calendar Days
R11	Consumer states debit is not within authorization terms (i.e., consumer was charged too early in the payment cycle or charged too much money)	60 Calendar Days
R29	Corporate consumer states debit is unauthorized.	2 Business Days

See Appendix A for a full list of ACH return codes.

Bank-Initiated Returns

Bank-initiated returns can occur because of administrative errors like "mistyped" account numbers, or the bank's own fraud prevention measures, or insufficient funds in the account. In fact, insufficient funds returns make up the majority of PayNearMe's return volume. Bank-initiated returns typically occur within 2 business days–when the transaction fully processes. Common bank-initiated return codes include the following:
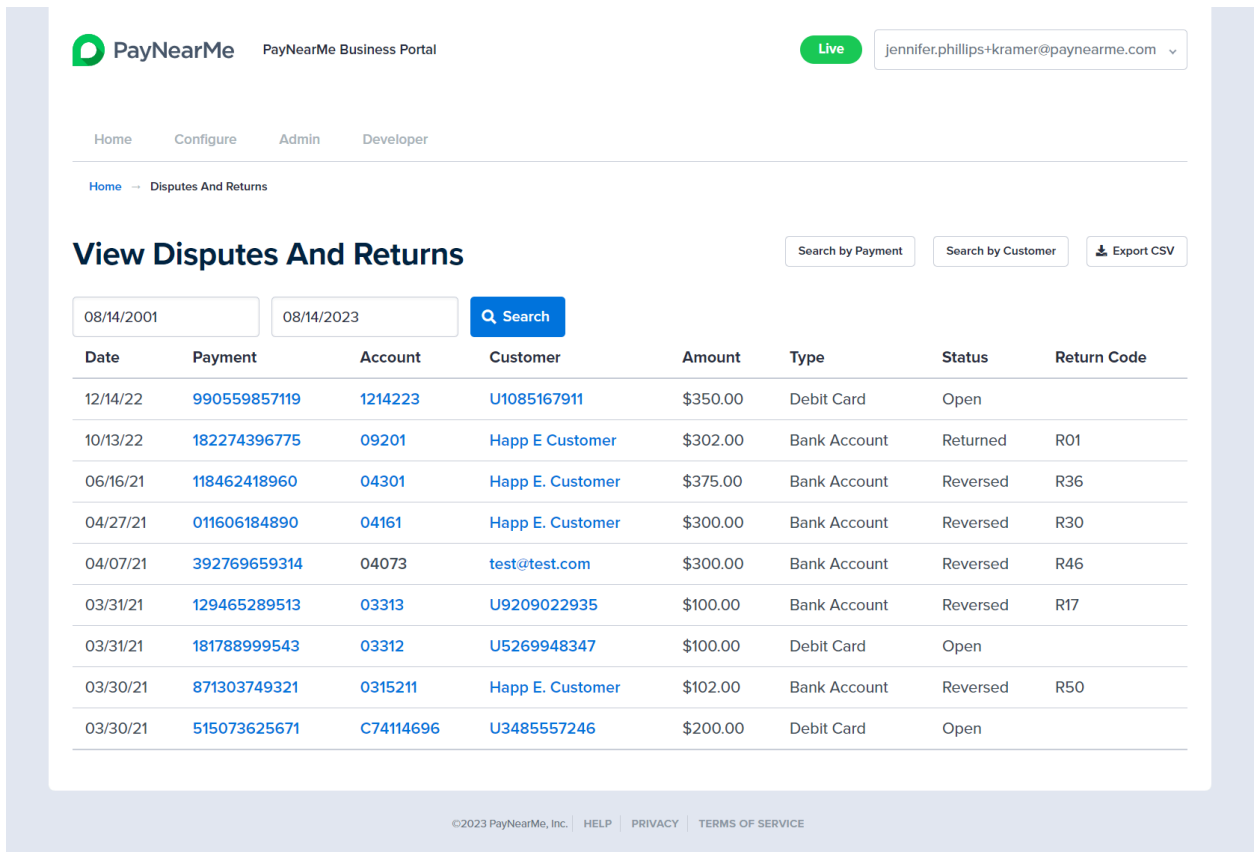
Return Code	Cause	Time Frame
R01	Insufficient funds	2 Business Days
R02	Account closed	2 Business Days
R03	Unable to locate account/no account	2 Business Days
R04	Invalid account number	2 Business Days
R06	Originating Financial Depository Institution (ODFI) requested return	Not Defined
R09	Uncollected funds	2 Business Days
R13	Invalid ACH Routing Number	Next File Delivery Time after processing
R16	Account frozen	2 Business Days
R17	Suspicious entry with invalid account number or return of improper reversal	2 Business Days
R20	Non-transaction account	2 Business Days
R23	Receiver refused credit	Upon Receipt of Refusal

See Appendix A for a full list of ACH return codes.

Viewing Returns in the Business Portal

To view a returned transaction in the PayNearMe Business Portal, complete the following steps:

1. Log into the Business Portal.
2. Under the Payments section, click **Disputes and Returns**. The View Returns and Disputes page displays.
3. Use the date fields to define a date range in which to search for the return and then click **Search**.

4. Click the payment link of the return you wish to view. The Payment Details screen displays.

Protecting Your Business from Returns

The PayNearMe platform has a built in risk engine that will automatically block ACH accounts after a specific number of returns. For example, PayNearMe automatically blocks an ACH account after two R01- Insufficient Funds returns.

You can also use PayNearMe's standard Business Rules to help protect from returns. PayNearMe's business rules are logic-based if/then statements used to perform automated processes that support your unique business operations. These rules mitigate risk, reduce operating expenses, and decrease the time and expense involved with payment returns. You can choose from any of the following standard business rules:

Rule	Description
Maximum Payment Amount	Defines the maximum amount allowed for an order or a custom parameter. You can configure this rule to only apply to • consumers (i.e., agents can submit higher amounts), • electronic payments (i.e., cash payment amounts can be higher), and/or • ad-hoc payments (i.e., Autopay payment amounts can be higher).
Minimum Payment Amount	Defines the minimum amount allowed for an order or a custom parameter. You can configure this rule to only apply to • consumers (i.e., agents can submit lower amounts), • electronic payments (i.e., cash payment amounts can be lower), and/or • ad-hoc payments (i.e., Autopay payment amounts can be lower).
Allowed NSF Returns Per Given Days	Defines the number of NSF returns allowed in a given number of days. PayNearMe will no longer allow ACH payments for consumers who reach the NSF limit within the defined number of days (e.g., disallow ACH payments if a consumer has 2 or more NSF returns in the previous 90 days). **NOTE:** Cash and card payments will still be allowed.
Check for Custom Parameter Value	If a custom parameter contains a defined value, the payment will automatically decline (e.g., if `ext_charged_off=true`, then decline payment) This rule can be configured to only stop • consumer payments (i.e., agents can still make payments against the account) • electronic payments (i.e., only cash payments allowed) • ad-hoc payments (i.e., Autopay payments allowed)
Maximum Days in Future to Set AutoPay Schedule	Defines the maximum number of days in the future an Autopay schedule can start.

Rule	Description
Maximum Days in Future to Schedule Payment	Defines the maximum number of days in the future a one-time payment can be scheduled.
Payment Count Velocity	Defines the number of payments that can be made in a given number of days. This can be configured for all payments, just electronic payments, or just consumer payments.
Payment Amount Velocity	Defines the total amount allowed for payments within a given number of days. This amount can be a fixed value or equal to a custom parameter and can apply to all payments, just electronic payments, or just consumer payments.

In addition to the standard business rules listed above, PayNearMe engineers can also create custom business rules that determine how, when, and if you should accept a payment. For example, the following custom rules have been created for clients:

- Decline the payment if the consumer submits/schedules it 10 or more days past the due date.
- If the consumer has submitted a Stop Payment order on an ACH payment, do not allow the consumer to submit future ACH payments.
- Decline the payment if the consumer's account is more than 45 days past due.
- Decline all future payments if any payment on the account is returned as unauthorized.

For more information, consult your PayNearMe Technical Account Manager.

Appendix A

List of ACH Return Codes

Return Code	Reason for Return	Time Frame
R01	Insufficient Funds	2 banking days
R02	Account Closed	2 banking days
R03	Unable to Locate Account	2 banking days
R04	Invalid Account Number	2 banking days
R05	Unauthorized Debit to Consumer Account via Corporate SEC Code	60 calendar days
R06	ODFI Requested Return	60 calendar days
R07	Authorization Revoked by Customer	60 calendar days
R08	Payment Stopped	2 banking days
R09	Uncollected Funds	2 banking days
R10	Customer Claims Originator Is Not Known to/Is Authorized to Debit Receiver's Account	60 calendar days
R11	Customer Advises Entry Not in Accordance with the Terms of the Authorization	60 calendar days
R12	Account Sold to Another RDFI	2 banking days
R13	RDFI Not Qualified to Participate	Next file delivery time after processing

Return Code	Reason for Return	Time Frame
R14	Representative Payee Deceased	2 banking days
R15	Beneficiary / Account Holder Deceased	2 banking days
R16	Account Frozen	2 banking days
R17	File Record Edit Criteria / Suspicious Entry with Invalid Account No. / Return of Improperly Initiated Reversal	2 banking days
R18	Improper Effective Entry Date	Next file delivery time after processing
R19	Amount Field Error	Next file delivery time after processing
R20	Non-Transaction Account	2 banking days
R21	Invalid Company ID	2 banking days
R22	Invalid Individual ID	2 banking days
R23	Receiver Refused Credit	RDFI must transmit return upon receipt of refusal
R24	Duplicate Entry	2 banking days
R25	Addenda Error	Next file delivery time after processing

Return Code	Reason for Return	Time Frame
R26	Mandatory Field Error	Next file delivery time after processing
R27	Trace Number Error	Next file delivery time after processing
R28	Routing No. Check Digit Error	Next file delivery time after processing
R29	Not Authorized by Corporate Customer	2 banking days
R30	RDFI not in Check Truncation Program	Next file delivery time after processing
R31	Permissible Return (CCD and CTX only)	N/A
R32	RDFI Non-Settlement	Next file delivery time after processing
R33	Return of XCK	60 calendar days
R34	Limited Participation RDFI	Next file delivery time after processing
R35	Improper Debit	Next file delivery time after processing

Return Code	Reason for Return	Time Frame
R36	Improper Credit	Next file delivery time after processing
R37	Source Document Presented	60 calendar days
R38	Stop Payment on Source Document	60 calendar days
R39	Improper Source Document	2 banking days
R40	Return of ENR	N/A
R41	Invalid Transaction Code	N/A
R42	Routing No. / Check Digit Error	N/A
R43	Invalid DFI Account No.	N/A
R44	Invalid Individual ID No.	N/A
R45	Invalid Individual / Company Name	N/A
R46	Invalid Representative Payee Indicator	N/A
R47	Duplicate Enrollment	N/A
R50	State Law Affecting RCK Acceptance	N/A
R51	Ineligible / Improper Item Related to RCK	N/A
R52	Stop Payment on Item Related to RCK	60 calendar days
R53	Item and RCK Presented for Payment	60 calendar days

Return Code	Reason for Return	Time Frame
R61	Misrouted Return	60 calendar days
R62	Erroneous / Reversing Debit	60 calendar days
R67	Duplicate Return	N/A
R68	Untimely Return	ODFI must transmit return within 5 business days
R69	Field Error	ODFI must transmit return within 5 business days
R70	Permissible Return Not Accepted / Not Requested by ODFI	ODFI must transmit return within 5 business days
R71	Misrouted Dishonored Return	ODFI must transmit return within 5 business days
R72	Untimely Dishonored Return	ODFI must transmit return within 5 business days
R73	Timely Original Return	ODFI must transmit return

Return Code	Reason for Return	Time Frame
		within 5 business days
R74	Corrected Return	N/A
R75	Return Not Duplicate	ODFI must transmit return within 5 business days
R76	No Errors Found	Contested return must be transmitted within 2 business days
R77	Non-Acceptance of R62	Contested return must be transmitted within 2 business days
R80	IAT Coding Error	Contested return must be transmitted within 2 business days
R81	Non-Participant in IAT Program	Contested return must be transmitted within 2 business days

Return Code	Reason for Return	Time Frame
R82	Invalid Foreign RDFI Identification	Contested return must be transmitted within 2 business days
R83	Foreign RDFI Unable to Settle	Contested return must be transmitted within 2 business days
R84	Not Processed by Gateway	N/A
R85	Incorrectly Coded Outbound Int'l Payment	2 banking days