

PAYMENT SECURITY

Take Charge: How to Navigate Fraud and Chargebacks

February 17, 2023



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Navigate Chargebacks and Reduce Fraud Risk With WePay

Fraud happens every day, all over the world. And when it comes to internet fraud, it's no longer restricted to emails from someone posing as a prince, asking for your credit card number to help unlock untold wealth. We're now dealing with countless scammers seeking to defraud unsuspecting platforms and merchants.

On a positive note, corporations continue to prioritize their investment in fraud-prevention technology and expertise leading to encouraging results. In fact, according to the latest J.P. Morgan annual [Payments Fraud and Control Report](#), the percentage of organizations that become victims of payments fraud attacks is on the decline.

There's also the pesky chargeback. Your bank contacts you to say there's been a dispute on a transaction, and you must return the money to the customer, AND, you're also being fined. In other words, customers can get a refund from their bank without having to check with the merchant or platform they purchased from.

Partner Up: Share the Risk with a Payments Provider

So you've started working towards becoming a payment facilitator (payfac), but you're not quite ready to take on all the risks, yet. What you need is a payments provider that creates a roadmap to help you become a payfac. One with the right solutions that can take those risks off your plate. A provider that offers a full range of solutions to meet your needs at any stage of development and allows you to monetize payment under your own brand without risk. A reliable payment processor that mitigates risks and seamlessly moves the money for you.

The right payments provider has expertise and mechanisms in place to deal with risk. When it comes to chargebacks, this is particularly vital – reducing chargebacks can be extremely complex, given how many scenarios can result in chargebacks. Not only should your payment provider implement sufficient safeguards to prevent fraud and recognize suspicious activity, they must also implement processes to manage and resolve disputes between buyers and sellers.

Look for a [payments partner](#) that offers insight through real-time threat analytics and visibility into even the most sophisticated fraud patterns. One that creates fully-integrated fraud solutions within payments processing and minimizes chargebacks in real time. This, coupled with big data, advanced machine learning/Artificial Intelligence and experts, who intervene on flagged transactions.

Be Informed: Understanding Chargebacks and the Fraud Behind Them

You are now a payfac, so you may be held responsible for chargebacks – which means you must recover that money from the merchants who generate them, or chalk it up as a loss. And for chargebacks resulting from card-not-present transactions, the issuing bank recovers the funds from the merchant's bank (the acquiring bank), and the acquiring bank recovers those funds from the merchant. In addition to recovering funds from merchants, payfacs are also responsible for notifying merchants and providing a means by which merchants can defend themselves against chargebacks.

Knowing what causes chargebacks is critical to understanding your risks – and navigating them. The four types of fraud that most commonly result in chargebacks are:

1. Merchant Identity Fraud, where someone falsely establishes a merchant account for a seemingly legitimate business, then makes purchases with several stolen credit cards and disappears.
2. Merchant Credit Risk, where a legitimate merchant defaults on its obligation to fund chargebacks.
3. Buyer Identity Fraud, where a fraudulent customer uses a stolen credit card (or a card established with a stolen identity) to purchase a product from a legitimate merchant.
4. Friendly Fraud, which is similar to Buyer Identity Fraud, but the actual cardholder committing the fraud.

Insider Info: Here's the Scoop on Handling Chargebacks

Unless you concede, a chargeback request must be contested. Some are pure fraud; others happen when a merchant or sales platform makes a billing error; some are simply misunderstandings. In any case, you will need to have systems in place to document the process thoroughly. This includes having sample invoices, itemized receipts, proof of usage, and more – all with one single goal: to help protect payments.

When funds land in your account, and they are paid to a merchant in a separate transaction (called "aggregation"), that makes you susceptible to chargebacks – and the bank expects you to recover those funds. One solution is requiring all of your customers to have a merchant account.



Some payfacs have productized the dispute-resolution process to preempt formal chargebacks. In this scenario, buyers will dispute payments through the payfac before filing a complaint with their issuing bank. The payfac then attempts to resolve the dispute between the buyer and seller directly without involving the issuing bank or the acquirer. There is significant operational overhead associated with this method. Still, it can dramatically reduce chargebacks, especially in cases of "accidental" friendly-fraud [i.e. the cardholder authorized the payment but does not remember or recognize the charge when it appears on their statement].

Another solution: have a candid conversation with a potential payments partner about how they assist with tackling chargebacks. It's not just about fees. Some companies will offer discounted prices, which seems attractive until there's a complex chargeback. Look for payments partners with extensive experience working with payfacs and ask how they help handle the resolution process. The last thing your merchants want is a cash flow issue due to a clunky process.

Be Proactive: How to Get Ahead of Chargebacks

It's important to note that chargebacks and refunds are not the same. A refund is much less of a headache, so it's worth communicating that customers can contact your merchants directly if they are frustrated or want to reverse a charge. A chargeback requires more time and effort, so avoiding this process is worth the extra effort.

As with most things in business, thoughtful customer service goes a long way. Optimize the payments experience for your merchants' customers through a user-friendly interface, making it as smooth as possible for them to make payments. A good payment processing partner provides customized payments integration and the ability to build custom checkout pages.

It's important to encourage your merchants to communicate openly with their customers, offering multiple points of contact (phone, email, online chat). If they have questions about a payment, your merchants can promptly address the issue. It's also a good idea for everyone involved to keep tracking numbers of all shipments. Watch out for suspicious email addresses or payments split across multiple credit cards. These can be red flags for dubious chargebacks.

Why You Should Choose WePay

Using a payments API (Application Programming Interface) that works efficiently and is prepared for the worst can have a meaningful impact on your company's bottom line. A robust API that has your back – even in times of trouble – can help boost profitability and the future success of your business.

At WePay by J.P. Morgan, we protect the platforms we work with by shouldering the risk of fraud and chargebacks. And as part of J.P. Morgan, which spends more than \$700 million in cybersecurity annually, WePay has built a robust platform to manage risk and compliance behind the scenes.

WePay offers solutions that easily integrate payments and grow revenue by leveraging our pre-built hosted solutions and powered by Chase branding to add instant credibility to your payment processing capabilities. We also create [seamless payment experiences](#) by forging your brand with our white-label solution and our easy-to-integrate API. These solutions enable you to gradually grow into a payment facilitator, ready for more control and financial upside – all backed by the global scale and security of J.P. Morgan and the small and mid-sized business expertise and brand trust of Chase.

We'd love to help you grow. [Schedule an appointment](#) to discuss the best payment solution for your needs.



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