

Background

Visa® is mandating that all purchase return transactions that are processed to Visa cards obtain an authorization. This will allow issuers to have the same information on refunds as they do for purchases, allowing them to provide cardholders the same information for both transaction types. Below are the answers to some frequently asked questions related to this mandate.

Frequently Asked Questions

General Overview

Q: What regions does this apply to?

A:

- **October 2018:** Merchants with an annual purchase return transaction volume greater than \$5 million USD in Canada; or annual purchase return transaction volume greater than \$10 million USD in the U.S.
- **April 2019:** U.S. (including U.S. territories) and Canada
- **October 2019:** Latin America Caribbean (LAC)
- **April 2020:** European Union (EU) and Asia Pacific (AP)

Q: How will Visa handle a refund transaction that is not authorized?

A: Visa will not reject refund transaction clearing records which are not authorized; however, each unauthorized refund transaction will be subject to the Visa Zero Floor Limit Fee of \$0.20 per transaction.

Q: What data elements need to be included in the return authorization request?

A: The required data elements are based on your processing solution and the authorization specification that is used.

Q: What data elements need to be included in the refund settlement record?

A: The required data elements are based on your processing solution and the authorization specification that is used.

Q: Will the issuer attempt to link a return to the original sale to validate a sale occurred on the credit card?

A: Visa has asked issuers to perform a very basic check when it comes to reviewing and approving the authorization, but they are not being asked to connect the original purchase to the purchase return.

Q: I am currently required to send reversals for authorization requests that do not have corresponding settlement for sales transactions (cancelled transactions, etc.). How should I handle authorizations that do not settle for return transactions?

A: You must perform a reversal on all authorized refund transactions that will not be settled in order to avoid the Visa Authorization Misuse Fee of \$0.09 per transaction.

Q: How should I handle prepaid cards for return authorization requests?

A: You may refund the transaction amount through alternate means (cash, check, in-store credit or prepaid card) if the prepaid card used for original purchase has been discarded.

Q: Am I able to use a card on file for a refund transaction, or does the cardholder need to insert, swipe or key their card information again?

A: Refund transactions can be processed through card on file, chip insertion, swiping the card, or manual key-entry.

Q: Are other card brands announcing similar mandates?

A: Yes, Discover® is mandating authorizations on returns effective April 2019, and it is likely that Mastercard® will require this in the future as well. We will provide more information as it becomes available.

Declines

Q: Will I ever receive a decline for a return?

A: Yes, declined transactions can occur if the account “does not exist” or when the account has been “closed” for an extended period of time. In rare cases, some issuers may be able to detect “excessive credit” fraud, where a merchant is colluding with a cardholder and passing fraudulent credit, which would also result in declined authorization response.

Q: How should I handle declines for return authorization requests?

A: You may process the refund onto a different Visa account as long as there is proof the original sale took place on a Visa card. If the secondary Visa card declines, you are permitted to offer an alternate form of credit (cash, check, in-store credit, prepaid card).

Q: Are there specific decline reason codes that will be defined and allow me to communicate the decline to my customer?

A: Some issuers will use specific reason codes, such as the generic “05”, do not honor code. However, most processing solutions will simply provide a DECLINE. You may consult with your processing solution provider to determine if additional information will be available to you.

Q: If a return request is declined on the first card presented, am I allowed to process a refund to a different card?

A: Yes, you may process the refund onto a different Visa account as long as there is proof the original sale took place on a Visa product. If the second card declines, you may offer an alternate form of credit (cash, check, in-store credit, prepaid card, etc.)

Chargebacks

Q: If I refund to a different card than the card used in the original purchase, will I have chargeback protection?

A: There is no change in rules with Visa Claims Resolution (VCR). The rules require that credit be issued to the same card with a few exceptions (airlines, gift card, etc.).

Q: If a refund is processed and I receive a chargeback for that same transaction, will the issuer (or Visa) check that a refund was already processed and prevent filing of the chargeback?

A: No, they will not prevent the filing. The issuer will be advised that a credit was issued and the issuer needs to verify if the credit applies to the disputed transaction.

Q: If I process a refund after a chargeback is issued, do I still have to respond, or will Visa resolve the chargeback?

A: Either you or your acquirer would need to advise of the refund being provide to the cardholder.

Point-of-Sale Terminals

Q: What do I need to do if I use a standalone point-of-sale (POS) terminal?

A: If you use any of the following POS terminals – FD130 series, FD200Ti series, FD400GT or FD410 terminal – you will be notified separately when the POS terminal software application is scheduled for automatic download to your terminal. At this time, we expect to begin the POS terminal download process in April 2019. Please note that there are some instances where an automatic software application download will not be available. You will be provided instructions on how to get your terminal updated in the event the automatic download is not available for your terminal. All other standalone POS terminals require an upgrade.

Q: If I am using an older standalone POS terminal model, can I request my hardware upgrade now?

A: Yes! We encourage the POS terminal hardware upgrades to occur as soon as possible. We will then communicate to you when we are ready to schedule your terminal for an automatic software application download.

Testing

Q: If I test for these changes between now and October 2018, when can I implement them into production?

A: Even though testing across some platforms is available, these changes cannot be put into production until the October Card Brand Release date.

Q: Is unattended testing allowed for these changes?

A: No, these changes will be done through attended testing only. Unattended testing is not being offered.

Q: If I test now for Visa, will I have to re-test when other card brands announce an effective date to require authorizations on refund/credit transactions?

A: Yes, you may have to re-test when the other card brands announce the details of their mandates.

Q: Will third-party providers/ISV/VARs be required to test these changes?

A: Yes, all third-party vendors/ISV/VARs are required to complete testing and certification. There will be a small number of actual test transactions/cases to complete, including regression testing sales transactions.

Q: If I use a third party/ISV/VAR to support my POS software, am I still required to test these changes?

A: It depends on how you use these providers. If you have a “custom code” from your vendor, you will be required to also complete a merchant certification after their vendor has completed testing. You will need to determine this with your vendor.

Q: Will authorization and settlement testing be required?

A: Yes, both authorization and settlement testing will be required. There will be a small number of actual test transactions/cases to complete, including regression testing sales transactions.

Q: Are all front end and back end platforms and specifications ready to support testing?

A: No, as of June 2018 only the ISO8583 specification for Nashville/Cardnet front end is available and back end specifications are not available to support authorization/settlement testing. We are working to determine exact dates for all remaining front end and back end specifications and when testing can begin. We will provide additional updates as platforms become available for testing.