

Proper Disclosure of Cancellation and Refund Policy

What is Proper Disclosure?

- Card brands require merchants to disclose special return limitations at time of sale; cardholders must be notified of applicable refund policies **before** the transaction is completed.
- Businesses that properly disclose their cancellation policy to the cardholder **prior** to processing the transaction can improve cardholder satisfaction and reduce potential disputes.

- Disclosure statements and what they mean:

Disclosure Statement	What It Means
No Refunds or Returns or Exchanges	Your establishment does not issue refunds and does not accept returned merchandise or merchandise exchanges.
Exchange Only	Your establishment is willing to exchange returned merchandise for similar merchandise that is equal in price to the amount of the original transaction.
In-Store Credit Only	Your establishment takes returned merchandise and gives the cardholder an in-store credit for the value of the returned merchandise.
Special Circumstances	You and the cardholder have agreed to special terms (such as late delivery charges or restocking fees). The agreed-upon terms must be written on the transaction receipt or a related document (e.g., an invoice). The cardholder's signature on the receipt or invoice indicates acceptance of the agreed-upon terms.
Timeshare	You must provide a full credit when a transaction receipt has been processed and the cardholder has cancelled the transaction within 14 calendar days of the transaction date.

Proper Disclosure and Chargebacks

- Failure to properly disclose refund and return policies following a transaction could result in a dispute. In these situations, a dissatisfied customer could file a chargeback. The following scenarios could cause a cancellation and return-related chargeback:
 - Cardholder received damaged or defective merchandise
 - Cardholder continued to be billed for cancelled recurring transaction
 - Credit transaction was not processed
- In order to prevent these disputes, issue credits promptly upon request, or have proper disclosure.



Disclosure for Card-Present Merchants

- Pre-print policies on contract or written on sales receipts (in close proximity to the cardholder signature, if applicable).
- If applicable, clearly print, “no exchange, no refund,” etc. in ¼ inch lettering on sales draft near/above cardholder signature.
- If return policy is on back of receipt and it has been signed on front, cardholder must initial near policy. Return policies on back of a receipt without signature/initials indicate a lack of proper disclosure.
- If customer signs a contract and the cancellation policy is in the middle of the contract text, cardholder must sign/initial next to it.

Return Policy

SAMPLE

If you are not 100% satisfied with one of our products, you may return it within one year of purchase for a refund. (Please note that products purchased before February 9, 2018, are not subject to this one-year time limit.) After one year, we will consider any items for return that are defective due to materials or craftsmanship.

We require proof of purchase to honor a refund or exchange. If you provide us your information when you check out, we will typically have a record of your purchase. Otherwise, we require a physical receipt.

Disclosure for Card-Not-Present Transactions

Phone Order

- Refund and credit policies must be mailed, emailed, or texted to cardholder prior to the transaction being processed.
- For the disclosure to be “proper,” merchant needs to require the cardholder sign and return the policy.

Internet or Application

- Communicate refund policy to cardholder on website in one of these locations:
 - In the sequence of pages before final checkout, with a “click to accept” or other acknowledgement button, checkbox, or location for an electronic signature.
 - On checkout screen, near the “submit or click to accept button.”
- **Disclosure cannot solely be included by using a link to a separate web page**

How to Reduce Risk of Receiving Disclosure-related Chargebacks

- Provide proper disclosure of refund policy for returned/cancelled merchandise or services to the cardholder at time of transaction.
- Issue credits to the cardholder on same card as purchase.
- Do not issue credit to cardholder in cash, check or in-store/merchandise credit.
- Ensure customers are aware of conditions for recurring transactions. Cancel recurring billings as soon as notification is received from customer and issue credits in a timely manner.
- Pre-notify the cardholder of recurring billings within 10 days (domestic) and 15 days (international) prior to billing, allowing cardholder time to cancel transaction.
- Provide cancellation numbers to cardholders when lodging services are cancelled.

Additional Information

- Visa Chargeback Guidance:

- <https://usa.visa.com/support/small-business/dispute-resolution.html>
- <https://usa.visa.com/run-your-business/merchant-support/merchant-disputes.html>

- Mastercard Chargeback Guidance:

- <https://www.mastercard.us/content/dam/mccom/global/documents/chargeback-guide.pdf>