Prevention Of Fraud Chargebacks In Banking System

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Abstract

While Chargeback fraud occurs when a customer does an online shopping with credit card and then requests a chargeback from the bank after receiving the purchased goods and services . So once approved the financial transaction then the customer receives a refund of the money.

When the Chargeback occur, Merchant can fight back against the bank and customer by showing the image of the customer and IP Location.

It Stores the transaction id, product name, product id, Image of Customer, IP Location, Transaction status in back end.

Keywords: Fraud chargebacks , E-commerce , Merchant.

Introduction:

E-commerce is fast gaining ground as an accepted and used business paradigm. More and more business houses are implementing web sites providing functionality for performing commercial transactions over the web. This is reasonable to say that the process of shopping on the web is becoming commonplace.

The MainAim products online such as (MCAFEE Antivirus, NORTON Antivirus, KASPERSKY, AVG, BIT DEFENDER , etc.) with merchant security by implementing customer image capture to prevent fraud / chargebacks in United States.

While an online store is a virtual store on the Internet where customers can browse the catalog and select products of interest. The items are collected in a shopping cart. At the time of checkout , the items in the shopping cart will be presented as an order. At that time, more information will be needed to complete the transaction. Usually the customer will be asked to fill or select a billing address, a shipping address, a shipping option, and payment information such as credit card number. An e-mail notification will be sent to the customer as soon as the order is placed.

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Types of Chargebacks:

True Fraud

True fraud,it is also calledas identity theft, occurs when your business accepted payment from a stolen card. So the customer rejects the purchase, which results in his or her bank closing the account and issuing a new account number and card to the customer.

Chargeback Fraud

In the Fraud Chargebacks what happens is the customer orders any non-physical product such as license key or any kind of antivirus by making the payment from his credit card . After the delivery of product , he requests for the chargeback saying that the credit card was not accessed by me I did not order any kind of product .

Friendly Fraud

The misapplication of chargeback rights isn't always intentional and malicious. Friendly fraud occurs when the cardholder disputes a purchase because they forgot they made the purchase, another family member authorized the purchase, or even misunderstood the return policy. These customers aren't trying to be deceitful, and that differentiation is key.Delineation between Fraud types is critical.

Efficient management of the dispute resolution process allows you to see what types of fraud your business experiences. So with that information, you're given the opportunity to improve and optimize existing processes and solutions— providing a measurable impact on your bottom line.

Protecting Your Business

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If any kind of business is experiencing high rates of true fraud chargebacks, addressing your front-end fraud solutions is a must. At the very least, you should be using fraud prevention tools like AVS, CVV, and geolocation. If any basic tools are deployed and rates of true fraud are still high, consider more advanced preventative measures likeimage capture and gathering IP Location. Blacklisting Appropriately. It is not unreasonable to blacklist a customer that has tried to commit chargeback fraud against your business. Especially if the customer has issued chargebacks in the past, even if they were ruled to be true fraud. Engaging in communication with these individuals is important. But if that proves unsuccessful, you should block the 'problem' customer from making any further purchases (and causing further losses).

Preserving Customer Relationships

This is where it distinguishes between chargeback fraud and friendly fraud carries the most weight. A customer who initiated a dispute on the grounds of friendly fraud should not be blacklisted like chargeback fraud customers. When you win a chargeback, reach out to the customer and discuss the outcome with them. Was the merchant descriptor confusing? Were your terms and conditions displayed clearly? Asking these questions and others will provide you with actionable insights on how you can improve operations moving forward.

Customer Service

One way to reduce the number of Chargebacks is to provide good customer service and have a high quality of goods/services offered, as this will reduce the number of cardholders raising disputed transactions with their card issuer.

Transaction authorization does not prevent Chargebacks

Authorization of a transaction does not guarantee payment; it will only check the availability of funds at the time of the transaction and that the card has not been reported lost or stolen at the time of authorization.

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Chargeback's with a Virtual Terminal account

Criminals like to place orders over the phone using stolen cards because they know that it's sometimes harder for you to detect fraud - depending on your virtual terminal and merchant account facility. For example our VT uses the same anti-fraud measurer; however the PayPal accounts (and many others) do not. Also extra security measures such as 3D Secure cannot be used in conjunction with a Virtual Terminal. Something else criminals know all to well.

Stop Chargebacks and Avoid Costly Fees, Fines and Penalties

Day by Day Card Holders are increasingly leaving the merchant out of the dispute process, initiating a chargeback with the issuing bank up to 86% of the time. By the time the merchant learns of the dispute, it is often too late. The merchant loses the chance to resolve the customer's issue, determine if true fraud has happened or avoid significant chargeback losses. And it is only getting worse.

CARDHOLDER **MERCHANT** **ISSUER**

THE MERCHANT IS LEFT OUT OF THE DISPUTE PROCESS

Merchants pay a heavy price:

Fees, fines, penalties and potential loss of processing privileges
Added profit losses—12% of chargebacks are already refunded
Fraudsters strategically game this broken system with false claims
Excessive staff hours 27% of disputes undergo expensive manual reviews.

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