

Best Practices for Authorization Reversal Processing

Summary

MasterCard is providing best practices for the management of authorization reversals. These best practices are intended to guide merchants in the usage of reversal messages.

Background

Merchant-initiated authorization reversal messages are intended to assist issuing banks in managing a cardholder's "open-to-buy", allowing optimal use of their funds. This processing function is especially critical to prepaid cards and debit cardholders where balances represent checking accounts. Merchants and their acquirers submit authorization reversal messages when:

- The final settlement amount was less than the authorized amount.
- The cardholder cancels or chooses not to complete all or part of the transaction.
- All or a portion of the goods or services could not be provided (for example, out-of-stock items).
- The authorization was submitted in error (for example, duplicate request or technical failures).
- Contact your acquirer for more information on how to reverse transactions when fraud is suspect.

Guiding Principles

The following is provided as guidance for reversal processing. Note that unless otherwise specified, these are best practices and not mandatory unless noted.

- Authorization reversal messages are intended to fully or partially release a hold of cardholder funds prior to settlement of a transaction.

Best Practices for Authorization Reversal Processing

- Purchase returns (or refunds) are not authorized online. They are managed offline after settlement of the original purchase is complete and are submitted as a credit transaction.
- MasterCard recommends that merchants submit reversals as soon as an adjustment to the original authorization amount is known. Only approved authorization requests or transactions that have timed out are required to be reversed.
 - U.S. region merchants must submit a full or partial reversal (as applicable) within 24 hours of the original authorization request in a card-present environment, and within 72 hours in a card-not-present environment.
 - Europe region merchants must submit a full or partial reversal within 24 hours of transaction cancellation, or a transaction completing for an amount different from the authorized amount.
- Reversals must contain mandatory matching data from the original, approved authorization in order for an issuing bank to release the appropriate funds, subject to the issuer's risk or fraud control policies. Contact your acquirer to determine what authorization data is critical for submission of reversals with proper matching data.

Specific Scenarios

Specific reversal scenarios are described as follows.

- If multiple partial reversals (for example, multiple item cancellations) are required before settling a transaction, each reversal should always reference the original, approved authorization.
- If an incremental authorization has been submitted (extending the total purchase amount prior to settlement), a reversal should reference original transaction data and the reversal amount should be the sum of the original authorized amount plus any incremental amounts.