

MasterCard Recurring Payment Cancellation Service

Reduce Processing Costs and Increase Customer Satisfaction



The Recurring Payments Business

In a MasterCard Worldwide recurring payment arrangement, a cardholder preauthorizes a merchant to automatically bill a MasterCard credit or debit account at a preset interval (for example, monthly, quarterly, or annually).

Most recurring payment transactions happen without incident. Still, recurring billing presents some unique challenges related to changes in the cardholder-merchant relationship. A cardholder may revoke preauthorization to bill his or her MasterCard account due either to a change in payment type or discontinuation of a merchant relationship.

It is recognized that most merchants quickly honor changes to recurring payment billing arrangements. However, if a merchant does not make a requested change in a timely fashion, the cardholder will continue to receive charges and will contact his or her issuer to initiate a chargeback.

MasterCard wants to help issuers, acquirers, and merchants keep recurring payment volume on its high-growth, profitable trajectory. To achieve continued growth, cardholders must be confident they will not have difficulty discontinuing a

recurring payment arrangement. In response to this need, MasterCard has developed the Recurring Payments Cancellation Service (RPCS), a systematic way to reduce chargebacks by preventing unauthorized recurring payment transactions.

The MasterCard Recurring Payment Cancellation Service

MasterCard has designed a solution to significantly reduce chargeback risk for Reason Code 4841, Cancelled Recurring Payment Transaction. The MasterCard Recurring Payment Cancellation Service is an optional service that allows participating issuers to have recurring payment transactions blocked in the MasterCard authorization and clearing systems. Once MasterCard blocks a recurring payment transaction, erroneous charges will not continue to appear on the cardholder billing statement—and issuers, acquirers, and merchants will avoid the costly chargeback process.

RPCS is available to all MasterCard issuers who use the Banknet and MasterCard Debit Switch (MDS) online networks and the Global Clearing Management System (GCMS) clearing platform.

How Does the Service Work?

The MasterCard Recurring Payment Cancellation Service leverages the operational support of the MasterCard payment network. Issuers can send an update to the MasterCard RPCS database containing stop payment information and identifying the cardholder, merchant, and acquirer. Whenever transactions with a recurring payment indicator are submitted, the Banknet or MDS network and GCMS check the MasterCard RPCS database for stop payment entries, and transactions are declined when a match is found.

Issuers Benefits

- :: Reduced Reason Code 4841 chargeback processing
- :: Improved cardholder satisfaction and loyalty

The fee for using the Recurring Payment Cancellation Service is lower than the cost of authorizing an unwanted transaction and processing the associated chargeback.

Although the benefits extend beyond pure cost savings. When a merchant continues to bill a cardholder's account after service cancellation, the issuer is faced with complaint calls to customer service; the cardholder may even ask to close his or her card account. By participating in RPCS, issuers can strengthen cardholder satisfaction, loyalty, and may even save accounts.

Merchant Benefits

- :: Reduced Reason Code 4841 chargeback processing
- :: Opportunity to promote benefits of authorizing recurring payments to their customers

RPCS helps merchants maintain their good reputation by blocking unauthorized recurring payment transactions that would ultimately result in chargebacks. Merchants may want to inform customers of the protective measure of RPCS when explaining the benefits of authorizing automatic billing to their MasterCard card.

(Note: Merchants should educate cardholders on how to change or cancel an automatic billing arrangement, and to inform customers of the estimated time frame for changes to take effect.)

Acquirer Benefits

- :: Reduced Reason Code 4841 chargeback processing
- :: Improved merchant satisfaction

Naturally, acquirers also benefit from reduced Reason Code 4841 chargebacks. Just as in the case of issuers and merchants, it is expensive and time-consuming for acquirers to process a chargeback. In addition, increasing chargeback volume can have a damaging impact on an acquirer's relationship with its merchants.

Cardholder Benefits

- :: Increased confidence in establishing recurring payment transactions

The intention of RPCS is to reduce the doubt or uncertainty that inhibits some cardholders from authorizing automatic billing to their MasterCard card. RPCS will boost cardholder confidence in establishing recurring payment arrangements by protecting them from billing errors.

For more information

For more information on the MasterCard Recurring Payment Cancellation Service, please contact your MasterCard representative.

MasterCard customers can find additional information on RPCS in the following publications available via mastercardonline.com:

- :: *Banknet Release 06.1 Document*
- :: *GCMS Release 06.1 Document*
- :: *Global Operations Bulletin No. 11*,
1 November 2005
- :: *Global Debit Operations Bulletin No. 2*,
22 February 2006
- :: *Account Management User Manual*, Recurring Payment Cancellation File Maintenance chapter