The chargeback window of opportunity:

A global view of the 2025 chargeback trends and how to turn them into opportunities

REPORT

MARCH 2025

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Data cited in this report is from third-party research and does not represent Mastercard transactions. Data referenced is from the Datos Insights report, "Surging Card Disputes: A Global Perspective on the State of Chargebacks," unless otherwise indicated. For more details about this research, see page 28.
When this report references monetary values, the United States (U.S.) dollar is the currency used.

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The state of chargebacks

Foreword

The convenience of today's digital world allows us to easily manage our everyday lives simply by going online. Consumers mobile order their morning coffee for pickup, stream entertainment, book travel and check their bank statement balances from their personal devices anywhere and anytime.

It's also becoming easier for cardholders to dispute a transaction with a click, resulting in a chargeback — a refund for the transaction amount.

According to Datos Insights, chargebacks continue to increase at a rapid rate. Global volume is predicted to reach 324 million transactions in 2028, a double-digit increase over the 2025 forecast of 261 million. Chargebacks are often associated with fraud, but there are a variety of reasons they're surging. Factors associated with the digital payments era include the prevalence of card-not-present (CNP) transactions, the growing subscription economy, merchants' adoption of omnichannel commerce and increasing rates of first-party fraud.

Chargebacks help foster a sense of security and trust with consumers and enable the digital economy. The knowledge that a dispute will resolve any issue with an order or fraudulent transaction allows consumers to purchase with confidence, whether online, in a mobile app or in person.

For issuers and merchants, managing the cost and sheer volume of chargebacks is increasingly complicated. There's the financial impact from lost products or services and operational costs associated with the staff and technology needed for managing chargebacks. Plus, customer loyalty is at risk; 50% of consumers would consider switching banks for the ability to manage disputes through their online banking applications.[1]

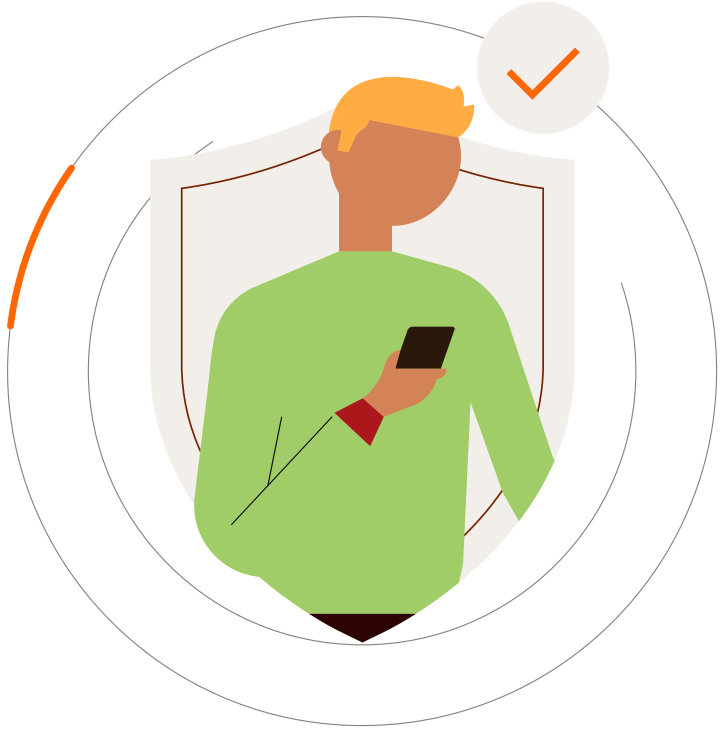
Against this backdrop, traditional dispute management practices must be complemented with cutting-edge technology and solutions to effectively manage chargebacks. Issuers and merchants that re-examine their approach and implement advanced automated technologies and prioritize the customer experience will reap the rewards of reducing chargebacks while improving customer satisfaction and loyalty.

This report provides valuable insights from our recent global chargeback study in partnership with Datos Insights. It was conducted with issuers and merchants across four countries: Australia (AU), Brazil (BR), the United Kingdom (U.K.) and the United States (U.S.). Understanding the current state of chargebacks is important for issuers and merchants seeking to bolster their dispute and fraud prevention strategies while also navigating how to stem the growing volume of chargebacks and improving the customer digital experience.

1. Ethoca, 2023 DIGITAL FIELD GUIDE: What consumers want from digital banking.

Trends shaping the current chargeback landscape

Understanding the current landscape will help issuers and merchants improve their dispute and chargeback processes.



The global chargeback volume forecast shows continued growth

Globally, Datos Insights predicts that chargeback volume is predicted to grow 24% from 2025 to 2028 — reaching 324 million. Merchants and issuers state their chargeback volume has increased more than 10% in the past year.

Digital transformation leads to more chargebacks

Driven by the growth of e-commerce and CNP transactions, Datos Insights found that chargebacks continue to challenge issuers and merchants across countries. The majority, or 63%, of merchants' transactions are digital purchases, so CNP fraud dominates chargebacks.

Consumers are smarter about the dispute process

Many card issuers allow customers to initiate a dispute through their online or mobile banking apps. This knowledge makes it more accessible for the consumer to dispute a transaction with the financial institution (FI).

Fraudulent chargebacks are significant and likely to increase

Merchants and FIs both saw an annual increase of fraudulent chargebacks. First-party fraud and third-party fraudulent chargebacks together account for approximately 45% of merchant chargeback volume globally, though the numbers vary by country and industry vertical.

Outdated dispute management processes may struggle to keep pace with the growing volume

With the growth of chargebacks, traditional dispute management processes and legacy fraud systems are limited in their ability to handle them — especially in the U.S. and U.K. — while issuers in Brazil haven't yet adopted the latest solutions to help prevent disputes.

New technology can help reduce disputes and improve customer experience

Globally most merchants and FIs are handling chargeback management in-house, though it's time-consuming and costly due to legacy processes and technology. Under pressure to handle the increasing volume, businesses are very interested in implementing solutions that use automated tools and learning models based on artificial intelligence (AI). These solutions can help eliminate the overall friction with consumers and improve the digital customer experience.

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Chargebacks are increasing globally

Growth of digital transactions increases the risk of disputes

Consumers' preference for and adoption of digital banking and payments means merchants and issuers must support payments made anytime and anywhere. It's a true balancing act for them to approve as many good transactions as possible, while minimizing the number of disputes and instances of fraud. Plus, delivering a positive customer experience doesn't end after the purchase is made. It extends to the entire journey, including the post purchase experience, which can make or break a relationship with a merchant or issuer. What happens after the purchase is influential in driving customer satisfaction, loyalty and ultimately revenue.

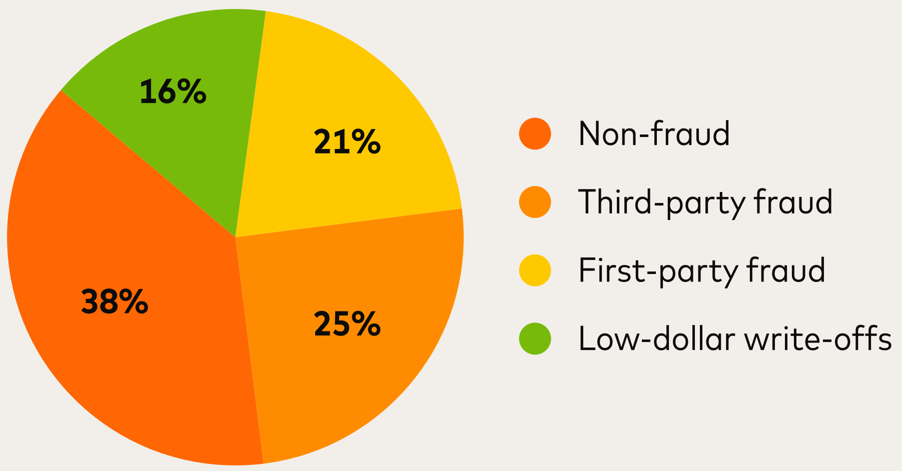
As digital transactions increase, so might the number of disputes resulting in chargebacks — whether due to transaction confusion, customer dissatisfaction, misuse of the dispute process or genuine fraud. Merchants and FIs must determine how best to handle these while meeting their customers' expectations.

Today some 63% of digital purchases comprise the majority of merchants' transaction volume. Thirty-seven percent of consumers make purchases online and 26% in mobile apps.

Across each country in the study, FIs also attribute the increase in chargebacks to the growth of e-commerce and CNP transactions. During interviews with FIs in Australia, online fraud and chargebacks were flagged as an issue. FIs in the U.K. mentioned that disputes and chargebacks with digital goods and subscription-based services are rising at a noticeable rate. The digitalization of the dispute process is contributing to this growth. As in the U.K., FIs in the U.S. are experiencing an increase in consumer disputes submitted by digital channels — resulting in a 30% to 40% increase in dispute volume.

Alongside the volume of digital transactions and disputes, suboptimal fraud systems are inadequately stopping fraudulent transactions — which leads to more chargebacks. More specifically, FIs in Brazil are finding legacy systems ineffective at preventing the newer wave of digital fraud. There's a similar trend in Australia that impacts the time it takes to solve a dispute.

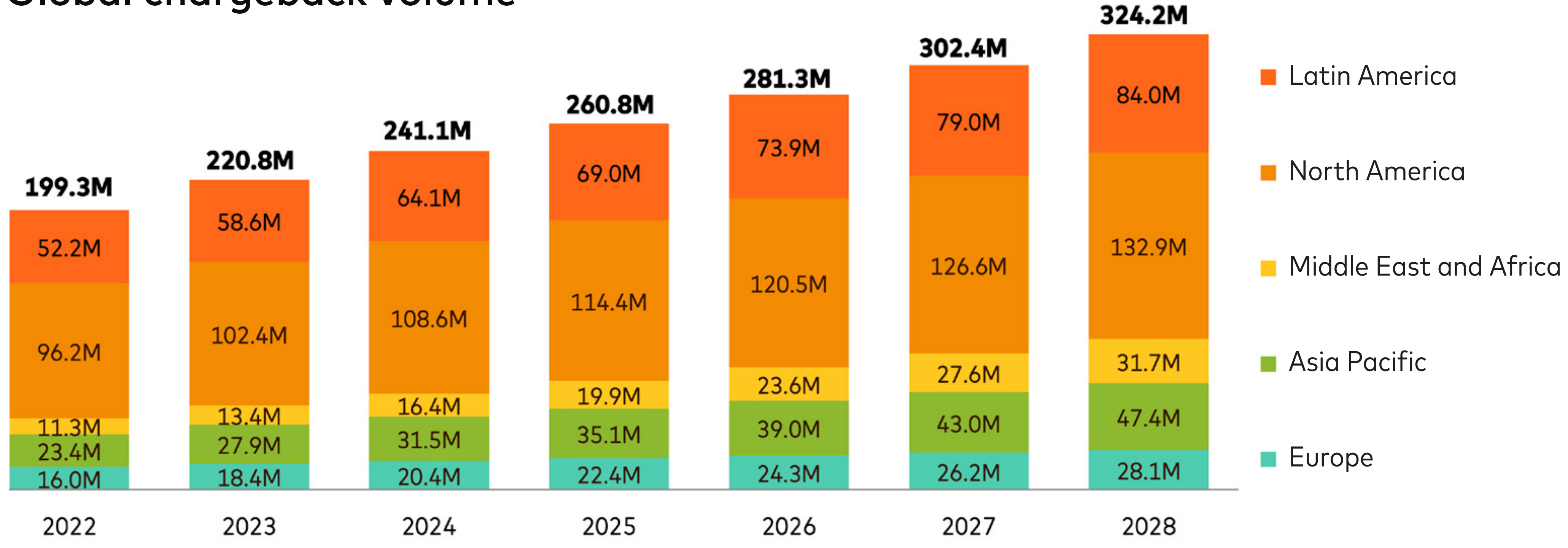
Merchants: Most common types of chargebacks



Global chargeback volume is projected to climb to 324 million in 2028

According to Datos research, global chargeback volume is predicted to be 261 million this year alone. It is expected to reach 324 million in 2028 overall, varying by region.

Global chargeback volume



Predicted chargeback growth by region (2025-2028)

Europe 27%

North America 16%

Middle East and Africa 59%

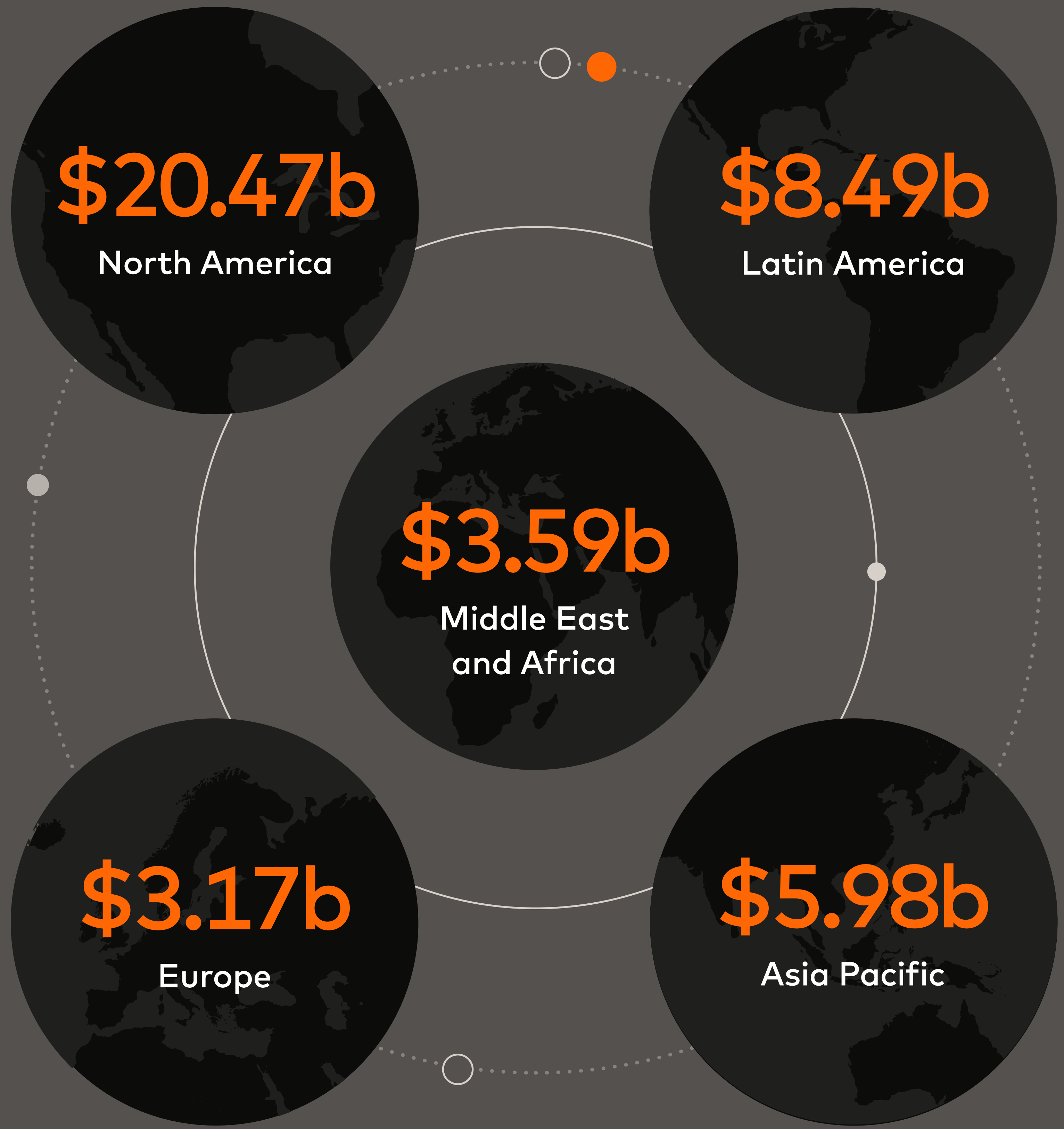
Asia Pacific 35%

Latin America 22%

Global chargeback value is forecast to reach $41.69 billion

The value of global chargebacks is expected to grow from $33.79 billion in 2025, to $41.69 billion in 2028 — a 23% increase. Forecasted growth varies by region, according to Datos research.

Given the significant value of chargebacks, it's more important than ever for issuers and merchants to implement solutions that help effectively manage them — or better yet, prevent disputes before they become a chargeback.



Merchant chargebacks represent a substantial share of their transactions

Across the countries, 25% of merchants report an annual chargeback volume higher than 1 million transactions, underscoring this significant operational challenge. For 13% of merchants, chargeback volume is on average 2% of their total volume or higher, more so for merchants in Australia, with their share at 20%.

Average chargeback value for merchants

Merchants across the four countries have an average chargeback amount of $94. This varies considerably across the countries.

$110
United States*

$94
Brazil

$91
Australia

$82
United Kingdom

* More than half of U.S. merchants report an average chargeback amount higher than $100.

Travel and hospitality merchants report the highest chargeback value

Of the different industries merchants represented in our study, those offering travel and hospitality services report the highest average chargeback value at $120. To complicate matters, bookings are now often made indirectly via travel agencies or online travel sites rather than directly through the company providing the service, so a customer doesn't always reach out to these providers when an issue arises. This complexity means that disputes filed due to customer-service-related issues or other factors, like weather or sickness, that result in a missed reservation, may end up being disputed with the bank instead of resolved directly with the merchant.

Average chargeback by industry

$120
Travel and hospitality

$99
High-risk categories*

$84
Retail

$77
Digital goods

$69
Subscription services

*Merchants in high-risk categories provide services related to gaming, gambling and cryptocurrency exchange.

Fraudulent chargebacks are climbing

Fifty-six percent of FIs and 59% of merchants report chargeback volume increased over 10% in the past year. As chargebacks increase, the Datos Insights' research reveals fraudulent chargebacks are rising — both third-party and first-party fraud. Third-party fraud is defined as true fraud — when an unauthorized person obtains someone's payment card information and credentials and makes purchases without their consent. First-party fraud occurs when a customer identifies a legitimate purchase on their transaction statement as fraudulent and disputes it. This could be due to buyer's remorse, product- or service-related issues or intentional misuse of the dispute process to get a refund.

Handling a chargeback is time-consuming and expensive, which is why sometimes it's easier and less costly for a merchant or issuer to write off a disputed purchase that's considered low-dollar. The threshold for the amount that a business decides to write off is at the discretion of each merchant or issuer. The average write-off value for FIs in our study was $17.90.

Our research discovered not all FIs track whether the fraud is first-party or third-party. Across the countries, issuers identify 72% of disputes as fraudulent — much higher than the 45% for merchants.

Share of chargeback volume by type

FIRST-PARTY FRAUD	THIRD-PARTY FRAUD	NON-FRAUD	LOW-DOLLAR WRITE-OFF
13% 21%	59% 24%	28% 38%	16%

Merchants reporting their chargeback volume increased more than 10%

FIRST-PARTY FRAUD	THIRD-PARTY FRAUD	NON-FRAUD	LOW-DOLLAR WRITE-OFF
28%	31%	30%	22%

Issuers reporting their chargeback volume increased more than 10%

FIRST-PARTY FRAUD	THIRD-PARTY FRAUD	NON-FRAUD
26%	30%	13%

There are a few potential reasons for the differing share of fraud for merchants and issuers. Merchants' write-off of low-dollar transactions equates to 16% of their chargebacks. When it comes to classifying their chargebacks as first-party fraud versus cardholder transaction confusion, merchants may have their own systems for deciding. Furthermore, merchants may be motivated to further analyze and track the type of chargeback since their chargeback ratio could be impacted if they don't take this step. On the other hand, some FIs might simply label all chargebacks as fraudulent if no other suitable option exists.

Forty-five percent of merchants' chargebacks are fraudulent

For merchants, all types of chargebacks have increased over the past 12 months. Total fraudulent chargebacks, first-party and third-party combined, account for approximately 45% of merchants' chargeback volume globally, with some variation by country.

Our study's findings identified that third-party fraud for merchants is lowest in Australia at 22%. Merchants in the U.S. and Brazil have a higher share of first-party fraud. About 30% of merchants globally are experiencing fraudulent chargebacks, and first- and third-party fraud is up more than 10%. Nine percent of merchants in Brazil and 10% in Australia are experiencing the highest increase in chargebacks from third-party fraud, with an increase of 25% or more. Meanwhile, 6% of merchants in the U.S. and 9% in Brazil are experiencing the highest increase of first-party fraud chargebacks, with an increase of 25% or more.

Merchants that operate in high-risk categories — gaming, gambling and cryptocurrency exchange — report the greatest percentage of fraudulent chargebacks.

Fraudulent chargebacks and low-dollar write-off by merchant industry

Merchant industry	Fraudulent chargebacks	Low-dollar write-off
High-risk categories	52%	11%
Travel and hospitality	46%	15%
Retail	43%	19%
Subscription services	43%	15%
Digital goods	43%	17%

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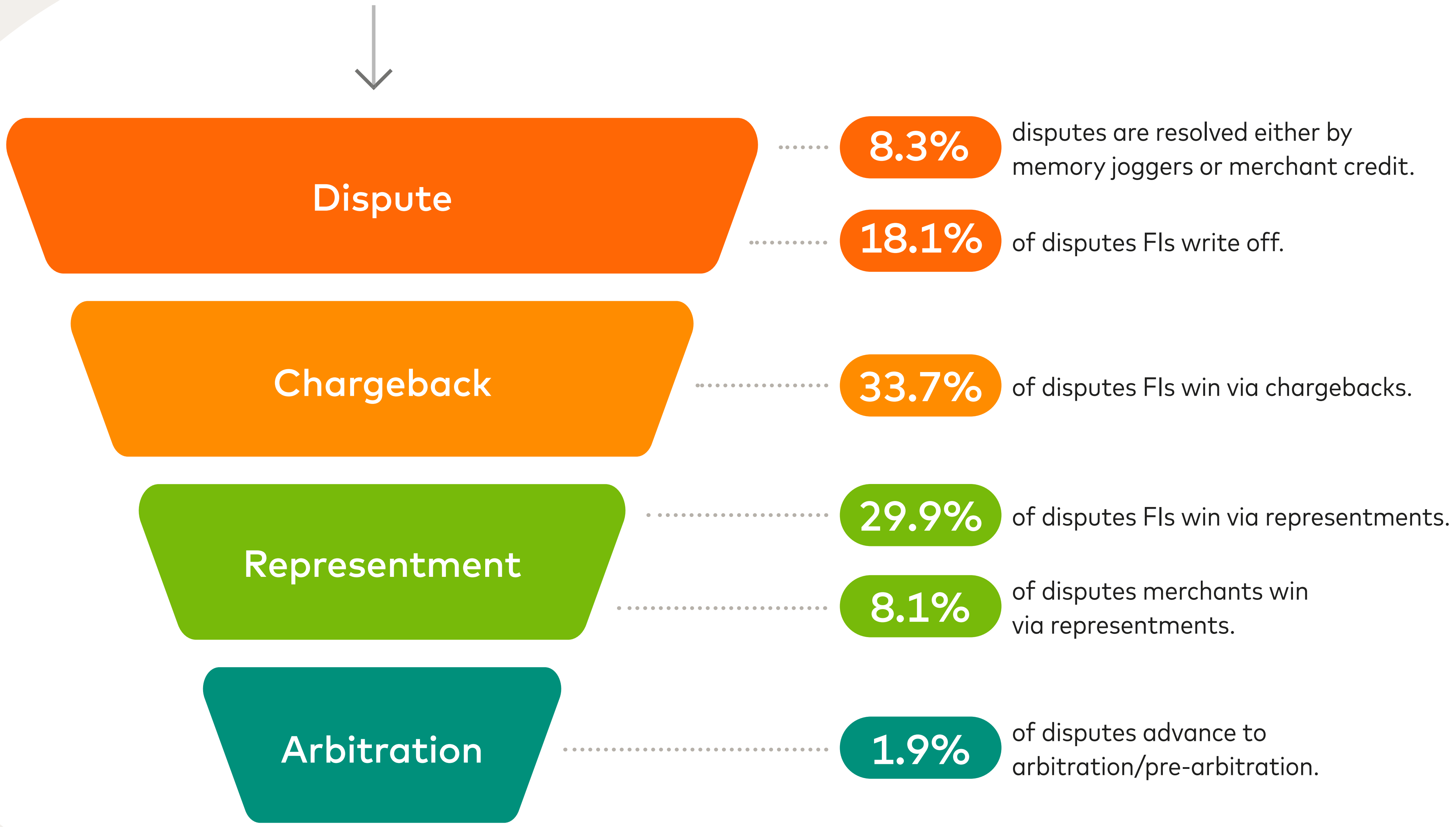
Lifecycle of U.S. cardholder disputes

U.S. cardholder-initiated dispute lifecycle

Most disputes, **73.6%**, become chargebacks. A smaller portion, **26.4%**, are resolved, preventing a chargeback.

FIs win **45.8%** of chargebacks and merchants represent **54.2%** of them.

4.8% of representments advance to arbitration/pre-arbitration.



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Chargebacks representments

Businesses are winning chargeback representments

Consumers transact in many ways — using QR codes, mobile apps, online and in person — and often not directly with the actual provider, such as when using travel booking apps. This can make it harder for consumers to recognize their own transactions, leading to the potential for disputes. Once a consumer disputes a transaction and it advances to a chargeback, the merchant has limited time to gather compelling evidence for a "representment" that shows the chargeback should not be granted to the customer. Evidence could include proof of delivery, cardholder signatures, IP address match for online purchases or copies of purchase receipts. When the merchant disputes the chargeback during the representment process, it provides them an opportunity to claim the consumer's purchase is legitimate — and it offers a way for them to recover their funds.

Representment rates by company size

FIs in the Datos Insights' study claim to represent about 54% of chargebacks and win about 75%. FIs in the U.S. and U.K. declare significantly higher rates of merchant representments — greater than 50% — than those in Australia and Brazil, which claim less than 25%. FIs in all the countries claim very low rates — less than 5% — of representments advancing to the arbitration/pre-arbitration stage. In the U.S., FIs have a more positive view of their representment win rate than merchants. Merchants win an average of 50% of representments, though there are differences by country: U.S.: 54%, U.K.: 49.1%, AU: 46.7% and Brazil: 36.9%.

The rate of merchants representing chargebacks to issuers varies by merchant size, and they're winning a significant percentage of their representment cases.

COMPANY CLASSIFICATION BY REVENUE SIZE

MID-MARKET	ENTERPRISE	LARGE ENTERPRISE
$100m - $499m	$500m - $1.9b	$2b+

Merchants represent a significant percentage of their chargebacks

11% of large enterprises represent more than 50% of chargebacks.

15% of enterprises represent **25%–29%** of chargebacks.

14% of midmarket enterprises represent **25%-29%** of chargebacks.

Challenging a chargeback pays off.

Merchants report they win more than 50% of their representment cases.

52% of large enterprises win more than **50%**.

47% of enterprises win more than **50%.**

36% of midmarket enterprises win more than **50%.**

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Chargeback processes and costs

Issuers' management of call center and back-office logistics

Issuers in our study currently handle the intake of disputes in a couple of ways. One approach is the customer service staff in the call center collect and pass the details to the back-office team. Most issuers in the U.S. and the U.K. accept disputes this way. Often, insufficient data is captured to enable a chargeback case, which requires the back-office team to do additional research or contact the cardholder. In another approach, and in Brazil particularly, FIs prefer automated solutions that steer cardholders to submit their disputes through digital channels. While these self-serve methods help reduce call center costs, research found this form of intake leads to 30% to 40% higher dispute volumes in the U.S.

Across the countries, issuers handle their chargebacks differently. FIs in the U.S. discussed their two different team structures. With a centralized structure, one group manages all disputes. The other approach divides management of chargebacks by fraud and non-fraud disputes. Most in the U.S. discussed attempting to use memory joggers to help consumers recognize their purchase in order to "talk off a dispute." In the U.K., however, national law requires an immediate issuance of a provisional credit, due to consumer protection regulations.

The cost of chargeback management

HIGH STAFFING COSTS

U.S. FIs employ over 200 back-office staff for chargeback management, costing millions annually.

DISPUTE WORKLOAD

FIs require one full-time employee (FTE) for every $13K-$14K in incoming annual cardholder disputes.

AVERAGE STAFFING COST

Each dispute costs FIs between $9.08 and $10.32 to process.

AUTOMATED SYSTEMS

Bank leaders mentioned investing in automated dispute systems to help reduce operational costs.

Merchants' chargeback technology spending is increasing

Merchants are split evenly between handling chargeback management in-house and outsourcing.

Twenty-five percent of midmarket companies are more likely to outsource compared to 11% for companies classified as enterprises or large enterprises.

Technology spending, which includes hardware, software and services, is significant and increasing. Merchants spend $100,000 to $500,000 on chargeback technology annually.

Companies of all sizes are increasing their technology spending. Twelve percent of large enterprises claim their technology costs increased by more than 25% in the past 12 months. During this same time period, 21% percent of enterprises and 15% of midmarket companies reported cost increases of 10% to 24%.

How merchants manage chargebacks

50%
In-house fraud and chargeback management

34%
Outsourcing chargebacks, managing fraud in-house

16%
Outsourcing both chargebacks and fraud management

Building a better dispute process

Maintaining customer loyalty is more challenging than ever, as consumers have a seemingly infinite array of choices for where and how they shop. In fact, various surveys show that brand loyalty has fallen considerably in recent years, especially among younger consumers, who like to shop around and are more likely to switch brands.[1] For issuers and merchants to stay competitive, they must build a better digital experience. As mentioned earlier, 50% of consumers would consider switching banks if they're not getting the services they expect, such as mobile banking, digital receipts or the ability to manage merchant interactions through their banking app.[2]

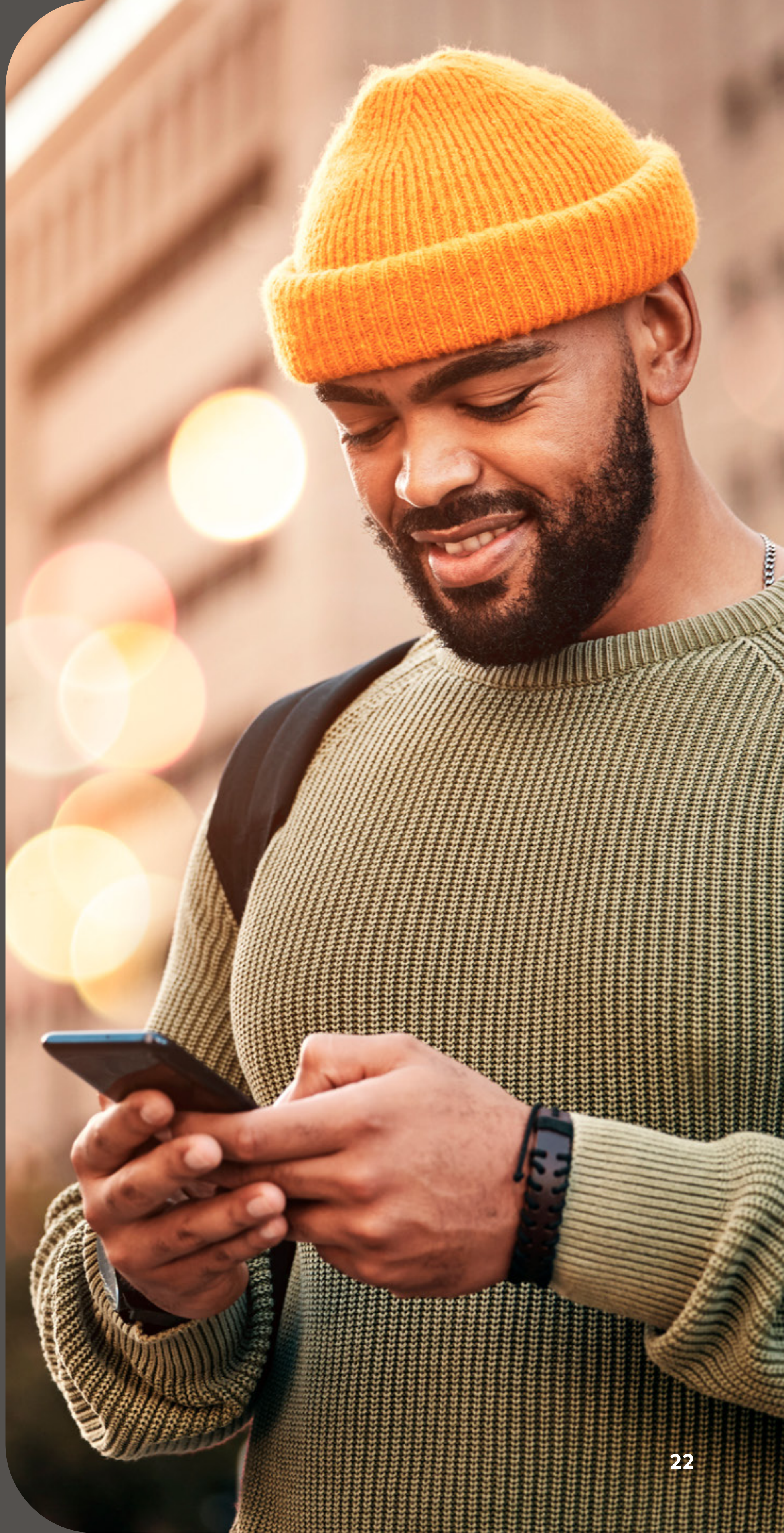
A better dispute process can help merchants and issuers deepen the relationship with their cardholders, to ultimately lead to increased customer loyalty.

Here are three ways to deliver a better dispute process to improve the customer experience:

Reduce friction and fraud: Create a seamless and secure buying environment that makes it easy for customers to buy what they need while minimizing risk of fraud. Additionally, limiting fraud would reduce the cost for merchants, issuers and consumers alike to manage it.

Decrease unnecessary transaction disputes: Providing more insight into purchase details, like a clear merchant name and logo or an itemized digital receipt, can help reduce transaction confusion. Having this purchase information at their fingertips can significantly reduce the risk that consumers will dispute legitimate, non-fraudulent transactions because they simply do not recognize them. Purchase details could be shared in banking applications customers already use to access statements, loyalty rewards and other offers.

Create a best-in-class digital experience: Enhancing customer experience has taken on even greater importance given consumers' willingness to switch brands — and a poor digital experience is becoming a deal-breaker. A PwC survey found that 51% of consumers would leave a brand if their online experience wasn't as good as their in-person experience.[3] Issuers and merchants can improve the digital experience by giving customers more self-serve options and making purchasing — and managing those transactions — easier.



1. Forbes, The Death of Brand Loyalty, September 28, 2023.
2. Ethoca, 2023 DIGITAL FIELD GUIDE: What consumers want from digital banking.
3. PwC, Creating loyalty in volatile times, 2022.

06

Solutions for improving chargeback management

The possibilities of automated and AI-based solutions

Facing growing chargeback volumes, issuers need to implement the technology and tools to make chargeback management more streamlined and efficient, with fewer manual tasks. Furthermore, they need to adopt solutions that will improve the overall digital cardholder experience.

Globally, most issuers invest significant time and resources in using in-house processes to investigate and resolve disputes; many larger ones also rely on third-party companies. Thirteen percent find their in-house tools very effective, with an equal percentage also finding third-party tools effective at providing transaction clarity. Another 13% report real-time alerts for fraud and disputes effective. Compared to other countries, U.S. issuers' adoption rate of chargeback prevention solutions is higher at 30% to 40%. Many find them effective.

The chargeback process is costly and time-consuming. So, it should not be surprising that FIs are steering away from manual human review toward analysis supported by automation or AI-based models. There's strong interest with FIs in Australia and the U.K. to adopt these types of solutions to help better manage their budgets, streamline the process and enhance their systems with strong monitoring and fraud prevention capabilities. In Brazil, FIs report few disputes being resolved before becoming chargebacks due to low merchant adoption of chargeback prevention solutions. They're looking to upgrade their fraud systems to help stop fraud and lower chargeback volumes.

When compared to FIs, our study found that a higher percentage of merchants use third-party chargeback solutions to reduce chargebacks. Merchants using these tools find them effective — 76% rated dispute management and prevention tools very effective or effective.

Advantages offered by advanced collaborative tools

Advanced tools based on collaboration and secure data sharing between merchants and issuers are helping global businesses gain an edge in managing chargebacks, while also improving the customer experience.

NOTIFY WITH REAL-TIME ALERTS

Chargeback resolution tools work by receiving confirmed dispute information from an issuer. Near-real-time notifications are sent to the merchant so they can act quickly to refund or cancel the customer's order and avoid an unnecessary chargeback altogether.

EMPOWER CARDHOLDERS WITH DIGITAL TOOLS

Providing tools through a card issuer's banking app to help cardholders more easily recognize purchases means fewer disputes caused by transaction confusion. Offering subscription management tools can also help avoid disputes by giving consumers an easy way to pause or modify their plans. These types of tools can help improve the overall customer experience and reduce costs associated with fraud and chargebacks.

FIGHT FIRST-PARTY FRAUD WITH INSIGHTS AND RISK MODELING

This type of program helps merchants and issuers significantly reduce first-party fraud by using AI-driven transaction insights and risk modeling. This approach helps to spot and prevent first-party fraud and prove genuine transactions made by the cardholder.

07

Conclusion

Innovative solutions help reduce and prevent chargebacks

The most effective chargeback prevention solutions are based on a robust global collaboration network. Automated tools securely provide rich merchant and purchase information to cardholders within their banking apps — and to FIs' call center and back-office staff helping call center staff resolve or deflect a dispute — by providing back-office teams the right data about the transaction to enable a faster resolution.

Enabling this type of data sharing helps prevent chargebacks before they escalate into costly disputes — while delivering on a better customer experience, leading to greater satisfaction and loyalty.

Visit us at https://b2b.mastercard.com/chargeback-prevention/ to learn more about how your business can better manage and reduce chargebacks.

About the research

In Q4 of 2024 Datos Insights conducted a global industry assessment of the chargeback space sponsored by Ethoca, a Mastercard company. Datos deployed a combination of qualitative and quantitative interviews to gather the data and insights. Twenty-three financial institutions across four countries (the U.S., U.K., Brazil and Australia) participated in the qualitative interviews. FI executives had titles similar to head of fraud, head of disputes or head of chargebacks. In these same countries, 840 midsize and large merchants completed quantitative interviews. The merchant survey population was equally distributed across the four countries and the data for the full merchant sample has a margin of error of 3.5 points at the 95% level of confidence. Merchant executives had titles similar to business manager, CIO, CFO, COO, finance manager and payments manager. The industries merchants operate include: retail (physical goods sold online or in-store), hospitality (such as hotel, restaurant and resort), digital goods (such as books, games, movies and apps), travel (such as airline, cruise, travel agency and car rental), subscription services (such as streaming and video), real money gaming or gambling (such as betting), cryptocurrency or exchange, and adult entertainment. Several large issuing and acquiring card processors participated in phone interviews.

About Mastercard

Mastercard powers economies and empowers people in 200+ countries and territories worldwide. Together with our customers, we're building a sustainable economy where everyone can prosper. We support a wide range of digital payments choices, making transactions secure, simple, smart and accessible. Our technology and innovation, partnerships and networks combine to deliver a unique set of products and services that help people, businesses and governments realize their greatest potential.