

# Dispute Resolution Management During COVID-19 (Public Version)

May 1, 2020

Mastercard is closely monitoring the impact of COVID-19 on the payment ecosystem and recognizes the challenges this may have on all participants, particularly when it comes to dispute resolution management. Over the coming months, we expect to see a chargeback volume increase.

**We strongly encourage cardholders to attempt to resolve disputes with merchants before processing a chargeback.** (See this [article](#)<sup>1</sup> for some tips). In many cases, merchants are offering refunds, or have instituted flexible policies such as fee waivers, store credit or vouchers (collectively, 'reasonable alternatives') for future service. Ultimately, if an amicable resolution can be achieved between the cardholder and a merchant, this will be beneficial to the entire payment ecosystem during this unprecedented situation.

Best practices and frequently asked questions are provided in this document to guide Mastercard customers (issuers and acquirers – as defined below) through common dispute scenarios. This information is considered initial guidance and does not pre-empt the consideration or final disposition of a chargeback case. Every case is reviewed on an individual basis based on the facts and circumstances presented, and in accordance with the Mastercard Standards, including but not limited to, the *Chargeback Guide*.

## Chargeback Process

### What it is:

- Resolves chargeback disputes between two Mastercard customers (one that provided consumer with Mastercard-branded card ('issuer'), and one that acquired the transaction on behalf of the merchant ('acquirer'))
- Governed by Mastercard Standards
- Based solely on claims, evidence and materials presented

### What it is not:

- Legal adjudication of consumer or merchant rights under law
- Governed by local law of each country
- Substitute for court cases or proceedings under law

<sup>1</sup> Johan Gerber and Marie Russo, "Bypassing billing disputes in the COVID-19 era How to navigate – or shortcut – the process", [www.mastercardcontentexchange.com, https://mastercardcontentexchange.com/perspectives/stories/bypassing-billing-disputes-in-the-covid-19-era/](https://mastercardcontentexchange.com/perspectives/stories/bypassing-billing-disputes-in-the-covid-19-era/) (April 6, 2020)

## Chargeback FAQs

We anticipate that the most common scenarios that will arise from COVID-19-related disputes includes, but is not limited to:

- Goods or Services Not Provided
- Goods or Services Were Either Not as Described or Defective
- Credit Not Processed

### Cardholder's Cancelling Services

- 1) Question: A cardholder declined use of available services due to concerns related to COVID-19. For example, the cardholder chose not to fly following precautionary advice or to avoid mandated quarantines upon arrival. Does the issuer have chargeback rights?**

**Answer:** No. The issuer does not have chargeback rights if a cardholder chose not to use services made available by a merchant, as the merchant has fulfilled its obligations linked to the transaction. This also applies to non-airline merchants, such as hotels and other venues that kept their obligations to deliver services.

*Note: There may be a chargeback right if a refund is due per the terms and conditions properly disclosed to the cardholder at the time of the purchase and the refund has not been processed. For example, when the cardholder cancelled a refundable reservation in accordance with the cancellation policy. We strongly encourage issuers to have cardholders first attempt to resolve disputes with merchants before processing a chargeback however, even when not required by the Mastercard standards.*

- 2) Question: A cardholder is unable to use available services because of travel restrictions on the cardholder. For example, a cardholder may not be permitted to board an operating flight due to their nationality or medical symptoms, or the cardholder cannot reach a hotel stay due to border closures. Does an issuer have chargeback rights?**

**Answer:** No. The issuer does not have chargeback rights if a cardholder cannot use or access services made available by a merchant, as the merchant has fulfilled its obligations linked to the transaction. This also applies to non-airline merchants, such as hotels and other venues that kept their obligations to deliver services.

*Note: There may be a chargeback right if a refund is due per the terms and conditions properly disclosed to the cardholder at the time of the purchase and the refund has not been processed. For example, when the cardholder cancelled a refundable reservation in accordance with the cancellation policy. We strongly encourage issuers to have cardholders first attempt to resolve disputes with merchants before processing a chargeback however, even when not required by the Mastercard standards.*

- 3) Question: A cardholder has been charged a no-show penalty because they didn't cancel a reservation as per the cancellation policy. Does an issuer have chargeback rights?**

**Answer:** No. The issuer does not have a chargeback right if the merchant (e.g. hotel) was open and made the service available to the cardholder, as the cardholder didn't cancel the reservation as per the cancellation policy.

*Note: If the cardholder made a reasonable attempt to cancel the reservation but was unsuccessful (e.g., hotel closed or not responding to calls or emails), this may be considered sufficient for a chargeback if supported in the dispute documentation.*

- 4) Question: A cardholder missed their flight (for any reason) and as a result, missed a subsequent separate non-refundable service, such as a cruise or prepaid hotel reservation. Does an issuer have a chargeback right for the subsequent missed service?**

**Answer:** No. The issuer would not have chargeback rights for the subsequent missed service unless the cardholder is entitled to a refund as per the merchant terms and conditions properly disclosed to the cardholder at the time of the purchase.

- 5) Question: A cardholder chose not to use a service made available by a merchant and did not have the right to a refund (e.g., cardholder did not show up for a scheduled massage, flight or other reservation, and did not cancel in advance). Although not required by the terms and conditions at the time of purchase, the merchant provided the cardholder a voucher or merchant-branded gift card for free as a gesture of goodwill. The voucher or merchant-branded gift card becomes unusable because the merchant is no longer in business. Does an issuer have chargeback rights?**

**Answer:** No. There is no chargeback right if the merchant provided a free voucher or merchant-branded gift card as a gesture of goodwill. Similar to Question 1 above, the cardholder does not have a chargeback right under the original transaction, since the cardholder chose not to use the services made available by the merchant. Since the cardholder did not pay for the voucher or merchant-branded gift card, there is no chargeback right if it becomes unusable.

## Merchant Cancellations

- 1) Question: The cardholder prepaid for services (e.g. flight or hotel reservation) and the cardholder was notified that the merchant will not be able to provide the services. No refund has been processed. Does an issuer have chargeback rights?**

**Answer:** Yes. There is a chargeback right when services are not provided, including when they are cancelled by a merchant due to government restrictions, insolvency or other exceptional circumstances, unless the merchant has a right to provide the cardholder with reasonable alternatives based on the terms and conditions properly disclosed to the cardholder at the time purchase, or based on applicable government legislation or regulation.

For example, there may not be a chargeback right, if the merchant is required by the government to impose a voucher or other reasonable alternative on the cardholder in lieu of a refund.

- 2) Question: The cardholder is notified that the date of service (e.g. concert, sports event, flight or package holiday itinerary) was changed/postponed due to COVID-19 restrictions; however, the cardholder cannot or does not want to use the service on the new date. Does an issuer have chargeback rights?**

**Answer:** Yes. There is a chargeback right when services are changed or postponed by the merchant and this is not accepted by the cardholder. Cardholders are not obligated to accept reasonable alternative services unless required by the terms and conditions properly disclosed to the cardholder at the time of the purchase, or applicable government legislation or regulations.

- 3) Question: The cardholder purchased a travel package through a travel agent that included flights and other services, such as hotel accommodation or a cruise. The flights were cancelled but the other services are available for use. Does an issuer have chargeback rights for the entire transaction?**

**Answer:** Under these facts, the issuer would usually have chargeback rights for the entire travel package that was purchased. However, whether the issuer has chargeback rights for the entire transaction amount, or only a partial transaction amount, will depend on the travel package terms and conditions properly disclosed to the cardholder at the time of the purchase.

*Note: If the cardholder created their own package and booked each item separately, then the flight cancellation would not give rise to chargeback rights on the other separately booked services. The cardholder would need to cancel the hotel, tour, cruise, etc. within the required merchant cancellation terms and conditions properly disclosed to the cardholder at the time of the booking.*

- 4) Question: The merchant declines to process a refund for cancelled services citing a "Force Majeure" clause in the merchant terms and conditions properly disclosed to the cardholder at the time of purchase. Does an issuer have chargeback rights?**

**Answer:** Mastercard will honor merchant terms and conditions properly disclosed to the cardholder at the time of the purchase. Due to the complexity of contractual disputes including the applicability of clauses like "Force Majeure" to COVID-19, Mastercard's review and ultimate determination of these disputes will be fact-specific.

### **Reasonable Alternatives for Services Cancelled by Merchants**

- 1) Question: The merchant has cancelled services and offered the cardholder a reasonable alternative for future service. Does Mastercard prohibit this?**

**Answer:** No. We are supportive of these efforts and encourage acquirers to recommend such practices to their merchants. Ultimately, if an amicable resolution can be reached between the cardholder and the merchant, this will be beneficial to the entire payment ecosystem during this difficult situation.

- 2) Question: The merchant has cancelled services and offered the cardholder a reasonable alternative for future service. The cardholder declines this reasonable alternative but the merchant refuses to process a refund. Does an issuer have chargeback rights?**

**Answer:** Yes. Reasonable alternatives for future services cannot be imposed on the cardholder in lieu of a refund, unless the merchant has a right to provide the cardholder with such reasonable alternatives based on the terms and conditions properly disclosed to the cardholder at the time of the purchase, or based on applicable government legislation or regulations.

- 3) Question: The merchant has cancelled services and offered the cardholder a reasonable alternative for future service. The cardholder does not want this reasonable alternative but the merchant refuses to process a refund citing legislation or government regulation. Does an issuer have chargeback rights?**

**Answer:** Mastercard will review and factor in relevant and applicable legislation or government regulation aimed at addressing COVID-19 disputes. For example, the cardholder may need to accept a voucher in lieu of a refund if a government issues legislation or regulation that requires a merchant to provide a voucher in lieu of a refund.

- 4) Question: The merchant has cancelled services. The cardholder has a right to a full refund but has accepted a reasonable alternative for future service from the merchant. Does an issuer have chargeback rights if the merchant later becomes insolvent and the reasonable alternative cannot be used?**

**Answer:** Yes. By accepting the reasonable alternative for future service, the cardholder and merchant have agreed to new terms and conditions for the same purchase transaction, which is still considered a Mastercard transaction. In the case of a reasonable alternative (e.g. voucher or merchant-branded gift card) being provided after a merchant cancelled services, Mastercard allows issuers to submit chargebacks if the reasonable alternative is not useable as described, due to merchant becoming insolvent or the service not being otherwise available.

- 5) Question: The merchant has cancelled services and the cardholder accepted a reasonable alternative for future service from the merchant, such as a voucher or merchant-branded gift card. Is there a chargeback right if the cardholder later changes their mind, asks for a refund and is denied a refund by the merchant?**

**Answer:** No. There is no chargeback right if the merchant and cardholder had reached an amicable solution where the cardholder accepted the reasonable alternative and the reasonable alternative is usable as described, even if the original reservation was refundable.

*Note: There may be a chargeback right if the reasonable alternative cannot be used as described (e.g. the merchant is no longer in business or the voucher's terms and conditions state it is refundable).*

- 6) Question: The merchant has provided a reasonable alternative for future service, such as a voucher or merchant-branded gift card. If unused, the reasonable alternative is redeemable for a monetary refund after a defined period as per the terms and conditions, or applicable government legislation or regulation. Is there a chargeback right if the refund is not processed after the defined period?**

**Answer:** Yes. If the defined period is exhausted, and the cardholder has not used or redeemed the reasonable alternative, then a chargeback may be considered. There is no immediate chargeback right.

We strongly encourage issuers to have cardholders first attempt to resolve disputes with merchants before processing a chargeback, even when not required by the Mastercard standards.

## Other General Questions

- 1) **Question: The cardholder has incurred out of pocket expenses after the merchant cancelled services. Does the issuer have chargeback rights for the out of pocket expenses?**

**Answer:** No. As always, out of pocket expenses or other financial damages resulting from cancelled services cannot be included in a chargeback. Only the transaction amount can be charged back if there is a valid chargeback right.

- 2) **Question: The cardholder has ordered goods to be delivered but they have not arrived by the scheduled or mutually acceptable extended delivery date. For example, the merchant has shipped the goods but due to quarantines or travel delays the package has not arrived. Does the issuer have chargeback rights?**

**Answer:** Yes. As always, the merchant is responsible for ensuring the goods reach the cardholder by the latest expected delivery date. If the goods are expected to arrive late, issuers are encouraged to ask the cardholder for patience and flexibility to avoid the need for a chargeback.

- 3) **Question: The cardholder's flight has been cancelled and the transaction was billed by an online travel agent (OTA). The OTA tells the cardholder that they are only responsible for making the reservation and not providing the flight. Does an issuer have chargeback rights?**

**Answer:** Yes. In these circumstances, Mastercard would view the OTA as the merchant of record, and an agent of the travel supplier, regardless of the terms and conditions disclosed to the cardholder. Under Mastercard Standards, the OTA, by accepting payment for the service purchased by the cardholder (e.g. flight) and not just for handling the reservation, assumes responsibility for chargebacks if the service is not provided. The OTA should work closely with its travel partners or travel suppliers to avoid a cardholder getting reimbursed twice for the same transaction.