



Managing Recurring Transactions – Merchant Best Practice Guide

Visa Europe Risk Management

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Welcome to Visa Europe's Risk Management Best Practice Guide for Recurring Transactions (RTs).

RTs are an important payments segment and volumes are growing significantly. More and more merchants look to offer RTs as part of their business model and an increasing number of cardholders are being encouraged to use them. RTs provide simplicity for cardholders and a range of benefits for businesses, such as the ability to better forecast income.

RTs are transactions where the cardholder consents to having their account charged on a pre-agreed condition (e.g. the balance on a prepaid card drops below a certain amount) or frequency (e.g. monthly or annually). Once the cardholder has agreed, they can continue to receive the goods or services without having to worry about payments as this is taken care of by the merchant.

Introduction

This guide is for merchants considering or already accepting RTs. For RTs to work correctly, deliver a good standard of service and be relatively risk free for all concerned, the Visa Europe Operating Regulations outline a number of requirements to help ensure a positive user experience for merchants, cardholders and members.

This guide covers the rules that need to be understood, useful guidance when accepting RTs and complements the contract merchants will have signed with their acquirer. This will help ensure merchants and their customers enjoy a simple and efficient payment process, which is clearly understood by them and their customers.

In this guide, we outline the Operating Regulations as well as other recommended best practices



Managing Recurring Transactions

1. Understanding the RT Process and Reducing the Risk

The following will help the effective management of RTs:

- Allow customers to choose their preferred billing date, it will help ensure that funds are available
- Inform the customer of the "Doing Business As" name, or the name they will easily recognise when billed and be used in any correspondence with them
- Notify customers at least fourteen days in advance of submitting a recurring transaction billing
- Ensure that billing is stopped immediately upon the customer fulfilling the cancellation terms – provide them with cancellation confirmation including when the last payment is due if this has not already occurred, or if a credit is due when the credit will be processed
- Ensure that the customer is notified when goods or services cannot be delivered or provided on the agreed date
- Train your sales and customer service staff on the proper procedures for setting up and submitting RTs, as they are particularly customer service sensitive.

2. Set Up

When entering a RT Agreement, a merchant must:

- Obtain express consent from the customer at the point of checkout or sale to periodically charge for recurring services and agree the length of time that permission is granted for
- When obtaining that consent, the merchant must provide the customer with the following information:
 - The payment amount and whether it is fixed or variable
 - The payment date and whether it is fixed or variable; and
 - The agreed method of communication for all future correspondence
- Retain a copy of that permission in a format, such as email, other electronic record or in paper form for the duration of that RT and provide it to an Issuer upon their request
- Where a merchant does not submit a transaction at the time of making the RT agreement, it must submit an Account Verification (authorisation), which must be populated with the "RT" indicator
- Provide the customer with confirmation that an RT agreement has been entered into within 2 days of entering that agreement.

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3. Transaction Processing

When processing RTs as e-com transactions we highly recommend that merchants utilise Verified by Visa for the initial authentication of a new customer

Merchants must:

- Obtain authorisation for each transaction. All RTs are subject to a zero floor limit
- Include a CVV2 value in the first authorisation request of a new RT and where available check the customers address by including address verification data
- Check the Visa Account Updater (currently available and mandated in the UK, Ireland, Italy and Greece) before submitting the transactions. The service provides payment card updates, which means that merchants can avoid



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declines due to expired cards and other costs and inconveniences associated with re-issued cards. In addition, it is also a method for communicating to merchants that the cardholder has cancelled the RT agreement and further RTs should be stopped immediately

- Take care to ensure that the correct expiry date is included with each transaction. Issuers may choose to decline transactions if it is incorrect or missing
- Ensure that the appropriate RT indicator is used. This information is important as it helps Issuers make better informed authorisation decisions
 - For authorisation requests, this means populating the POS Environment Code (Field 126.13) with the RT indicator of "R"
 - For clearing drafts, this means populating the POS environment code (TCR 1, position 168) with the RT indicator of "R"
- For face to face transactions Enter "RT" on the signature line of the transaction receipt
- Where a merchant does not submit a transaction for authorisation at the time of making the RT agreement, it must provide the customer with confirmation that they have entered into the agreement within two business days of it being made.

Merchants should ensure that they do not:

- Submit a RT through more than one acquirer unless the name used (line 1 & 2 of the statement narrative) is identical
- Include any charges or payments other than those referred to in the RT Agreement
- Submit a RT if it receives either a decline response or a cancellation notice, or
- Submit incorrect or misleading authorisation data in an attempt to avoid a stop instruction placed against a card.

An RT must include the following on the transaction receipt and be agreed with the customer:

- The frequency of the transactions
- The period over which the RTs will be taken.



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4. Communication

Merchants must use the agreed method of communication and provide notification to the customer at least seven working days prior to a RT if any of the following apply:

- More than six months have elapsed since the previous RT
- A trial period, introductory offer or any promotional activity has expired
- The RT agreement has been changed, including:
 - any change to the amount of the RT;
 - any change to the date of the RT.

It is recommended that merchants also notify customers when processing the first payment.

At the same time as providing this notification, the merchant must also advise the customer how to cancel the payment.

5. Merchant Details

Must be supplied as follows:

- For RTs initiated at an e-com merchant, the merchant name field must contain the merchant's website address
- For RTs initiated at a Mail/Telephone Order merchant or other merchants, the City field must contain the merchant contact telephone number. The telephone number used must be accessible by all customers worldwide
- Unless provided by different entities the merchant name and card acceptor ID fields should be consistent between the Authorisation request and the related Clearing Record for an RT
- Contact details for all merchants must appear in the transaction data for all RTs. Card issuers must ensure that these are provided in the transaction details that are included on cardholder statements.

For RTs initiated at an E-com merchant, the merchant name field must contain the merchant's website address



Cancellation

E-com merchants must ensure that they do the following:

- An e-com merchant must provide an on-line cancellation procedure for recurring transactions
- Check customer contact records daily for cancellation or non-renewal requests related to RTs
- Take the appropriate action and comply promptly
- Notify the customer that the RT payment account has been closed
- If a cancellation request is received too late to prevent the most recent RT from posting to the customer's account, process the credit as soon as possible and notify the customer
- Should a customer dispute a RT and/ or their card issuer raises a chargeback this may not be challenged under Visa Europe rules. The merchant must pursue the matter direct with their customer.

Responding to Declined Transactions

It is important that merchants respond according to the reason provided for the decline. For example, further authorisation requests are not permitted when the customer has provided a "stop" instruction on the transaction i.e. an R1 or R3 decline message (Please check with your acquirer how this message is communicated).

A decline for lack of funds however may be treated differently. Authorisations may be resubmitted, but should not be excessive.

If merchants are not receiving decline codes in sufficient detail from their acquirers then we recommend they contact their acquirer and request that information be provided, as this information is critical for you to manage RTs effectively.

Processing Unauthorised Transactions

As stated above, all RTs must be authorised. Failure to get authorisation of an RT or the submission to clearing of an RT that has previously been declined may result in Visa Europe taking non-compliance action.

Summary and Further Information

For further advice or information please contact your Visa Europe Relationship manager or email customersupport@visa.com.



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