The most recent example of this growing and increasingly necessary trend was in February, when First Atlantic Commerce Ltd (FAC), unveiled a suite of ‘card-not-present’ consumer pre-authentication and data risk management solutions aimed at reducing or mitigating RC23 and RC83 chargebacks associated with online payment ‘friendly fraud’.

The combined solutions are set to help bank acquirers, online merchants and IPSPs from the increasing abuse of ‘friendly fraud’ related chargebacks, which are on the rise as a result of the current credit crisis. FAC CEO, Andrea Wilson explained, “Consumers that charged transactions to their credit cards in August and September are now charging them back under the ‘zero liability’ Issuer programmes (chargeback RC23 and 83) simply because they can no longer afford to pay their bills due to job losses or investment/savings losses. We have seen a considerable increase in ‘Unauthorised Transaction’ chargebacks since October, and it reflects the current situation in the credit card markets.

“In this current credit crisis market, the online industry as a whole needs to be far more pro-active in pre-authentication of credit card transactions and/or consumers ahead of a friendly fraud loss.”

Despite the fact solutions such as AVS and CVV2/CVC2 match checks without a payment authorisation ($0 authorisation amount), Call Centre AVS-only solutions, and AVS data matching to IP Geolocation verification requests will help to identify if the person performing the transaction is in possession of the card or account, they will not prevent a ‘friendly fraud’ chargeback from occurring. 3-D Secure™ solutions, however, will. Multi-region 3-D Secure™ Solutions for Verified by Visa and MasterCard® SecureCode™ allow acquiring banks and merchants to shift the financial liability of chargebacks for RC23 and RC83 back to the Issuer and cardholder who performed the original transaction. 3-D Secure™ only services can be implemented independently of payment gateway transaction services, providing more flexibility to acquirers and payment processors for payment screening. “In a credit crisis market where consumers have legitimately performed the transaction yet are now charging back claiming they didn’t do it, the only protection a merchant and an acquiring bank has against those chargeback losses is Verified by Visa and MasterCard SecureCode™,” Wilson added.

Merchants that participate in Verified by Visa have chargeback liability shift protection on all transactions that are charged back for RC23 and RC83 if an attempt to authenticate the cardholder is performed and the transaction is authorised. “If the attempt to authenticate the cardholder is performed, Visa protects the merchant and the acquirer from friendly fraud chargebacks by shifting the financial liability back to the issuing bank, even if the issuing bank has zero-liability policies in place for its cardholders. This is vitally important in today’s credit crisis as the balance of risk is now fluctuating at dangerous levels for acquiring banks globally,” Wilson continued.

“What is unique about FAC’s cGate SecureRisk services is that they are available in multiple currencies and countries so merchants and acquiring banks, anywhere in the world, can implement their choice of solutions, and have an immediate benefit with a reduction in online transactional fraud. Being flexible and meeting the risk profile of our clients is the ultimate goal of our programme. Banks and merchants not registered with 3-D Secure™ solutions in today’s high-risk consumer credit market are inevitably going to have ‘friendly fraud’ losses. Be smart about protecting your hard earned sales against ‘friendly fraud’ losses and chargeback fines. Implement 3-D Secure.”