



Visa Consulting & Analytics (VCA)

# Enhancing dispute-resolution processes

How financial institutions can reassess team roles and technology to streamline resolving transaction disputes



**No one in the payments industry likes to see disputed transactions. They can be a source of friction, can negatively impact financial and operational performance, and can lead to customer dissatisfaction.**

While the exact amount is unknown, it is certain that disputed payment transactions globally cost the payments industry billions of dollars each year (and rising). Within the global Visa ecosystem alone, the number of disputes rose by 39 percent between 2019 and 2022.<sup>1</sup> Meanwhile, in the influential U.S. market, 24 percent of cardholders are estimated to have filed a dispute in a single year.<sup>2</sup>

In addition to causing financial and operational consequences, disputed transactions can create negative customer experiences depending on the nature and the timeliness in which the financial institution handles and resolves them. In a recent study, more than eight percent of cardholders reported their bank's handling of a transaction dispute had worsened their perception of their bank.<sup>3</sup>

In this paper, Visa Consulting & Analytics (VCA) and Visa Disputes Optimization (VDO) teams share best practices for issuers and acquirers related to teams, processes, and technologies. We present universal strategies that can help prevent disputes from materializing and can optimize the way they are managed.



Within the global Visa ecosystem alone, the number of disputes jumped by

**47%**

between 2019 to 2023.<sup>1</sup>

1. VisaNet data, January 2019 through December 2023

2. Auriemma Research, The Payments Report - Short-Term vs. Long-Term BNPL, Issuer-Provided Installment Plans, AI in Banking, P2P Taxes, Card Fraud, and Rewards Debit Cards, survey of US debit cardholders, February 2023

3. PYMNTS.com and PAAY, How Transaction Disputes And Declines Impact The Consumer-Merchant Relationship, October 2020: <https://www.pymnts.com/study/credit-card-frictions-transaction-disputes-declines-paay/>





# The right teams

**Putting the right people, with the right skills, into the right roles**

## **Appoint dedicated disputes teams**

Many financial institutions (FIs), encompassing both issuers and acquirers, automatically bundle the disputes function into another team, such as the fraud management team. This can result in the FI losing more disputes than could otherwise be the case. While fraud may be a factor in some disputes, it is only one of many reasons why a cardholder may request a refund, or a merchant may want to respond. In addition, rules about disputes (e.g., dispute response, pre-arbitration, and arbitration) are specific to the disputes process.

The same reasoning is applicable to call centers. Customers with a suspected dispute should have a dedicated line to call and/or a team to liaise with. This means that many more disputes can be handled in a single interaction and ensures that all the pertinent information is requested or collected up front.

Ultimately, handling disputes is a specific function in any payments business, thus necessitating a dedicated team.



## Align the team with your business priorities

Too many FIs still regard disputes as inconveniences. Because many cardholders and merchants tend to interact with the function, it represents a key step in the customer journey and should be regarded as part of the overall value proposition to clients.

The disputes function should therefore have senior leadership oversight, with visibility in product teams, and alignment with strategic initiatives.

For instance, if a financial institution prioritizes personalized, human interaction, it should mirror this in the organization of the disputes team. This could involve live associates handling phone calls or accepting disputes at physical branch locations. Alternatively, if the FI's value proposition is more about a slick, automated online account servicing, the disputes function should be resourced and organized accordingly, with the ability to submit a dispute in-app. Also, the structure and emphasis of the team should reflect the nature of the FI's business – including the breadth of its portfolio, its transactions volumes, the complexity of its ecosystem, and so on.

## Decide on the right operating model

As with so many other aspects of the payments business, FIs need to decide which parts of the function to keep in-house and which, if any, could be delegated to a third party.

Larger FIs with a desire to maintain total control over the details of the customer experience typically want to keep all of the disputes function in house. They may therefore want to hire dedicated staff or upskill existing employees.

Smaller FIs, and those with leaner business models, will typically choose to outsource the function.

There exists a hybrid solution: FIs can choose to keep the differentiating dimensions inhouse – such as highly attentive and personable customer service – with the more commoditized dimensions being outsourced.

## Equip your people with the right skills

Whatever operating model a FI does select, it is important for the in-house team to understand the importance of their function and the role they play within it.

Whenever an FI conducts or commissions a strategic review of its disputes function, a program of training will typically be implemented – which, in addition to upskilling staff, can equip them to identify ongoing challenges, understand the impacts of recent or forthcoming rule changes, and implement improvements across the disputes process.





# The right processes

**Implementing the right protocols, across the right channels, backed by the right communications**

## Tailor your channels to align with your business

Different FIs have different preferences on how they prefer their customers to interact with them across the disputes process. Often, this is determined by the size of the FI:

- Larger FIs tend to guide customers towards a single, all-embracing channel such as a mobile app, which has been optimized for efficient dispute management.
- Mid-sized FIs tend to support an omnichannel approach, enabling customers to follow their personal preferences of submitting their dispute by phone, email, in-app, or via the website.
- With smaller FIs, channel utilization varies by organization. Traditional players, like community banks, often lack the resources and infrastructure to manage digital channels, so many process their cardholders' disputes through a call center, in-store, or through a shared service center. Newer fintechs and neobanks tend to invest in building out sophisticated digital channels to cater to the digital-natives segment.

## Communicate effectively and transparently with customers

For all institutions, regardless of size, it is advantageous to prevent a transaction dispute from materializing in the first place. However, if the filing becomes inevitable, it is beneficial for all parties to have a clear understanding of how the process works. In this case, sharing clear communications is a key consideration.

For example, cardholders should be made aware of risk factors, such as subscription renewals and return windows, and how to mitigate them. At the same time, it is crucial for merchants to comprehend the kinds of issues that could initiate an unnecessary dispute, such as ambiguous merchant names or locations on account statements.

The key takeaway is that both cardholders and merchants should be encouraged to address any question directly between them, instead of defaulting to a formal dispute, which can be time-consuming and may lead to unnecessary fees.





# The right technology

**Investing in the right systems, with the right functionalities**

## **Consider automating more of your processes**

With digital banking, much of the data required to process a dispute already exists in an FI's database, website, or apps – which often means that workflows can be automated quite easily. As well as enabling new efficiencies, automation can speed up the dispute resolution process, benefiting FIs and their customers alike.

FIs should also consider whether to apply automation to transaction-review processes. For example, some FIs will routinely accept disputes that fall below a certain dollar threshold, without going through a comprehensive review. This, in turn, can generate higher dispute costs. By investing in technologies like bots and automated workflows, it becomes possible to identify and filter out any transactions that are not eligible for a chargeback.



## Adopt capabilities to process and decipher compelling evidence

"Friendly fraud," which involves a cardholder claiming a transaction is fraudulent after knowingly participating in the transaction, has created issues in the card-not-present space (when cardholders complete transactions using their payment information but not their physical cards). With Visa's newly updated capability, Compelling Evidence, ecommerce merchants now have a method of demonstrating that the cardholder knowingly conducted the transaction using data (e.g., device fingerprints, shipping addresses, account login details, etc.).

From a technology and automation perspective, the main implications fall within the merchant realm (including the capability to capture, store, and present this type of data). But there are implications for FI systems on both the issuing and the acquiring fronts. Therefore, maintaining extensive communication with customers is key to ensuring that both cardholders and merchants understand the parameters of each transaction and resources available should there be a dispute.



## Develop data-reporting capabilities and conduct analysis

As in many other segments in the payments sector, the idea that management requires measurement applies to disputes resolution as well.

FIs should routinely capture data on their disputes performance, track changes over time, establish key performance metrics, and set targets. It is also worth going beyond the actual disputes and extending the analysis to the merchant and cardholder levels.

If any customer generates a disproportionate volume of disputes, further investigation is could be warranted. For example, if a consumer frequently disputes transactions, it may be worth tightening the way their account is being managed. Similarly, if out-of-pattern purchases are identified, there is a risk of a dispute materializing - which can be a reason to preemptively block suspicious-looking transactions.



# How Visa can help

Visa offers a range of services aimed to help both FIs and merchants to optimize their disputes performance and to manage associated costs:



## Visa Disputes Optimization Reviews

Visa Disputes Optimization (VDO) offers a review solution for FIs or merchants. As a first step, the FI's disputes performance is analyzed and benchmarked against domestic and international peers and the operating model is assessed. Based on that analysis and on the organization's systems and capabilities, VDO experts then make a series of tailored recommendations to streamline the review process. The FI can also subscribe to quarterly disputes data to track their ongoing progress.



## The Recover Solution

This Verifi, a Visa solution, offering enables a merchant to outsource their revenue recovery with Verifi's team of experts, who handcraft dispute responses to help merchants reclaim sales revenue lost to disputes. Not all disputes are created equal. Verifi knows this well. With more than 15 years of experience, Verifi has learned that the best recipe for dispute response success is a human touch. Our team of experts has the ability to review each and every dispute and build a custom compelling evidence response to maximize win rates for all major card brands globally.



## Visa Disputes Optimization Workshops

The VDO team can deliver optimization workshops. A disputes expert will deliver a tailored program to equip FIs or merchants with information and strategies to enhance the way their disputes are managed. Workshops can be tailored to meet the needs of dedicated disputes teams or can be used as an opportunity to increase awareness and collaboration among a wider group of the organization's stakeholders.



## Visa Dispute Management Services

Visa Dispute Management Service (VDMS), an on-behalf-of dispute case management service, can help issuers manage disputes after initial intake for Visa transactions, freeing up issuers' time to focus on serving customers. VDMS dispute analysts have over 500 combined years of dispute case management experience, enabling them to analyze transactions, understand the relevant Visa rules and pursue recoveries from merchants for issuers. This can help free issuer resources to focus on maintaining the relationship and interaction with customers, while VDMS handles aspects of the dispute process behind the scenes.



## Visa Disputes Optimization Expert Insights

The VDO expert insights program enables FIs or merchants to benefit from a one-on-one consultation with one of our subject matter experts. In-house disputes teams can get recommendations on how best to develop effective strategies to tackle organization-specific disputes challenges. Teams can get tailored and actionable advice on how to optimize their disputes and prevent them from advancing to arbitration.







# About Visa Disputes Optimization

We are a global team of subject matter experts and consultants who work with FIs, service providers, and merchants to understand, benchmark, and improve their disputes performance. Here are our most commonly used solutions:



## Issuers

- Optimizing call center rep and dispute analyst interactions with cardholders
- Employing automated processes to streamline operations and reduce costs
- Identifying opportunities to implement cardholder self-service solutions



## Issuer Service Providers

- Automating more of the dispute management service
- Using best practices to streamline processes and reduce costs



## Merchants

- Optimizing pre- and post-dispute protocols to minimize chargeback ratios, combat friendly fraud, and reduce costs
- Providing improved transaction transparency to consumers by sharing digital receipt data with issuers
- Streamlining consumers' post-purchase experience.





# About Visa Consulting & Analytics

VCA is a global team of 1,300+ payments consultants, digital marketing specialists, data scientists, and economists across six continents.

The combination of our deep payments consulting expertise, our economic intelligence, and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of combined experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and/or machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

For more information, please contact your Visa Account Executive, email Visa Consulting & Analytics at [VCA@Visa.com](mailto:VCA@Visa.com) or visit us at [Visa.com/VCA](https://www.visa.com/VCA).

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