

Charge Back Policy

1. Introduction

- 1.1. Under the Consumer Credit Act, Section 75 (card scheme rules), individuals have the right to request a charge-back of debit/credit card payments made to another individual, business, or other organisation, up to 18 months from the date of the original transaction taking place.

This may be for one of the following reasons.

- Cardholder not present
 - Stolen card
 - Lost card
 - Services not provided
 - Defaulted goods
 - Card expired
- 1.2. Depending upon the reasons for the charge-back, the Council's payment processing company (Streamline), will either produce a charge-back enquiry letter (requesting further details from the Council prior to deciding whether to issue a charge-back) or charge-back notice letter (detailing that the charge-back will occur 14 days from the date of the letter).
- 1.3. Upon receiving a chargeback notice letter, the Council cannot prevent the charge-back from occurring, and this therefore presents a risk to the authority in relation to the following areas.
- The use of card payments (and the subsequent use of the charge back facility) by individuals as a means of preventing recovery action such as court judgments, and bailiff action, being carried out by the Council
 - The risk that charge-backs could be used to fraudulently generate funds from the Council, where the initial card utilized is stolen, payment made, and refunds are made (by alternative means) prior to the charge-back being requested
 - The Council being used as a means of "testing" stolen credit cards to checking whether they remain active prior to their use for more substantial Purchases.
 - The costs borne by the authority such as; officer time dealing with the charge-back notices/requests, costs associated with the recovery of the resulting outstanding amounts (court fees, etc), Streamline credit card charges (these are not charged to the individuals for certain categories of debt for statutory reasons).
- 1.4. Consequently, the following section sets out the notification and correction procedure which should be followed by all departments within the authority as

a means of protecting the Council's interests, both financially, and from a legal perspective

2. Notification procedures

- 2.1. Notification of Charge-back received by Financial Services.
- 2.2. Finance to identify from Streamline the reason for the chargeback and consider possible fraud implications.
- 2.3. E-mail from Financial Services (Accountancy Assistant) to respective department – via the generic e-mail addresses, notifying them of Charge-back to occur within next 14 days.
- 2.4. In the event of a Charge-back Enquiry Letter (information required).

Accountancy Assistant to work with respective department, together with Income Manager, to submit necessary information within required timescales.

- 2.5. In the event of a Charge-back Notice Letter (14 days notice)

Following receipt of the e-mail from Financial Services, the respective department should seek to take the most appropriate action, having considered the reasons for the charge-back; the arrears/recovery action position and the history of the individual, thereby taking one (or more) of the following actions:

- No further action required – await for chargeback to be applied to the relevant account by negative transfer (by Income Section) in due course
 - Contact the individual to ascertain alternative means of payment (see example letter as Appendix A) where the initial payment has been in response to further recovery action
 - Raise a copy bill to the individual to notify them of their revised liability
 - Continue with original recovery action, such as County Court Judgment or Bailiff Action, as appropriate, where a history of repeated chargebacks is evident without due cause,
 - if subsequent evidence of potential fraud is identified, refer this case to the Fraud Investigations Manager as soon as possible such that a formal fraud investigation can commence.
- 2.6. When the actual charge-back is made (i.e. the amount is debited from the Council's bank account) – the Income Section are to process this transaction to the respective personal account (Council Tax, NNDR, Rent, Sundry Debt, Parking, etc), by means of a negative transfer.

3. Protection of the Council's Interest

- 3.1. If it is identified that an individual has utilized the charge-back facility, without this being supported by valid reasons, removal of such offenders from the PayMe payment file should be considered. The Council will look to block all Council accounts linked to the perpetrators to mitigate the risk of further fraudulent action at the earliest opportunity. Authorisation for blocking these

accounts will be undertaken by the Service Manager – Financial Services or the Assistant Director (Finance).

Procedure to block customer accounts through the PayMe Telephone System and the Front Office System

- 3.1.1. Identified account reference numbers to be passed to Business Applications staff to add into the blocked list table
- 3.1.2. The customer enters the card details and amount in the normal way
- 3.1.3. Prior to communicating with the bank, the system now makes a check to the blocked list table. If the reference appears in the table, the payment is not authorised and not charged. The call is terminated.
- 3.1.4. If the reference does not appear in the table, the payment is authorised and processed to the bank as normal.

4. Recharge of costs incurred by the Council

- 4.1. Where the Council's merchant provider (currently World Pay) have levied a charge to the Council for chargeback transactions consideration will be given to recharging those costs back to the customer
- 4.2. Should the Service Manager – Financial Services or the Assistant Director (Finance) be satisfied that the original card payment and the subsequent charge back have been made by the same person the charge (£15 as at November 2012) will be recharged to the customer. A set of criteria, periodically reviewed by the Internal Audit Section, will be used to establish whether or not a recharge of the costs should be made. An example of such a case could be a customer stalling recovery action by making a card payment, then subsequently charging back the payment. This could be through the use of fraudulent or legitimate activity.
- 4.3. The recharge to the customer will be raised via a sundry debtor invoice which can be recovered through the County Court if necessary.

5. Refunds Policy

- 5.1. Issuance of refunds for accounts in credit should be made, where possible, back to the card from which they were made.

6. Issues for Consideration

- 6.1. Wherever possible, consideration should be given to generating sufficient information at source to facilitate criminal proceedings if necessary
- 6.2. Anti-Money laundering processes need to be followed in all charge back cases exceeding £1,000.

Appendix A

Payment adjustment following credit card charge back

On the xx/xx/xxxx the Council received a credit card payment of £xx.xx which was credited to your Council Tax\Business Rates\Parking Fine\Sundry Debt account.

Subsequently a charge back request was made from the issuing credit card company. Under the Consumer Credit Act 1974 the payment is reversed and your account with us is amended accordingly.

You will now be required to make alternative arrangements to bring your account up to date.

INCLUDE/DELETE THIS PARAGRAPH AS APPLICABLE; The card merchant provider has levied a charge upon the Council for their costs relating to the processing of your charge back. These costs have been recharged to you by way of an invoice, which is attached to this letter. Please arrange payment of this invoice as soon as possible (details on how to make payment are illustrated on the reverse of the invoice).

Due to the nature of the charge back transaction, details may be referred to the Police to ensure you and the Local Authority have not been a victim of fraud. If you wish to discuss this matter please contact our Corporate Fraud Team on 01474 337892 stating your account has been subjected to a chargeback transaction.

If you are unaware of this credit card payment being made to your Council Tax/Business Rates/Parking Fine/Sundry Debt account please contact my office using the details displayed at the top of this letter.