

Diana Clement: Paying with plastic offers more protection

By [Diana Clement](#)

5:30 AM Saturday Aug 4, 2012

So, the widget you bought on Trade Me never turned up. Or you paid in advance for a service and the provider went bust before delivering it. How do you get a refund from your credit card provider?

Paying with plastic has more protections than paying in cash or by cheque. If a retailer or service provider goes bust, you might have a chance of getting your money back if you paid with Visa, MasterCard or American Express.

There are several situations where someone might want to ask their bank to refund a charge on their card. Each situation is treated differently.

It is possible to reverse a credit card transaction if the goods haven't arrived or were the wrong goods, or a service was not carried out. It could be that you're supplied a lesser brand of insulation than you'd paid for, for example.

Or perhaps you've paid for carpet, but the company goes out of business before it is provided. You can then apply to your bank for a chargeback.

Other common reasons for chargebacks, says Eftpos NZ, include processing errors, unauthorised transactions, incorrect transaction amounts and expired cards.

Buyer's remorse is not grounds for a chargeback, says the Code of Banking Practice, and nor is a complaint about the quality of goods and services. There must be a breach of contract for a chargeback to be successful.

Like everything in banking, the detail is in the terms and conditions. For example, if I contracted a reputable organisation to provide a service, which wasn't performed, I might be able to claim it back. But I noticed in the ASB's small print this get-out clause: "You should consider the standing of the company or entity you are doing business with including when purchasing goods or services non-face-to-face."

The ANZ makes it very clear in its terms and conditions that complaints should be directed to a merchant first. "In very limited circumstances, if you do not receive goods or services you have ordered using your card or your card number, and if you cannot resolve your dispute with the merchant, ANZ may be entitled to charge back the transaction and provide you with a refund."

The Banking Ombudsman heard one case where a Kiwi traveller who thought he was being ripped off by a Thai jewellery store asked his bank for a chargeback. The New Zealand bank obtained the



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Photo / APN

Jewellery, had it valued, found that it was not overpriced, and gave it to the cardholder instead of a chargeback.

That must have cost the bank and the Thai supplier quite a bit, but made the point that chargebacks aren't for changes of mind.

Having said that, chargebacks are not unusual. The BNZ gets about 50 to 80 chargeback claims a day, says Roy Venayagam, who manages scheme relations and arbitrations. Not all will result in a payment reversal.

The most common reason a customer seeks a chargeback is that he or she fails to recognise the name of a merchant on a credit card statement. Sometimes it's because they haven't made the purchase. It can also be a mistake.

The BNZ gets plenty of customers who don't recognise "THW" on their statement, says Venayagam. It's an abbreviation for The Warehouse, where most New Zealanders have shopped at least once.

The next most common reason for a chargeback is fraud, then services not rendered and duplicate charges.

Since the global financial crisis the bank has seen a rise in the number of chargeback claims for services not completed by companies that have gone out of business, such as kitchen suppliers, says Venayagam.

The chargeback isn't an instant process. Customers need to file a request for chargeback with their bank within 30 to 60 days of the closing date of the credit card statement. This is a good reason to read your credit card statement as soon as it arrives.

Then the card issuer contacts the merchant's bank, which in turn contacts the merchant who has a certain amount of time to respond. It can take up to six months for a decision to be made.

Ultimately it is the credit card companies that decide whether a chargeback will be accepted.

There is often a cost. At the National Bank, for example, it's \$15 for transactions that are found to be valid. Not all banks charge. The BNZ doesn't charge customers. "We have a policy that [chargeback] is a service we provide to customers as their card issuer," says Venayagam.

I asked Trade Me what happens if a buyer using the auction website's Pay Now service wants a chargeback. Spokesman Paul Ford says it is generally the bank that makes the chargeback, but Trade Me would like to hear if there is a problem.

"If you're a buyer seeking a chargeback get in touch with the Trade Me crew so that, first, they can help you out and, second, keep track of member behaviour – if something nefarious has gone on, they want to know about it," says Ford.

"Getting Trade Me involved early is likely to make the process much easier for you."

One thing to beware of with chargebacks is that payments with Visa Debit within New Zealand go through the Eftpos system, says Venayagam. Users of these cards do not qualify for chargeback unless they are being used overseas.

Where someone has fallen victim to a scam, he or she often expects the bank to do a chargeback. This doesn't always happen. If the person has signed on the dotted line to pay, there may be no reason for a chargeback.

If you consider you have been scammed or misled, says Banking Ombudsman Deborah Battell:

* Ring your bank immediately.

* Seek a chargeback.

* Cancel your card.

But note, this may not be the end of it. "Cancelling your card may not necessarily prevent further fees being charged to your account," says Battell. You may need to cancel the contract with the supplier as well.

Where it gets problematic is if you're dealing with the type of company that Fair Go or Consumer investigate, which might have legal contracts but is still less than scrupulous. You may not have a leg to stand on.

The other problem is that the cardholder is still liable for all charges debited to their account after closure, aside from charges that a bank succeeds in reversing.

Likewise recurring payments such as subscriptions you've signed up for don't go away just because you've cancelled the credit card. You need to cancel the deal with the supplier too.

Much has already been written about banking fraud and hacking, so I'll keep it short.

Sometimes it's a relatively quick process to be refunded after a banking fraud. That is, if the customer can prove fraud and that he or she didn't breach a card's terms and conditions. There is a standard \$50 customer liability in the case of fraud.

Where it is not so clear it may require a persuasive argument to get the bank to pay up.

There are many cases in the Ombudsman's files of banks refusing to refund. One bank refused to refund Ms S for fraudulent transactions on her account because the card was present when they took place - saying it was Ms S's responsibility to ensure her card was always kept secure.

In that case the Ombudsman ruled that because the terms and conditions of Ms S's card said she was only responsible for "transactions authorised by you", and the card had been removed from her purse and used by someone else, the disputed transactions weren't authorised by her.

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