



CHARGEBACKS FOLLOW UP INQUIRY REPORT



October 2013

ABOUT THE CCMC

The Code Compliance Monitoring Committee (the CCMC) is an independent compliance monitoring body established under clause 36 of the 2013 Code of Banking Practice.

The Code of Banking Practice (the Code) is a voluntary code of conduct which sets standards of good banking practice for subscribing banks to follow when dealing with persons who are, or who may become, an individual or small business customer of a Code subscribing bank or a guarantor.

The CCMC's vision is to promote compliance with the Code and thereby contribute to the improvement of standards of practice and service by the banks. The CCMC adopts a collaborative approach to working with banks in order to achieve compliant outcomes and continuously improve industry standards.

The CCMC conducts a compliance program that reflects the objectives of the Code and comprises three core activities namely: monitoring, investigating and engaging. The CCMC's monitoring role includes conducting inquiries for the purposes of monitoring compliance with a particular requirement or requirements of the Code.

The CCMC is able to use a range of investigative and monitoring techniques when conducting these inquiries including:

- requests for information from subscribing banks;
- compliance visits to the premises of subscribing banks;
- consultation and feedback with consumer advocates;
- market research activities such as mystery or shadow shopping, surveys and forums; and
- engaging external experts.

The findings of these inquiries are provided to all participating banks, so as to influence and encourage positive change in code compliance monitoring frameworks and to share experience of good industry practice and areas requiring improvement.

CCMC reports contain de-identified data. Accordingly, only aggregated results are shown. After a period of consultation, CCMC Reports are published on the CCMC website at www.ccmc.org.au.

CONTENTS

A Background..... 4

B What we did..... 5

C What we found 7

Code Compliance 7

Consistency of information provided by representatives from the same bank..... 9

Website information 9

Feedback from Consumer Advocates..... 10

Summary of Findings..... 10

D Conclusions 10

E Recommendations..... 11

F Follow up..... 12

Contact Us..... 12

Appendix 1: Code obligations..... 13

Appendix 2: Regulatory framework..... 14

Appendix 3: Mystery Shopping Scenario..... 15

A BACKGROUND

The CCMC has conducted a follow-up mystery shopping exercise, pursuant to clause 5.1(c) of the CCMC Mandate, into how well banks who subscribe to the 2004 Code of Banking Practice (the Code) meet their obligations under clauses 2.2 (to act fairly and reasonably), 10.5 (Terms and Conditions) and 20 (Chargebacks) of the Code and the information they provide to consumers about their right to request a chargeback. These clauses are attached in full in Appendix 1.

A 'chargeback' is the term given to the process by which a bank, at the request of a customer, can reclaim a debit on a credit card from a Merchant's bank. Under Credit Card Scheme Rules, the financial institution can, in certain circumstances, dispute a credit card transaction and chargeback the transaction within a specific time frame.

Ten subscribing banks providing credit cards to consumers, responded to the previous 2011 CCMC Inquiry into Chargebacks. The CCMC concluded that whilst the banks operated robust systems and procedures with regard to meeting their chargeback obligations under the Code, they were not always consistently applied in daily operations.

In particular, the results of the 2011 Inquiry highlighted that the accuracy of the information given to customers by contact centre staff about their chargeback rights needed improvement.

Bank contact centres are, in many cases, a primary source of information for customers about their chargeback rights and it is therefore essential that accurate information is provided. Inaccurate information can negatively impact on a customer's ability to successfully dispute a transaction.

The CCMC made a number of recommendations in its final report in 2011. These are outlined in Figure 1 below.

Figure 1: Recommendations from 2011 Inquiry into Chargebacks

1	Contact Centre staff receive further training in relation to chargebacks and use a 'prompt sheet' detailing exact requirements, highlighting when a chargeback right may be lost.
2	Where a dispute form is used, this should be available online and Contact Centre staff should be aware of its use. This will speed up the process of the chargeback.
3	Banks should consider the use of email and secure online banking systems for reporting disputes.
4	Banks should consider reviewing the wording of their monthly statement regarding chargebacks and disputed transactions and, where appropriate, include some instructions regarding how to request a chargeback.

A copy of the 2011 report can be found on the CCMC website, www.ccmc.org.au.

Responses to the 2011/12 Annual Compliance Statement identified that two banks had implemented the CCMC recommendation that contact centre staff should receive further training and use 'prompt sheets' detailing exact chargeback requirements. Three banks confirmed a dispute form was available online and in two cases secure online systems could be used to dispute transactions. Only one bank advised that it was reviewing the information it provided to customers

about chargebacks within its monthly account statements and the customer's ability to dispute transactions online.

The CCMC considered that a follow up Inquiry was warranted to identify whether the CCMC's previous findings had been addressed by the banks. Banks were advised in the CCMC's 2012/13 Annual Workplan that a mystery shopping exercise would be conducted in April-May 2013.

In developing the follow up Inquiry, the CCMC consulted with the banks on the Inquiry's Scope in April 2013. Individual and group feedback was incorporated into the final Scoping document and distributed to the banks in May 2013.

We are grateful for the feedback provided by the banks during this process as it helped to ensure that the mystery shopping exercise was relevant to current banking practice and that the information elicited from bank representatives reflected the chargebacks process rather than obligations arising from the ePayments Code (see Appendix 2) or situations related to fraud.

B WHAT WE DID

Between May and July 2013 the CCMC conducted a mystery shopping exercise initially comprised of three phone contacts with each of the ten banks in question to request information about the chargebacks process. Further calls were made to banks where the CCMC considered the information provided in initial calls was inconsistent with the bank's Credit Card Terms and Conditions or non compliant with the CCMC's assessment criteria. In total, 38 calls were made to bank contact centres using one script (see Appendix 3).

The call was made by a mystery shopper who had general queries and concerns about using a credit card to make purchases over the internet and the options that may be available to claim money back if, for example, goods ordered were not received.

The CCMC acknowledges that the mystery shopping exercise involved only a very small number of calls relative to the number of chargeback requests received by the banks. However, the CCMC believes that the data is likely to be indicative of compliance trends and patterns within each bank and the industry overall.

To obtain a wider view of recent bank practice, and supplement the evidence obtained from the mystery calls, the CCMC also:

- contacted four consumer organisations to establish if they had identified any concerns or issues raised by consumers with respect to chargebacks;
- obtained copies of the Credit Card Terms and Conditions from each bank website to establish whether the Terms and Conditions contained information on chargeback rights, as required by clause 10.5 of the Code (see Appendix 1 for the full requirements); and
- assessed whether further chargeback information and transaction dispute forms were accessible by customers through other means, such as from the bank's website.

In responding to the mystery calls, bank representatives could have provided the customer with a range of information (as described in Figure 2 on page 6) concerning the customer's rights under the different elements of the relevant Code provisions (clauses 2.2, 10.5 and 20) and the banks' commitment to work towards improving standards of service and to effectively disclose information.

Figure 2: Information that could be provided by bank representatives in regards to chargebacks

1. Identify/ acknowledge that the call relates to a chargeback situation and that the customer will need to dispute the transaction.
2. Explain how a customer can request a chargeback or provide an accurate description of the steps a customer should take to dispute a transaction.
3. Explain, clearly and accurately, the time frames for reporting a disputed transaction (Code clause 10.5b).
4. Explain the chargeback process in broad terms (how the bank gets the money back).
5. Advise the customer that the bank will claim the chargeback right where one existed and for the most appropriate reason.
6. Provide advice that a customer's right to dispute a transaction may be lost if a dispute was not raised within the relevant time frames (clause 10.5c).
7. Explain that a customer may not get their money back if the dispute is not resolved in their favour.
8. Give an indication of how long it may take for the customer to get their money back in normal circumstances.
9. Advise that information about the lodgement of a dispute and access to dispute forms is available on the bank's website.
10. Identify or acknowledge that the Terms and Conditions for Credit Cards hold information about chargeback rights and advise that general information on chargeback rights is available in these Terms and Conditions (Code clause 10.5a).
11. Advise that there are Code obligations covering chargebacks and that a customer may refer to the Code for further information.

The CCMC assessed all calls made against the minimum level of information it would have expected a bank representative to impart consistent with the bank's Code obligations. This included that the customer is able to dispute the transaction (point 1), how to dispute a transaction (point 2) and the time frames related to the process in line with the Terms and Conditions (point 3). Calls in which the bank representative identified these three points were considered to be compliant with our assessment criteria.

Call responses which acknowledged a chargeback right, but where the time frames provided were inconsistent with those in the banks' Terms and Conditions or where incorrect guidance was given regarding how a transaction can be disputed, were considered to be partially compliant with our assessment criteria.

Responses which provided no clear information at all about chargeback rights were considered non compliant with our assessment criteria.

The CCMC was also keen to understand which banks now provided customers with access to online forms and whether bank representatives were aware of these.

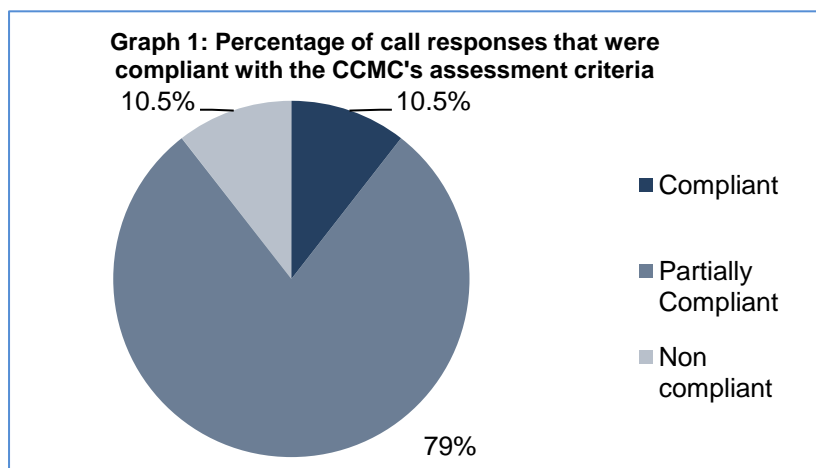
Whilst assessing whether representatives of the same bank provided consistent information to the mystery caller, the CCMC sought to establish if 'prompt sheets' were being used in accordance with our 2011 recommendations.

While it was not possible to accurately establish during the call whether a 'prompt sheet' was being used by the bank representative, the manner in which information was conveyed to us at times indicated that the responses were scripted. In some cases, the representative stated they would 'look up the information'; in others there was a consistency of language in responses across representatives from the same bank.

C WHAT WE FOUND

CODE COMPLIANCE

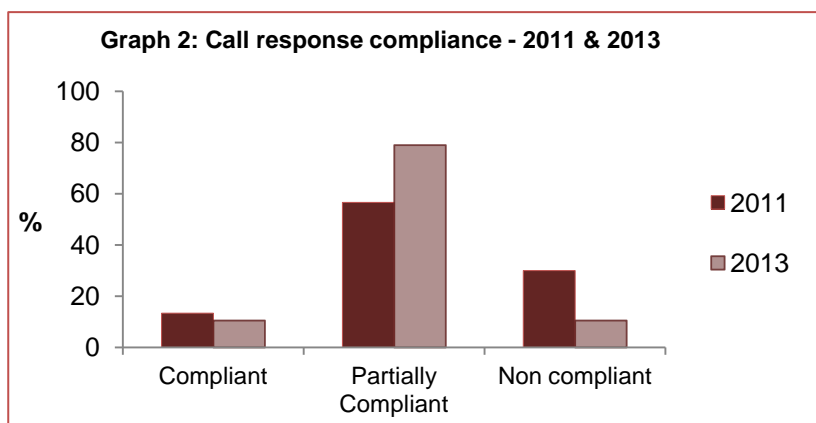
Generally speaking the Terms and Conditions of all banks surveyed were compliant with the obligations in Code clause 10.5 and were easy to read. In one instance however the CCMC considered that the Terms and Conditions could have been clearer in their presentation and accessibility of the information. The CCMC acknowledges that this bank provided additional information related to chargebacks on its website that would assist customers in their understanding of chargeback rights.



The significant majority (79%) of mystery call responses provided information that was inconsistent with the banks' own Terms and Conditions. These calls were assessed as partially compliant with the assessment criteria as a result. This compares to 57% in 2011. In all cases the discrepancy concerned information given about the time frames for disputing a transaction.

We made three calls to one bank where the bank representatives also advised that the transaction dispute had to be raised by the customer in a branch. The bank's website however, provided an online dispute form for this purpose which could be faxed or posted to the bank. The CCMC has discussed these inconsistencies with the bank concerned. It has advised that it will take the necessary steps to address this issue.

We assessed 10.5% of calls (four calls to four different banks) as being non compliant with our assessment criteria. This compares to 30% in 2011. In all four calls the bank representative did not provide any clear information about chargeback rights.



Only 10.5% of call responses provided the minimum level of information we required for a call to be considered compliant with the assessment criteria. This compares to 13% in 2011.

When compared with the 2011 Inquiry, the overall industry

results of this mystery shopping exercise suggest that there has been no significant improvement in the provision of accurate information to consumers about their chargebacks rights, although more calls in this survey were considered partially compliant with our assessment criteria.

As indicated in Table 1 below, the banks demonstrated their strongest results when acknowledging that a chargeback could be claimed on a customer’s behalf for an unauthorised charge (Point 1 – 34 positive responses) and advising how the customer would need to dispute the transaction with the bank (Point 2 – 31 positive responses).

Table 1: Overall industry results

Did the bank representative:	Yes	No	Total
1. Identify/ acknowledge that the call relates to a chargeback situation and that the customer would need to dispute the transaction.	34	4	38
2. Explain how a customer can request a chargeback or provide an accurate description of the steps a customer should take to dispute a transaction.	31	7	38
3. Explain, clearly and accurately, the time frames for reporting a disputed transaction (Code clause 10.5b).	4	34	38
4. Explain the chargeback process in broad terms (how the bank gets the money back).	7	31	38
5. Advise the customer that the bank would claim the chargeback right where one existed and for the most appropriate reason.	0	38	38
6. Provide advice that a customer's rights/ ability to dispute a transaction may be lost if a dispute was not raised within the relevant time frames (clause 10.5c).	0	38	38
7. Explain that a customer may not get their money back if it is not appropriate.	2	36	38
8. Give an indication of how long it may take for the customer to get their money back in normal circumstances.	26	12	38
9. Advise that information about the lodgement of a dispute and access to dispute forms is available on the bank’s website.	19	19	38
10. Identify or acknowledge that the Terms and Conditions for Credit Cards hold information about chargeback rights and advise that general information on chargeback rights is available in these Terms and Conditions (Code clause 10.5a).	0	38	38
11. Advise that there are Code obligations covering chargebacks and that a customer may refer to the Code for further information.	0	38	38
Total	123	295	418

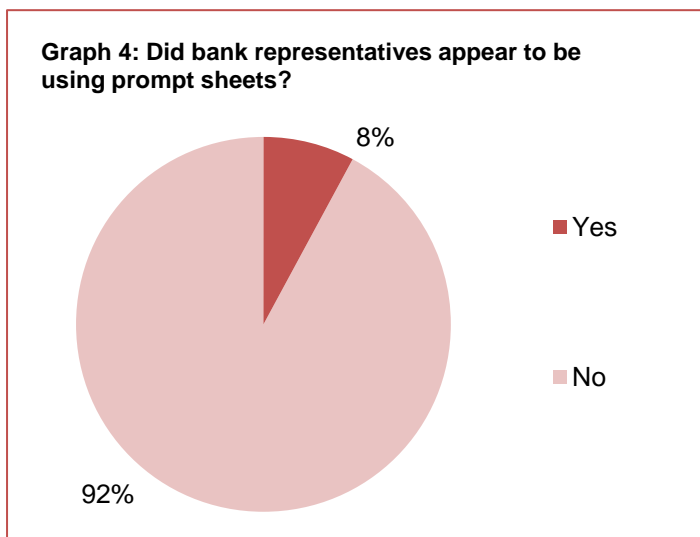
The time frames for reporting a dispute are important. If a dispute is not reported within the relevant time frames chargeback rights may be lost. Only four call responses provided clear information about the time frames for reporting a disputed transaction. No mystery shopper received information or a warning about the potential loss of this right if a dispute was not lodged within the relevant time frame.

Table 2, on page 9, outlines for each bank, the proportion of calls which were compliant, partially compliant or non compliant with the minimum level of information the CCMC considers the banks should have provided to the mystery caller (Figure 2, points 1, 2 & 3).

Table 2: Individual bank results – call compliance with the CCMC’s assessment criteria

Bank	No. of calls which were compliant	No. of calls which were partially compliant	No. of calls which were non compliant	Total no. of calls made
Bank A	3	0	0	3
Bank B	0	3	0	3
Bank C	0	3	0	3
Bank D	0	3	0	3
Bank E	0	3	0	3
Bank F	0	3	0	3
Bank G	0	5	1	6
Bank H	0	4	1	5
Bank I	1	4	1	6
Bank J	0	2	1	3

CONSISTENCY OF INFORMATION PROVIDED BY REPRESENTATIVES FROM THE SAME BANK



In the 2011 Inquiry the CCMC found that there was some inconsistency in the responses provided by different representatives from the same bank, concerning time frames or procedures associated with chargebacks. The results of this survey suggest that for most banks this inconsistency may be continuing.

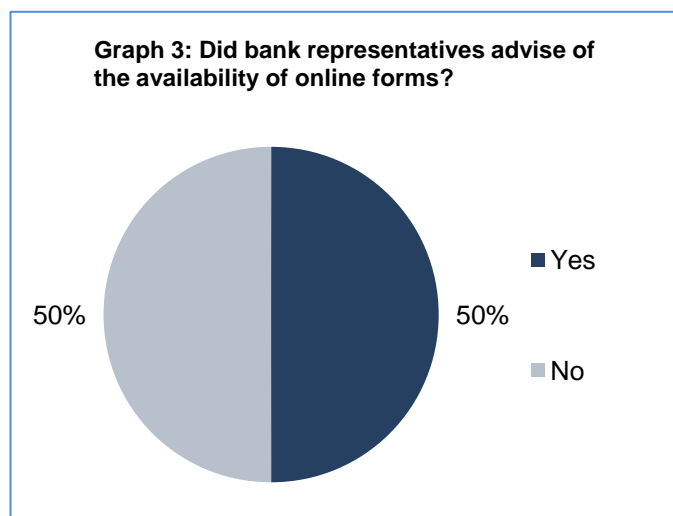
We have also identified that bank representatives that used a prompt sheet to respond to calls seemed to have better compliance rates. The prompt sheet also seems to have improved the consistency of responses within any particular bank. In

most cases it was apparent that bank representatives were not using a prompt sheet.

WEBSITE INFORMATION

Our review of the banks’ websites indicated that the majority now provide customers with online access to dispute a transaction. Only half of the call responses provided this information to the mystery shopper.

One bank considers that better customer outcomes are achieved if customers who dispute transactions make contact with the bank through its call centres. They have advised that approximately 70% of their disputed transactions are resolved within one phone call through this mechanism.



FEEDBACK FROM CONSUMER ADVOCATES

We approached four consumer advocacy groups during our Inquiry to share their case experience in relation to chargebacks. In general, these groups advised that they had not received complaints about the chargeback process and were not aware of any immediate issues or difficulties for consumers once a chargeback request was made. However, from their experience there is a widespread lack of awareness amongst consumers about their chargeback rights and the problem is compounded when banks give inaccurate or incomplete information.

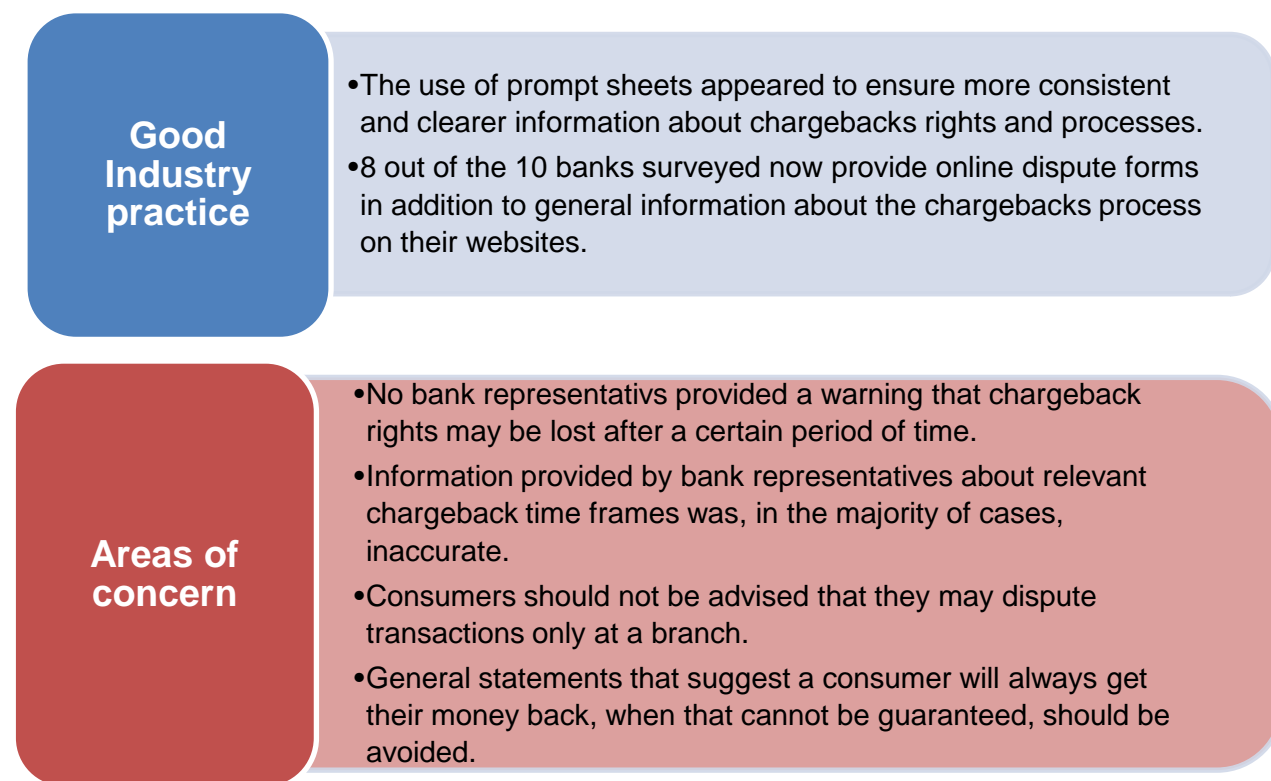
The consumer advocates considered that:

- a) banks were an important source of information for consumers about chargeback rights; and
- b) improved disclosure of information by banks about these rights would assist consumers.

SUMMARY OF FINDINGS

A summary of the findings of the CCMC are outlined in Figure 3 below.

Figure 3: Summary of Findings



D CONCLUSIONS

Whilst the CCMC recognises that the sample size is small, the results of the mystery call exercise provides real time testing of the information provided to consumers by bank call centres about chargebacks. The results are disappointing. The issues identified in 2011 continued to be evident in this survey.

The ability to obtain a chargeback is an important right of a consumer under the Code and an important source of information regarding this right is a bank's call centre. It is essential, therefore, that call centre representatives provide accurate information to consumers. The provision of

inaccurate information and a lack of general awareness of chargeback rights by call centre representatives, especially with the banks' own Terms and Conditions, have the potential to impact on consumers' ability to successfully dispute transactions. The consequences of this may have a financial impact on that person.

The CCMC encourages banks to consider how best to improve information provided to consumers about their rights, the dispute process and where to find other information about Code obligations.

The results suggest that banks who implemented some of the recommendations from the 2011 Inquiry, such as the use of prompt sheets, have benefitted in terms of improved compliance rates. Providing accurate and timely information to consumers regarding how to request a chargeback will have a positive effect on that individual's financial position; should improve customer satisfaction and enhance a bank's compliance with its Code obligations.

The CCMC encourages the banks to review their individual results against the information outlined in this report in order to achieve these outcomes.

E RECOMMENDATIONS

The CCMC encourages banks to:

1. ensure contact centre staff are sufficiently trained and monitored, on an ongoing basis, to provide customers with the information they need to successfully dispute a transaction and to raise awareness of the availability of information about chargebacks on the bank website and in the Terms and Conditions. Both bank representatives and customers can benefit from having easy access to guidance on the process, time frames and online forms;
2. provide warnings that chargeback rights may be lost if transaction disputes are not reported within certain time frames when customers contact their bank. While these warnings are included in Terms and Conditions, the CCMC believes that such advice should also be provided by bank representatives. We therefore encourage banks to review their procedures, monitoring and training to ensure that this warning is included in all calls regarding chargebacks;
3. introduce a prompt sheet to ensure consistent and accurate information is provided to consumers. It appears that bank representatives who used a prompt sheet to respond to calls had better compliance outcomes;
4. review how online transaction dispute forms can be lodged. Access to these forms is a good initiative;
5. disclose information about Code obligations related to chargebacks. The CCMC notes that no call response acknowledged the Code;
6. consider reviewing the wording of their monthly credit card statements to add a message associated with chargebacks. The CCMC repeats its earlier recommendation for banks to play a role in increasing consumer knowledge regarding their chargebacks rights; and
7. conduct their own mystery shopping exercises as part of their self monitoring of chargeback obligations.

F FOLLOW UP

The CCMC will discuss the results of the Inquiry with each participant bank.

In addition, the 2013/14 Annual Compliance Statement, issued to banks for completion in June 2014, may ask the banks what further steps, if any, they have taken as a result of this Inquiry.

The CCMC will continue to monitor issues related to chargebacks through self reported breaches and allegations from consumers that Code obligations have been breached.

CONTACT US

You can contact the CCMC using the details below:

Telephone: 03 9613 6322
Fax: 03 9613 7481
Postal address: PO Box 14240, Melbourne, VIC, 8001
Email: info@codecompliance.org.au

APPENDIX 1: CODE OBLIGATIONS

2004 Code of Banking Practice

Clause 2.2:

We will act fairly and reasonably towards **you** in a consistent and ethical manner. In doing so **we** will consider **your** conduct, **our** conduct and the contract between us.

Clause 10.5

We will include in or with the **terms and conditions** for **our** credit cards:

- a. general information on chargeback rights;
- b. a prominent statement of the time frames within which **you** should report a disputed transaction (so that **we** may reasonably ask for a chargeback where such a right exists) and a note to the effect that, where the Electronic Funds Transfer Code of Conduct applies, there may be no such time frames in certain circumstances; and
- c. a warning that the ability to dispute a transaction may be lost if it is not reported within the time frames **we** specify or describe.

Clause 20

We will, in relation to a credit card transaction:

- a. claim a chargeback right where one exists and **you** have disputed the transaction with **us** within the required time frame;
- b. claim the chargeback for the most appropriate reason;
- c. not accept a refusal of a chargeback by a merchant's financial institution unless it is consistent with the relevant card scheme rules; and
- d. include general information about chargebacks with credit card statements at least once every 12 months.

APPENDIX 2: REGULATORY FRAMEWORK

In addition to the Code requirements, in certain circumstances, the ePayments Code (which replaced the Electronic Funds Transfer (EFT) Code on 20 March 2013) will apply. The ePayments Code is available on the ASIC website at www.asic.gov.au/asic/asic.nsf/byheadline/ePayments-Code?openDocument#download.

Banks will also be subject to Credit Card providers' (such as MasterCard and Visa) scheme rules.

APPENDIX 3: MYSTERY SHOPPING SCENARIO

Bank:	Rep's Name:	Date: / /
Call the bank	Phone No:	Time of call: : Call ended: :

"I am thinking about taking out a Credit Card with the bank and I just have some concerns and questions.

I will probably be doing some shopping over the internet but I'm slightly concerned about security and dodgy sellers.

I have a friend who has had trouble getting their money back when things went wrong.

So I really just wanted to know what protections there are and how I would go about getting my money back if something goes wrong – the goods don't arrive or there is something wrong with them."

Where appropriate the questions below should be asked:

"How would I notify you that I wanted to request a chargeback/ claim my money back?"	
"How long would I have, after noticing something was wrong, to do this? Is there a time limit for making a claim?"	
"How long would it take to get the money back?"	
"Would I have to give you any documentation? Would I have to complete a form?"	
"Could I email this or complete it online?"	
"Is this something I could do through an internet log in?"	

Comments