



**CODE COMPLIANCE MONITORING COMMITTEE  
(the CCMC)**

**Guidance Note No. 11**

**Chargebacks**

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

The CCMC oversees the compliance of subscribing banks with their Code obligations by:

- a. independently monitoring compliance with the Code
- b. investigating Code breach allegations, and
- c. monitoring any aspects of the Code that are referred by the Australian Bankers Association (the ABA).

This Guidance Note has two purposes:

- a. to indicate the CCMC's likely approach when it considers potential breaches of the "chargebacks" obligations under clause 22 of the Code, and
- b. to share the CCMC's view of good industry practice, which in some cases may extend beyond the strict requirements of the Code.

When considering whether a Code subscriber has complied with the provisions of the Code, the CCMC will also have regard to the key commitments made by that bank to act fairly, reasonably and ethically in the provision of services to its customers and to comply with all relevant laws.

It is important to understand that the CCMC considers all matters on the basis of their individual circumstances and this document is not intended to anticipate all possible issues that might come before the CCMC.

Guidance Notes are subject to change by the CCMC and this document reflects the CCMC's views as at the date of its publication. Any reference to "bank" in this Guidance Note means a bank which subscribes to the Code. Any reference to the "Code" is a reference to the 2013 version of the Code, unless otherwise stated. Any reference to a "consumer" or "customer" means an individual or small business that is either a customer or potential customer of a bank.

For more information about the CCMC, please visit its website: ([www.ccmc.org.au](http://www.ccmc.org.au)).

## Introduction

1. The purpose of this Guidance Note is to indicate the CCMC's likely approach when it considers compliance with the 'chargebacks' obligations under clause 22 of the Code and share examples of good industry practice which may extend in some cases beyond the strict requirements of the Code.
2. There are operating rules that govern credit card schemes and the relationships between providers, merchants and schemes. Under those rules, banks can, in certain circumstances and within specific timeframes, claim a refund, or chargeback a transaction from a merchant or service provider's bank.
3. There may be a number of different reasons for requesting a chargeback, including:
  - 3.1 a transaction which is duplicated (in error) by a merchant or service provider
  - 3.2 a cardholder may not have been present at the point of sale causing an unauthorised transaction (and/or possible fraud), and
  - 3.3 a cardholder not receiving goods/ services purchased using their credit or debit card.
4. The process of applying a chargeback is governed by the card scheme rules. Examples of chargeback rights that are excluded by scheme rules include circumstances where:
  - 4.1 the chargeback request is outside timeframes (except where the ePayments Code applies<sup>1</sup> for the type of transaction, and
  - 4.2 the chargeback request relates to the quality of goods/ services received.

## Code Obligations

5. Under the Code<sup>2</sup>, banks have committed to:
  - 5.1 claim a chargeback right where one exists and a customer has disputed the transaction within the required timeframe set out in the bank's terms and conditions
  - 5.2 claim the chargeback for the most appropriate reason
  - 5.3 not accept a refusal of a chargeback by a merchant or service provider's financial institution unless it is consistent with the relevant card scheme rules, and
  - 5.4 make general information available about chargebacks with card statements at least once every 12 months.
6. Banks have also committed to include in or with the relevant terms and conditions for credit and debit cards:
  - 6.1 general information on chargeback rights
  - 6.2 the timeframes within which a customer should report a disputed transaction, and

---

<sup>1</sup> The Australian Securities and Investments Commission (ASIC) is responsible for the administration of the ePayments Code. In certain circumstances, the provisions of the ePayments Code will impose longer, or indefinite, timeframes for the lodgment of a transaction dispute. A copy of ePayments Code is available on the ASIC website at <http://www.asic.gov.au/asic/asic.nsf/byheadline/ePayments-Code?openDocument#download>.

<sup>2</sup> For chargeback obligations, see clauses 20 and 22 of the 2004 and 2013 versions of the Code respectively. Further obligations regarding terms and conditions can be found under clauses 10.5 and 12.5 of the Code (2004 and 2013 versions).

- 6.3 a warning that the ability to dispute a transaction may be lost if it is not reported within these timeframes.

## Good industry practice

7. The CCMC has identified examples of good industry practice in the course of its Code monitoring and compliance investigation functions regarding the application of the chargebacks obligations in practice.
8. These examples may assist the banks to meet their commitments to promote better informed decisions about their banking services and enhance effective disclosure of information to their customers when discharging their chargebacks obligations.
9. The CCMC believes that sharing good industry practice also supports the banks' ability to comply with the Key Commitments obligations under the Code, including acting fairly, ethically and reasonably towards customers<sup>3</sup>.

### Disputing transactions

10. In the CCMC's experience:
  - 10.1 Some banks require customers to use and lodge a particular form in writing when disputing a transaction. The lodgment of disputes by customers within relevant time limits can be facilitated more easily if the form is readily available online and contact centre staff are aware of its use.
  - 10.2 How online transaction dispute forms can be lodged can also be important. Banks should consider augmenting online banking systems, where identification and security requirements are in place, to allow customers to dispute transactions online in a timely and effective way.
  - 10.3 Many customers are unclear about their chargeback rights and look to banks to assist them to dispute transactions according to bank policies and procedures. Effective training of relevant staff can ensure that customers receive Bank advice about whether and how transaction may be disputed.
  - 10.4 A periodic review of processes and procedures regarding chargebacks and transaction disputes can facilitate compliance with Code obligations.

### Warnings that rights may be lost

11. Timely lodgment of disputes allows banks to meet their obligations to reasonably ask for a chargeback where such a right exists. Under Clause 12.5 of the Code banks are required to include a prominent statement in their terms and conditions that a customer should report a disputed transaction to the bank as soon as possible. The CCMC considers the following examples of good industry practice may help ensure customers are fully informed of their rights and responsibilities:
  - 11.1 providing warnings in the terms and conditions that the ability to dispute a transaction may be lost if the dispute is not reported within relevant timeframes, and
  - 11.2 providing oral warnings to customers at the time they contact the bank to dispute a transaction.

---

<sup>3</sup> Code clauses 3.1(b)(i) and 3.2 of the Code (2013 version) respectively.

## Provision of accurate information through call centres

12. Good industry practice requires that, as call centers are often the first point of contact for customers, these channels play an important role in providing accurate information to customers. In this context, the CCMC considers the following to be examples of good industry practice:

12.1 effective training of call centre staff and access to accurate information about chargebacks. A lack of awareness of chargeback rights by bank staff or the provision of inaccurate information (especially outside the bank's own terms and conditions), may:

- impact on customers' ability to successfully dispute a transaction
- have a negative effect on a customer's financial position
- result in customer dissatisfaction, and
- adversely affect a bank's compliance with its Code obligations

12.2 introducing a prompt sheet for staff to ensure consistent and accurate information is provided to customers about chargeback rights and processes

12.3 providing refusal reasons and timeframes that are accurate, clear and consistent with those given in the relevant terms and conditions, and

12.3 avoiding general statements that suggest a customer will always get their money back, when that cannot be guaranteed.

This list is not exhaustive.

13. The CCMC recommends banks carry out their own sampling and monitoring of staff (including shadow shopping exercises) to monitor their compliance with Code obligations in this area.