



# Payment Card Network Changes to Refund Processing

Payment Card Networks (PCNs) are making changes to improve the customer return process. TD Merchant Solutions (TDMS) will implement these changes for your business beginning **May 3rd, 2021**.

The following information outlines the specific changes and potential action required by you.

## What is changing?

The Payment Card Networks (PCNs) are changing the way refunds are processed. Customer returns (refunds) will be sent for real-time Issuer authorization, making it possible for refunds to be declined. It is unlikely that Issuers will decline refund transactions; however, in some cases there are legitimate reasons, e.g., suspected fraud or invalid card data. If you receive a decline message you will need to follow your refund policy for next steps.

### *How do Merchants and Cardholders benefit from this change?*

Cardholders will benefit from this change as they will now be able to see refunds on their online banking statements in real-time (like purchases). Merchants will also benefit as real-time Issuer Authorization minimizes instances of related transaction inquiries and disputes (i.e. chargebacks).

### *What is the impact to Merchants?*

Primarily, refunds are transactions that the Cardholder is expecting; therefore, it is unlikely that Issuers would decline these transactions. However, in some cases it would make sense for the Issuer to decline the transaction, such as instances where they suspect fraud, or the card is expired or has been closed. When declines do occur, Merchants will need to refer to their internal policies for alternative options to complete the refund transaction.

### *How does this impact me, the Merchant? Potential Action Required*

Continue to process refunds as you do today, however, as of **May 3rd, 2021** you may encounter occasional declines on refund transactions. To prepare for this change, review your refund policy to ensure there are clear guidelines in place for what to do if a refund is declined (i.e., refund cannot be processed on the same card as the original purchase transaction).

If you process Card-Not-Present transactions (e.g., online) and receive a decline on a refund transaction, you will need to contact your customers to update their payment information or identify an alternative refund method.

## Reviewing Your Refund Policy:

- A Merchant may establish their own policies; however, Merchants must disclose their return/refund policies to Cardholders.
- To the extent possible, Merchants should process a refund transaction to the same account number used in the original purchase transaction.
- If Merchants are unable to process a refund transaction to the same account number, there are two options available:
  - Process the refund transaction to a secondary account number, if available.
  - Refund the transaction amount through alternate means.

If you have questions regarding these changes please call 1-800-363-1163, and one of our specialists will be pleased to assist you.