

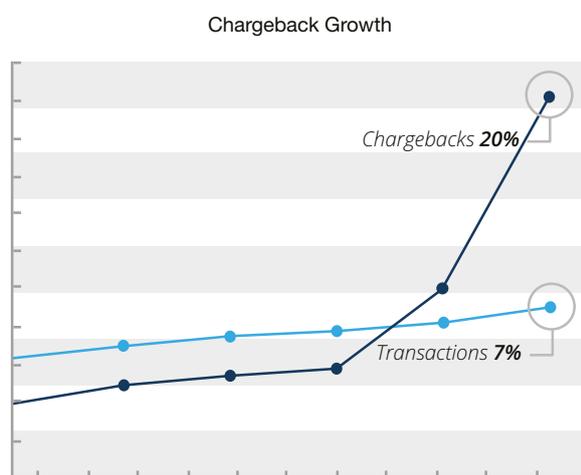
Global Risk Technologies

Standards, Compliance and Technology Solve the Friendly Fraud Epidemic

Our society has come to depend on emerging technology to make daily processes more efficient and beneficial—and fraudsters are no exception. Each new technological development introduces an additional avenue for criminal activity. We have evolved to the point where fraud tactics are virtually limitless. The ecommerce environment is under a non-stop assault of creative and undetectable threats. Payment technologies continue to emerge. Strategies are developed to enhance the customer experience and facilitate greater sales volume. But many of our modern fraud management techniques remain comparatively archaic. Take, for example, the concept of chargebacks and friendly fraud.

Friendly fraud: the greatest unmitigated threat

Friendly fraud is defined as unwarranted or illegitimate refunds forced upon a merchant when the cardholder exploits loopholes in the chargeback process. These illegitimate chargebacks contribute to **USD 40 billion in annual losses**, and the problem continues to escalate. In 2015, transaction growth increased by 7%, yet chargebacks issuances increased by 20%¹.



Source: JP Morgan Chase, 2015

There are several reasons why friendly fraud continues unabated. Fortunately, there are three current instigators that the industry can address and rectify:

1. Merchants are unable to identify the true source of chargebacks.

2. Evolving consumer behaviour has led to a common understanding that chargebacks are a convenient solution with no repercussions.

3. The industry lacks standardisation and transparent compliance requirements.

By addressing each key issue individually, the industry can instigate a noticeable decrease in friendly fraud.

Solution #1: identify chargeback sources

The chargeback process was developed decades before the advent of the internet. As such, it is ill equipped to handle modern threats. The logic of depicting chargeback causes with reason codes is now inefficient. Cardholders can use virtually any reason code to engage in cyber shoplifting. This ambiguity leads merchants to implement ineffective solutions which target the wrong problem. Therefore, a more modern strategy is required. Global Risk Technologies **created the technology** needed to accurately identify the source of each chargeback. This solution is agnostic of the outdated reason code system and is one of the only ways to effectively manage threats. Now, merchants can identify and resolve chargeback triggers in order to prevent unnecessary chargebacks. They can also definitively identify illegitimate chargebacks, dispute more cases and recover revenue they would otherwise walk away from.

Solution #2: challenging illegitimate cardholder claims

Cardholders are now conscious of the pervasiveness of fraud and their potential risk exposure. Unscrupulous consumers have learned to use this to their advantage by requesting illegitimate chargebacks with the claim of unauthorised transactions. In a recent survey,² 81% of cardholders admitted the chargeback they filed was initiated out of convenience. Cardholders perceive chargebacks as a quick and effective solution with no negative side effects. However, this misconstrued belief needs to be challenged, as industry members need to band together to re-educate society and the way to do this is twofold. First, issuers need to execute more due diligence when chargebacks are requested. →

¹ JPMorgan Chase ² Global Risk Technologies



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About Monica Eaton-Cardone: **Monica Eaton-Cardone** is CIO of Global Risk Technologies, parent company of Chargebacks911. She is a highly respected expert in the ecommerce and payments industries. Eaton-Cardone's expertise has earned her recognition as 'Global Leader of the Year' and 'Innovator of the Year'.

About Global Risk Technologies: **Global Risk Technologies** provides cutting-edge, highly-scalable enterprise solutions and specialised consulting for chargeback compliance and dispute management to acquirers, card issuers, and large-scale merchants. The company's dynamic technologies and tactical data analysis are also incorporated in their mediation division, eConsumerServices, and their merchant-centric remediation service, Chargebacks911.

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→ This ensures that chargebacks filed are legitimate cases of criminal fraud or merchant error. Second, merchants need to exercise their right to representment. By challenging known cases of friendly fraud, merchants do much more than just recover lost revenue—they also emphasise the inappropriateness of the chargeback, introduce the proper course of action, and expose potential long-term consequences.

If merchants can identify the source of their chargebacks—and they can with Global Risk Technologies' help—more cases of friendly fraud can successfully be challenged and a greater impact is made on the industry.

Solution #3: standardise compliant dispute processing

The payments industry does not have a shortage for regulations. There are plenty of policies outlined for each of the various entities involved in processing payments; what's missing is *consistently applied* standards and *compliance* with those standards.

Complex regulations that are routinely updated cause confusion and an unwillingness to relentlessly analyse and adapt to new expectations. This causes a lack of compliance.

Despite this fact, card networks have recently made efforts to streamline procedures. While there are definite areas of improvement in the payment process, these efforts are misguided. The industry *first* needs compliance to the existing rules, then more efficient techniques. In most cases, compliance will need advanced tools and greater education, as individuals cannot be expected to adhere to regulations if they are not given the tools needed to comply.

Those who seek out available assistance will have a distinct advantage when it comes to recovering revenue and reducing costs.

Global Risk Technologies is the only provider of chargeback compliance services. We have found that by helping prominent industry members become solution-oriented, we can begin to instigate industry-wide change that eliminates the negative effects of friendly fraud. By addressing the three most urgent friendly fraud instigators, we can begin to see some much-needed relief.