

Chargebacks Overview

What is a chargeback?

A chargeback is a method used by consumers to dispute a credit card transaction and secure a refund for the purchase. Traditionally used in instances of fraud or credit card theft, a chargeback will remove funds deposited in a merchant's account and credit the consumer's credit card statement for a given purchase.

Why am I getting a chargeback?

Anytime a customer disputes a transaction you will see a chargeback appear from the payment processor. Each chargeback will include a reason code indicating the reason for the chargeback. Your processor can provide details on what each reason code means.

It is important to analyze your chargeback reason codes to understand why chargebacks are occurring. Some chargebacks are a result of quality or service issues that are reported by dissatisfied customers that should be addressed through operational improvements. Other chargebacks are a result of fraudulent transactions that are disputed by the cardholder.

Who are the parties involved?

The cardholder, the card issuing bank, the payment processor, and the merchant account. For more information, [check out the Chargeback Process Flow article](#) on the Help Center.

What is Olo's role in the process?

Olo collects payment details from a customer and passes those along to the payment processor to approve or decline the transaction. When the transaction settles, the funds are deposited into the merchant's bank account. When a chargeback is reported, the processor will notify the merchant. Olo isn't notified or involved in the chargeback process.

Olo offers our Shield Fraud Protection Tool to brands to help identify fraudulent activity and block orders from being placed that appear risky. To learn more about Shield, [read our article covering the product details](#).

How to challenge a chargeback?

Work directly with your payment processor to challenge a chargeback. Olo isn't involved in the chargeback process.

How long does the process usually take?

A cardholder can typically initiate a chargeback up to 90 days from the transaction date. After that the time to resolve it can vary depending on the charge and the parties involved.

What can I do to reduce fraud?

There are operational processes and security measures that should be implemented to reduce fraud. Merchants should also work with their payment processor to ensure that they are providing necessary support to reduce fraud.

Each payment processor controls and enforces their own rules for verifying information such as the CVV and the address entered by a customer for 'card not present' transactions. Some processors will automatically decline a transaction if the data sent by Olo does match the data on file for the cardholder account, others do not. We recommend that all brands ask their processor to enforce CVV and AVS and decline the order to reduce the number of fraudulent transactions.

Some processors will approve the transaction but notify Olo that there is a mismatch on the CVV, zip code, address, etc. In that case, Olo can be configured to cancel the order and void the transaction.

For more information on best practices for reducing fraud, [check out our article here](#).