

Subscription / Continuity Merchant / Negative Billing Option (free trial + recurring)

Brief description

Merchants have the option to apply for 'Recurring/Subscription/Continuity' to be enabled on their Merchant Account/ID provided the business model apply a charge to the cardholder in predetermined intervals for services or goods of an ongoing nature.

The Payment will continue until the buyer either cancels the service or the total amount is paid off.

The card schemes also allow Stored Credentials for Recurring transactions (MITs – Merchant Initiated Transactions) in 2 particular cases:

1. Instalment Payment Transaction –Value “I” in POS Environment Field 126.13: A transaction in a series of transactions that use a stored credential and that represent a cardholder agreement for the merchant to initiate one or more future transactions over a period for a single purchase of goods or services.
2. Recurring Payment Transaction –Value “R” in POS Environment Field 126.13: A transaction in a series of transactions that use a stored credential and that are processed at fixed, regular intervals (not to exceed one year between transactions), representing cardholder agreement for the merchant to initiate future transactions for the purchase of goods or services provided at regular intervals.

The underwriter must carefully analyse whether the business model is relevant to the offering of Recurring, that there is clear indication, on the customer journey, that the authorization is for a subscription and that the cardholder receives a notification prior the next billing date.

Conditions

- Processing history for the last 6 months (minimum period)
- Forecast is mandatory for start-ups
- Minimum default Rolling Reserve of 10% for 180 days
- Default 7 days funding delay
- Default weekly settlement cycle
- Must be approved by the Chief Risk Officer or Head of Risk

SUBSCRIBE
NOW




swipen
Merchant Services

Subscription / Continuity Merchant / Negative Billing Option (free trial + recurring)

The negative option billing business model

A new merchant category has been identified for merchants who offer a trial and subscription service whereby cardholders automatically receive goods or services on a recurring basis (such as weekly, monthly, semi-annually, or annually), after an initial trial period in which cardholders can evaluate the products/services and decide to purchase or return/cancel the subscription.

The following conditions applies for Negative Billing Option for Mastercard:

- Assign merchants the card acceptor business code MCC 5968 (Direct Marketing – continuity/ subscription Merchants).
- Identify all third-party entities that provide services directly to the merchant involving access to cardholder data (such as customer relationship managers). These service providers must be disclosed, who will in turn register them with MasterCard as Service providers.
- Verify that the trial period begins on the date that the product is received by the cardholder;
- After the trial period of a product has ended, but before any additional payments are made by the cardholder, the merchant must provide the cardholder with the following information for which the cardholder's authorization will be requested, and the merchant must obtain the cardholder's explicit consent for the payment amount before initiating the authorization request:
 - a) The payment transaction amount.
 - b) The payment date (although the date is not permitted to change, the merchant may provide a secondary billing date in case the cardholder's account has insufficient funds, but only if this date is disclosed prior to obtaining consent).
 - c) The merchant name as it will appear on the cardholder's statement.
 - d) Instructions for cancelling the subscription at the cardholder's discretion.
- Each time that the merchant attempts an authorization transaction, the merchant must send a receipt to the cardholder by email or other electronic means (such as an e-mail or text message) that includes instructions on how to cancel an unsuccessful authorization transaction attempt, the receipt must indicate the reason for the decline response.

SUBSCRIBE
NOW




swipen
Merchant Services

Subscription / Continuity Merchant / Negative Billing Option (free trial + recurring)

- An e-commerce high risk negative option billing merchant must provide a direct link to an online cancellation procedure for recurring payment transactions on the website where the cardholder made the initial purchase. In addition, the merchant's website must display a customer service phone number on the website maintenance page for periods during which the website is offline (such as for software updates, scheduled maintenance, or technical issues).
- The merchant must send written confirmation to the cardholder when the cardholder's trial period and/or high-risk negative option billing plan has been cancelled.

Transaction Processing requirements for Negative Billing Option for Mastercard

- For first Presentment/1240 transactions acquired for a high-risk negative option billing merchant, PDS 0170, subfield 1 (Customer Service Phone number) must be present when DE 22 (Point of Service Data Code), subfield 5 (Cardholder Present Data) is equal to 2 (cardholder not present, mail transaction), 3 (cardholder not present, phone transaction), or 4 (cardholder not present, standing (recurring) transaction). If a toll-free customer service phone number is provided in PDS 0170, the most appropriate location should be provided in the Card Acceptor City subfield and should correspond to the other card acceptor location information provided in the DE 43.
- For internet transactions acquired for a high-risk negative option billing merchant, DE43, subfield 1 (Card Acceptor Name) must contain the name of the web site on which the cardholder made the purchase and would most likely recognize.
- For mail order or telephone order (MOTO) transactions, private data sub-element (PDS) 0170 (Card Acceptor Inquiry Information), subfield 1 (Customer Service Phone Number) must contain the merchant's contact telephone number. The telephone number provided must be valid and accessible by all customers worldwide;
- All subsequent recurring payment transactions must be processed under the same merchant ID in DE 42 (Card Acceptor ID Code) and merchant name in DE 43, subfield 1 (Card Acceptor Name) that was used for the initial payment transaction.

SUBSCRIBE
NOW




swipen
Merchant Services

Subscription / Continuity Merchant / Negative Billing Option (free trial + recurring)

The following conditions applies for Negative Billing Option for Visa

A negative option Merchant must do all the following:

- Before completing an agreement or Transaction, clearly disclose to the Cardholder all the information specified in Table: Required Disclosure/Transaction Receipt/Notification Content and Format for Negative Option Transactions.
- If the first Transaction is an Electronic Commerce Transaction, consent must be obtained via a “click-to- accept” button on the checkout screen.
- At least 7 days before initiating a subsequent Transaction, merchants in Europe must send an electronic reminder notification (i.e., email or SMS / text, if agreed with the cardholder) and a link to online cancellation.
- Provide Link or other simple mechanism to enable the cardholder to easily cancel any subsequent transactions online or via SMS/text message.
- Additionally, subscription merchants in Europe must send an electronic copy (i.e., email or SMS / text, if agreed with the cardholder) of the terms and conditions of the subscription service to the cardholder, even if no amount was due at the time. In the Europe Region: The Merchant must provide the Cardholder with confirmation of the establishment of the Recurring Transaction agreement within 2 business days.

Also, Statement Descriptor is a new policy in all regions, effective 18 April 2020. An additional descriptor indicating a trial period-related transaction will be required in the Merchant Name field for the first financial transaction at the end of the trial period. This descriptor (e.g., “trial,” “trial period,” “free trial”) will then appear on cardholder statements, online banking, mobile apps and SMS / text alerts.

SUBSCRIBE
NOW




swipen
Merchant Services