VISA

Visa Debit processing

For ecommerce and telephone order merchants
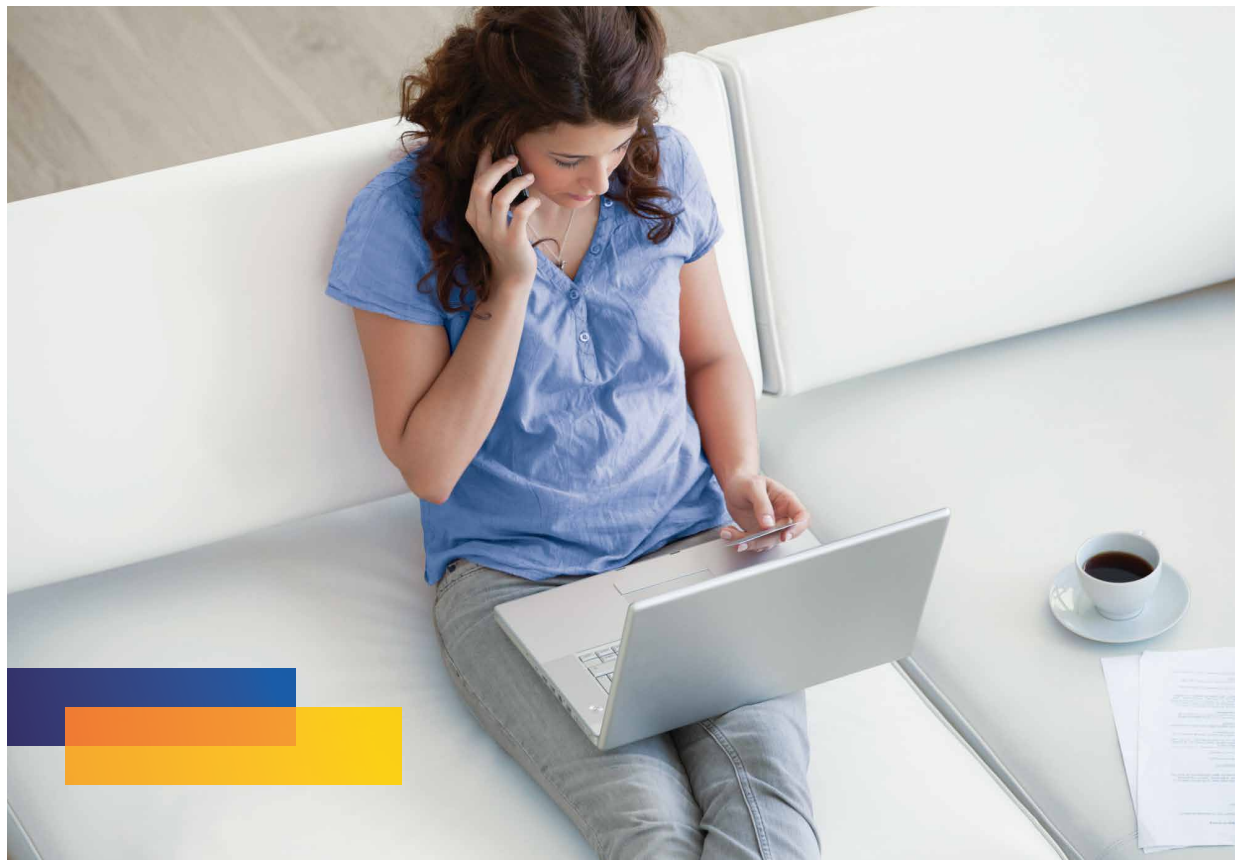
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About this guide

Ecommerce is an important channel to help merchants expand sales. Canadian consumers are increasingly comfortable buying goods online, and Canadian enterprises have reacted by selling more and more online. Canadian enterprises sold more than $136 billion in goods and services over the Internet in 2013, up 11% from 2012.[1]

This guide is designed to assist merchants in processing Visa transactions online, whether initiated with Visa credit cards or Visa Debit. There have been several changes to help protect you from the possibility of fraud, reduce disputes, ensure compliance with the *Code of Conduct for the Credit and Debit Industry in Canada* (the "Code of Conduct") and provide a positive customer experience.

Visa credit transactions and Visa Debit are used in the same way in the ecommerce channel, and require the same processing procedures. That makes accepting Visa Debit easy, if you already accept Visa credit payments today. There is one key difference to the customer – Visa Debit draws from the customer's deposit account and debits are visible immediately to the customer, at the time of authorization. As a result, several authorization best practices and rules are highlighted to help provide a positive customer experience, so Visa and merchants can together build ecommerce growth.

General procedures

Whenever you are processing a card-not-present (CNP) transaction, you should always ensure that, as a minimum, you collect the following details from your customer:

- The Visa Debit or credit card number
- The Visa Debit or credit card client name
- The expiry date as it appears on the card or reference card
- The Visa Debit or credit card client's statement address
- CVV2*

Authorization best practices

1. Clear communication to the customer at the time of purchase about when you are authorizing purchases will minimize the risk of surprises, confusion and any risk that there are insufficient funds available.

2. Send follow-up clearing and settlement records as soon as possible after the authorizations, either matching the authorization amount or reflecting adjustments to the authorization amount. This improves the customer's experience, reduces confusion and ensures merchants are paid quickly for goods/services purchased.

3. When the authorization amount and settlement amount differ, Visa allows for two approaches described in this document – both of which allow the consumer to understand what the total amount paid was, and track the adjustments.

4. New rules have been created on status checks/account verification transactions and authorization reversals to foster a positive consumer experience. These are extremely important in the card-not-present environment.

[1] Digital technology and Internet use 2013, Statistics Canada, June 11, 2014.
* CVV2 and other fraud mitigation tools are described in greater detail in the Appendix and in Global Visa Card-Not-Present Guide to Greater Fraud Control: Protect Your Business and Your Customers with Visa's Layers of Security.

Status check transactions

Status checks have evolved to help merchants validate whether an account is open and in good standing. Some typical uses of this transaction type are to establish a recurring or bill payment relationship or validate a card-not-present purchase prior to inventory fulfillment. It can also be used to validate phone orders prior to delivery of goods or services.

As of April 1, 2010, Visa rules replaced the status check with an "account verification transaction", (except for Automated Fuel Dispensers, where it is still allowed). This is an important difference for merchants and cardholders.

For merchants, status checks required a corresponding clearing message. Now, a simple account verification transaction for zero dollars gives the merchant the same validation, without requiring the merchant to have a corresponding clearing message or reversal for a cancelled sale or timeout.

For consumers, the advantage of the account verification message over a normal authorization request is that it provides verification without negatively impacting a customer. With Visa Debit, this practice is particularly important because Debit clients are able to see authorization transactions on their deposit account and have greater awareness because of the impact on their deposit balance.

Scenario:
An event ticket website receives an order for purchase of some tickets. Prior to completing the transaction, the merchant used to test the account by sending a $1 authorization "status check". The purchase would be visible to the consumer if they checked their "open to buy" on a credit card, or reviewed their debit statement, since this would appear as a $1 authorization. A day or two later, the merchant would reverse the authorization and the funds would be replaced.

The merchant has since modified its practice to send an account verification transaction for zero dollars. As a result, the consumer is unaware of the verification, and is not "out of pocket" or confused by the merchant's actions. Further, the merchant does not need to perform a reversal of the status check transaction.

Authorization reversals

Authorization reversals are an important consumer aspect of Visa transactions. To avoid unnecessary holds on customer's deposit accounts, or reduce "open to buy" on credit cards, Visa rules were amended as of April 2010 to require most merchants to submit an authorization reversal or partial reversal of a card-not-present transaction within 72 hours of the initial authorization if one of the following occurs:

• The customer elects not to complete the transaction
• The authorization request was submitted in error
• The final transaction amount is less than the authorization amount
  (i.e. submit an authorization reversal for the difference)

Scenario:
A customer orders goods online from a website but erroneously submits the transaction twice. Realizing his error, he emails the merchant and cancels one of the transactions. While both transactions will have been authorized; the merchant is required to send an authorization reversal within 72 hours for the transaction which will no longer be completed.

Existing rules important for effective ecommerce processing

Final settlement amount differs from initial authorization amount

Merchants may need to adjust the authorization amount after it was made, for example, if not all goods are available, if the price of the good changes (e.g., price of a commodity, weight of grocery items), or for other business reasons. Consumers may find it confusing to see adjustments to authorization amounts after the initial purchase. This is particularly the case with Visa Debit, for consumers who monitor daily activity and balances of their deposit account. Often these items are not expected and/or the description is not thorough. There are some Visa requirements in this area that will minimize this risk of confusion:

Instead of re-authorizing the transaction for the new amount, merchants can use one of two approaches:

1. Reverse the original authorization and submit a new authorization with the revised amount. Merchants should note that an authorization reversal may take up to 24 hours to pass through the system and arrive on the customer's account. If merchants choose this approach, depending on the price of the item being purchased, there is the risk that there may not be sufficient funds in the deposit account or available balance to fund concurrently the reversed authorization and the new authorization for the revised amount.

2. Settle the authorization with the revised amount and then send through an authorization reversal for the "unused" portion of the original authorization. This method minimizes merchant risk exposure.

Scenario:
A book vendor authorizes a transaction for 4 books at the time the online order is placed but then finds out before shipping that there are only 3 of those 4 books in the warehouse. Applying the best practice of authorizing only at the time of shipping may help to avoid this problem. However, if internal systems do not allow for that, it is very important for the merchant to get the adjustment out quickly, to maintain customer confidence. The merchant can either reverse fully the original 4 book transaction and put in new one, for only 3 books, or if not possible, reverse the amount for the unavailable book within 72 hours. Regardless of the method employed to appropriately manage, clear communication to the customer is of great importance.

Transaction is authorized but not settled

Visa transactions consist of the initial authorization message, which typically results in funds being debited from a consumer's deposit account, or reducing the "open to buy" for credit transactions, followed by a settlement message, which finalizes the amount owing to the merchant, reflecting any adjustments after the initial authorization. This two-tier message system is particularly important for card-not-present merchants, where the value of a purchase is more likely to be adjusted after the initial authorization than typical card present transactions.

Refunds in-store

Merchants have a variety of mechanisms available to execute refunds for unwanted merchandise, including simple return/refund claims using mail/courier and return of goods to a physical location. There are also a variety of ways to offer consumers value in exchange, instead of refunds, depending on business needs, such as gift cards, store credits, etc.

If a consumer decides to visit a physical location and return/exchange an item purchased online using Visa Debit, the transaction cannot be refunded through the Visa system because of restrictions under the *Code of Conduct*. In this situation, a merchant may consider an alternative solution such as providing a store credit.

Scenario:

A consumer purchased a piece of clothing online using Visa Debit, but when it arrived, it was too small. The consumer decided to go to the nearest store to exchange it for a larger size. When she arrived at the store, she changed her mind and decided to get something different that cost more. The store gave her a credit for the amount already paid against the new purchase, and she paid the difference.

Information on Visa Debit processing for telephone order merchants

Visa Debit offers Canadians another way to pay from funds in their bank account, when the customer is not present at the point of sale at the time the purchase/authorization is made. This functionality works like credit cards today so the customer simply provides their Visa Debit number, expiration date and, if requested by the merchant, CVV2 (3-digit code on the back of the card, but on the front for Virtual Visa Debit cardholders) to purchase goods and services over the phone. Some examples where Visa sees large volume of telephone orders are:

- Restaurant orders, including pizza and other food for delivery
- Specialty retail, where telephone orders are a big part of their business such as flower orders, ticket sales, children's activities and programs, catalogue orders, goods sold through infomercials, etc.
- General retail, where customers see an item in a flyer, website, etc. and call to inquire about a product, and then want to pay for it immediately, over the phone, to secure it (vs. placing an item on hold and paying for it when they arrive)

The following information has been designed to help you understand the requirements for processing these Visa Debit products for telephone orders.

Scenario I: Pizza – Pay at the door

The customer calls the pizza restaurant and places an order. They do not pay at the time they place their order. The delivery person arrives at the door and presents a terminal to the customer so that the purchase may be completed by payment card (debit or credit) at the time the pizza is delivered. In this instance, Visa Debit on bank cards with Interac® are processed as an Interac transaction because it is a card present, face-to-face transaction. The card must be swiped or inserted into the terminal (if chip-enabled). To ensure processing on the proper network, these transactions must not be key-entered.

A customer would not be able to use their Virtual Visa Debit reference card to complete this transaction at the door. They would need to use an alternative form of payment.

Scenario II: Pizza – Pay before delivery, at time of order

The customer calls the pizza restaurant and places an order. They indicate that they would like to pay for their pizza using Visa Debit. If the merchant accepts Visa Debit, they can process the transaction over the phone exactly like they do with credit cards today because the card is not present at the point of sale at the time the purchase transaction/authorization is completed. The customer simply provides the merchant their 16-digit Visa Debit number, expiration date and, if requested by the merchant, CVV2 (3-digit code on the back of the card) to complete their purchase over the phone. The merchant processes the transaction as they would a credit card today. This alleviates the need for merchants and delivery people to bring a terminal to the customer's door.

Some merchants who chose to validate the card information used for payment upon delivery can still perform this validation using either Visa Debit on a bank card or a Virtual Visa Debit reference card.

Scenario III: Pizza – Pay before customer picks up order, with change to order at time of pick up

The customer calls the pizza restaurant and places an order. They indicate that they would like to pay for their pizza using Visa Debit. If the merchant accepts Visa Debit, they can process the transaction over the phone exactly like they do with credit cards today because the card is not present at the point of sale at the time the purchase transaction/authorization is completed. The customer simply provides the merchant their 16-digit Visa Debit number, expiration date and, if requested by the merchant, CVV2 (3-digit code on the back of the card) to complete their purchase over the phone. The merchant processes the transaction as they would a credit card today.

When the customer arrives at the merchant location to pick up their pizza they realize that they did not order drinks. To add to their order (which has already been authorized and paid for in full over the phone), the subsequent drink purchase must be completed as a separate transaction. In this instance, the bank card with Visa Debit card would use Interac processing for what is now a card present, face-to-face transaction. These cards must be processed at the point of sale as an Interac transaction just as the merchant would process a debit card in person today. The card must be swiped or inserted into the terminal (if chip-enabled). To ensure processing on the proper network, these transactions must not be key-entered.

A customer would not be able to use their Virtual Visa Debit reference card to complete this additional transaction. They would need to use an alternative form of payment. These transactions must not be key-entered.

Scenario IV: Pizza – Ordered over the phone, picked up and paid for in-person

The customer calls the pizza restaurant and places an order. They indicate that they would like to pay for their pizza when they arrive in person to pick it up. In this instance, transactions processed on with Visa Debit on a bank card would use Interac for what is a card present, face-to-face transaction. These cards must be processed at the point of sale as Interac just as the merchant would process an Interac transaction today. The card must be swiped or inserted into the terminal (if chip-enabled). To ensure processing on the proper network, these transactions must not be key-entered.

A customer would not be able to use their Virtual Visa Debit reference card to complete this transaction. They would need to use an alternative payment such as credit, cash or Interac.

There are no technical changes needed for most merchants to begin accepting Visa Debit over the telephone, if they accept Visa credit cards today. Merchants should contact their Acquirer for more information or visit the Visa Debit product section at **visa.ca/merchant/debit**.

Appendix - Visa's fraud mitigation tools

Visa offers important verification and fraud mitigation tools to help merchants, acquirers and issuers determine the level of fraud risk associated with a transaction before an approval or decline decision is made. Utilizing Visa's Fraud Tools can give your customers greater peace of mind to make purchases with Visa Debit on your website. These tools require no changes to processing if already in use for Visa credit transactions on your website today. For merchants, participation is optional but strongly encouraged.

Card Verification Value (CVV2)

Also known as the Visa three-digit security code, CVV2 is the 3 numbers on the back of Visa cards, printed at the end of the signature panel, in a white box outside of the signature panel or on the front of a Virtual Visa Debit reference card. The 3-digit security code is a crucial security feature on Visa cards that helps merchants validate purchases made with Visa cards. By asking for more information to complete a Visa transaction during a phone or online transaction, Visa helps to mitigate potential fraudulent transactions. CVV2 are required to be on the card and Visa always recommends the use of CVV2; however, if your existing processing does not use CVV2 then Visa Debit will not make it a requirement to do so.

Address Verification Services (AVS)

AVS helps to ensure that the person making the purchase with Visa is the same person who receives the account's monthly statement. By matching the billing address the Visa Issuer has on file against the billing address provided during check-out, merchants and issuers work together to ensure that lost or stolen Visa cards are not being used in card-not-present environments to purchase goods or services. For account holders, AVS means that unless the correct billing address is provided to the online, mail or telephone order merchant during check-out, the transaction will not be completed which may stop a fraudulent purchase from being made. An address will be required for delivery and can also aid authentication where the issuer validates that address. AVS is not required for Visa Debit however Visa always recommends the use of AVS.

Verified by Visa®(VbV)

VbV is a program designed to help make shopping online more secure. When account holders register a password for their Visa credit account or Visa Debit with the VbV service, and shop at VbV enabled merchants, they get greater protection against unauthorized use of their Visa accounts online. As a merchant you are ensuring that you are not accepting fraudulent transactions on your website and gain protection from fraud-related chargebacks when the account holder is successfully authenticated – with minimal impact to the current transaction process.