

CHARGEBACKS: What you need to know

Many customers accept bookings cannot proceed as planned at present and are prepared to accept a change to their dates of travel or a Refund Credit Note.

Unfortunately, some customers remain adamant a cash refund must be paid. The most common route customers take is a chargeback or a Section 75 request under the Consumer Credit Act.

The two processes are distinct. A chargeback enables a customer to get their money back from a bank, but involves a voluntary agreement between card providers and card issuers.

Section 75 of the Consumer Credit Act 1974 is a UK law which protects credit card purchases of between £100 and £30,000.

There is no limit on a chargeback – a customer can claim the sum paid on the card within 120 days of payment. The card company takes the money straight out of a company account.

With Section 75, there is a time limit of six years. A customer can claim the full value even if they made only a part payment on the card. The card company pays out first and then recovers the money.

What to do: Section 75 claims

Example 1: *A customer booked a package with a tour operator. Their holiday can't proceed. They refuse to amend the dates and threaten a Section 75 request.*

The customer is protected by the Package Travel Regulations. If a suitable alternative can't be agreed, they are entitled to a refund within 14 days. However, compliance is not possible for a lot of companies.

Offer a Refund Credit Note (RCN) which can be used towards a future booking and, when issued correctly, is financially protected and can be exchanged for a cash refund at a later date.

Ask the customer whether they have sought repayment from their travel insurer. Many will have travel insurance which covers this.

Note that several card providers, including Mastercard and Visa, have issued guidance stating Section 75 requests will not succeed if a customer is unable to prove they have attempted to address the issue with their holiday provider.

Example 2: *You offered a change of dates, a Refund Credit Note and asked that the customer claim through their insurer. They raised a Section 75 request anyway.*

You can dispute the Section 75 request if unable to pay. Note the date by which your dispute must be raised and comply.

You should also issue a RCN. First, it ensures the customer's money is financially protected, and the customer may have a change of heart. Second, you can state you have refunded the customer. Attach evidence of the RCN with your dispute to show you have complied to the best of your ability.

Example 3: *You act solely as an agent. A customer booked flights which have been cancelled and you receive a Section 75 request.*

Any Section 75 refund brought against an agent in these circumstances is likely to fail provided you make clear you act solely as an agent in your T&Cs. Any claim has to be made against the airline direct.

What to do: Chargebacks

Example 1: *A customer booked a package to China with travel due on February 28. You receive a chargeback notification.*

Make sure you offered the alternatives – a change of dates, RCN and claim on insurance. Several card providers have advised chargeback requests won't succeed where a travel provider cancels a booking due to government prohibition. Check with your merchant services provider whether they offer similar guidance.

Example 2: *A customer booked a package to depart on July 17. A chargeback request is raised.*

The customer would not be entitled to a chargeback as the holiday has not been cancelled. It's reasonable to believe government advice will change by July 17. If the customer chooses to cancel, it's their decision. Standard cancellation terms apply.

Example 3: *You receive a chargeback request from a client who already accepted a RCN.*

A chargeback should not succeed. You should respond by stating an agreement has been reached with this customer and provide evidence.



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