

# TNP Insights



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## Chargeback Period Reduction for ATMs, POS and Web Transactions

Chargebacks generally mean the reversal of a payment or request for repayment in a transaction previously settled or remitted. This reversal is usually done by the issuing bank, payment scheme provider or other financial institution. The reasons for a chargeback may include non-authorization of the transaction amount by the cardholder, an error in transaction details, duplicated transaction, non-receipt of goods and services purchased or any number of other reasons.

In 2016<sup>1</sup>, the Central Bank of Nigeria's ("CBN") issued Guidelines on the Operations of Electronic Payments Channels in Nigeria ("Guidelines"). The Guidelines provided for chargeback period on failed transactions, and on 29th May 2020, the CBN revised it, informing all stakeholders by its Circular No. PSM/DIR/ CON/ CWO/O7/127 that it had issued revised Guidelines to that effect<sup>2</sup> (the Revised Guidelines").

According to the Revised Guidelines<sup>3</sup>, reversal of "failed on-us" Automated Teller Machine (ATM) transactions are now instant. This has been changed from the previous timeline of three (3) days. In addition, refunds on failed Point of Sale (POS)/WEB transactions must be made within forty-eight (48) hours as against a previous five (5) day timeline. These revisions became effective on 8th June 2020.

We have provided a table below with details of the key changes to the chargeback period set by the Revised Guidelines.

S/N	Electronic Channels	Reference	Revised Timelines	Former Timelines
1	ATM	Section 1.6	Reversal of failed "on us" <sup>4</sup> ATM transactions- <b>Instant</b>  Where instant reversal fails due to technical issues of system glitches- <b>24 hours</b>  Reversal of failed "not-on-us" <sup>5</sup> ATM transactions - <b>48 hours</b>	T <sup>6</sup> +3 days
2	POS	Section. 2.4.1.13  Section. 2.4.6.8	Resolution of disputed transactions between the merchant and the cardholder by the merchant acquirer, in collaboration with other payments system stakeholders – <b>48 hours</b>  Investigation and resolution of errors on the cardholder 's card by the issuing bank upon notification by the cardholder - <b>48 hours</b>	T + 5 days
3	Mobile-POS	Section. 3.4.6.8  Section. 3.10.1	Investigation and resolution of a transaction error by the issuing bank upon notification by the cardholder- 48 hours. (This is despite the card scheme's dispute resolution process)  Acquiring bank to respond immediately to the issuing bank's request on resolution of the transaction errors  Resolution of disputed transactions between the merchant and the cardholder, by the acquiring bank in conjunction with the issuing bank, switches and other payment system stakeholders - <b>48 hours</b>  Acquiring bank to respond <b>immediately</b> to the issuing bank's request on the resolution of disputed transactions	T +5 days  Response time - 3 days  T + 5 days.  Response time- 3 days
4	WEB	Section. 4.5.3.8	Issuing bank to <b>immediately</b> acknowledge disputes or complaints from cardholders  Resolution of disputes and complaints from cardholders by the issuing bank in conjunction with the acquiring bank and platform provider (payment service providers) - <b>48 hours</b>	Response Time - 24 hours  T + 3 days

The Revised Guidelines makes the following additional provisions;

- All Switches to adjust the chargeback cycle in their dispute resolution policy from Seventy-Two hours (72) hours to Twenty-Four (24) hours.
- Acquirer initiated refunds shall be initiated by all banks within Forty-Eight (48) hours.
- Processors must provide daily settlement reports on or before 8 a.m. on a T+1day basis.
- Nigerian Inter Bank Settlement System (NIBSS) to send daily reports on reversals to processors on or before 10 pm each day

In light of the revisions provided for in the revised Guidelines, it is recommended that all stakeholders update their necessary service level agreements and payments policies.

<sup>1</sup> Guidelines on Operations of Electronic Payment Channels in Nigeria April 2016" available at: <https://www.cbn.gov.ng/Out/2016/BPSD/Approved%20Guidelines%20on%20Operations%20of%20Electronic%20Payment%20Channels%20in%20Nigeria.pdf>

<sup>2</sup> "Circular on "Reduction of Chargeback Period for ATMs, POS and WEB Transactions in the Guidelines for the Operation of Electronic Payment Channels" available at: <https://www.cbn.gov.ng/Out/2020/CCD/Circular%20on%20reduction%20of%20chargeback%20period%20for%20ATM%20POS%20and%20WEB%20transactions.pdf>

<sup>3</sup> Guidelines on Operations of Electronic Payment Channels in Nigeria" June 2020 available at: <https://www.cbn.gov.ng/Out/2020/CCD/Reviewed%20and%20Approved%20Guidelines%20on%20Operations%20of%20Electronic%20Payment%20Channels%20in%20Nigeria%202020.pdf>

<sup>4</sup> Failed transactions when customers use their cards on their bank's ATMs.

<sup>5</sup> Failed transactions when customers use their cards on other bank's ATMs.

<sup>6</sup> "T" means Transaction Date.