

Recurring transactions

APACS' members have a duty to ensure that merchants who use their card accepting facilities abide by high standards of care for customers who pay by recurring transaction on credit cards

People are increasingly setting up regular payments for things like utility bills, subscriptions to clubs or to spread the cost of goods or services over a period of time.

Recurring transactions are a way of making regular payments, with a credit card, to a third party. Unlike direct debits, where a customer is specifically authorising their bank to allow a third party to collect payments, recurring transactions give direct authorisation to the third party to claim regular payments from a card account.

Because the cardholder has entered a contractual agreement with the card accepting business who has sold them the goods or services a recurring transaction can only be cancelled through the retailer concerned and credit card companies cannot currently cancel the agreement or

suspend payment on a cardholder's behalf.

The card schemes are working on ways that a cardholder may be able to cancel a recurring transaction through their credit card company; the final implementation is planned for April 2007.

Recurring transactions are popular where consumers are spreading the cost of a purchase made on credit as they give more control to the merchant and more certainty that these payments will be received.

The vast majority of these transactions have worked perfectly well for many years, but occasionally card issuers receive complaints from cardholders whose accounts show transactions they did not authorise. There can also be complaints arising over difficulties cardholders experience cancelling recurring transaction

agreements, particularly with retailers or organisations outside the UK.

APACS' members recognise the need to protect their customers from less scrupulous merchants wherever possible. These guidelines, whilst quite technical, set out common standards that members expect card accepting businesses to abide by – and the required checks undertaken to ensure that these businesses are following the standards.

The guidelines set standards for what information recurring transaction agreements should include, how they should be authorised, what information should be sent to customers and when. Under the guidelines, members have a duty to ensure that merchants comply with these rules.

Recurring Transactions Code of Best Practice Version 1.0 (2001)

The Code Of Best Practice is to contain two sections:

- A. Merchant Responsibilities
- B. A Model Authority Form

A. Merchant responsibilities

1. Ensuring that the recurring transaction authorities signed by their customers conform to the required standard (see Section B). This includes merchants who

recruit on a telesales basis, who should ensure that their customers sign authority forms, albeit this may be carried out in retrospect. In the case of e-commerce transactions, the authority should be contained within the website and an electronic or hard copy held.

2. Ensuring that the cardholder understands the ongoing nature of the commitment he has undertaken.

In the case of Internet Service Providers (ISPs) and Internet sites where a fee-free period is provided, this must be clearly stated, and the cardholder given sufficient notification (by e-mail and seven days minimum) of expiry of the fee-free period.

3. Ensuring that the cardholder will always know at least 14 days before the event how much is due to be claimed from his account and when.

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To comply with this requirement a merchant must comply with the following guidance on advance notice:

- Where the merchant is using a recurring transaction authority or acknowledgement which does not specify the due date of any claim or the amount to be claimed, the merchant is required to give individual advance notice to its payers of:
 - the amount to be claimed from his account
 - the date on which such claims are to be debited from that account.
- Advance notice must be given in all cases when the amount and/or date of claims are to change.

Note: when advising a cardholder of the amount and date of the first payment it is acceptable to advise him that no further advance notice will be given if the amount due to be claimed changes solely because of the alteration in the applicable rate of any statutory levy such as value added tax

or insurance premium tax.

- Advance notice will not be required when a direct action by the cardholder requires the merchant to initiate a specific claim on his account. This action must provide sufficient information to determine the amount and date of the claim.
 - Where the amount due is to be claimed infrequently, i.e. at intervals longer than one year, the merchant is required to notify the cardholder at least 14 days before a claim becomes due.
4. Ensuring that claims made comply with the terms of the authority given by the cardholder and are timed to ensure that the entry appears on the cardholder's account no later than seven business days after the agreed date.
 5. Ensuring that instructions to cancel authorities, when received, are actioned immediately to ensure that no more claims are originated after receipt.

Merchants should note that statutory notice, such as is published on the

appointment of a liquidator or receiver, is deemed to be constructive advice of cancellation.

Where a chargeback is received merchants should be advised to approach the cardholder to obtain a new authority.

6. Ensuring that merchant contact details (telephone number and/or e-mail address) are displayed in literature and/or on the website to enable prompt resolution of queries or cancellation instructions. Where appropriate online cancellation facilities should be provided.
7. Ensuring that he can respond to a request from his merchant acquirer for a copy of a recurring transaction authority within 10 days of the request being received. A failure to supply a copy upon request could result in a claim being disallowed and charged back.

Note: such requests may be originated up to six years after the last claim under an authority is made.

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Recurring Transactions Code of Best Practice Version 1.0 (2001)

B. Visa or Mastercard Recurring Transaction Model Authority form

Please complete parts 1 to 4 to authorise us to claim payments directly from your Visa or MasterCard account.

To Merchant & Co. Ltd

Merchant Reference

1. Name of Cardholder (as shown on card)

2. Full Address

Postcode

Telephone Number

3. Visa/MasterCard account number

4. Your authority to the merchant to claim amounts due from your Visa or MasterCard account and signature.

+ I authorise you to charge to my *

unspecified amount in respect of as and when they become due.

+ I understand that Merchant & Co. Ltd will advise me of the amount to be paid and the dates on which payment is due and that Merchant & Co. Ltd may only change these after giving me prior notice.

I UNDERSTAND THAT THIS AUTHORITY IN FAVOUR OF MERCHANT & CO. LTD WILL REMAIN IN FORCE UNTIL SUCH TIME AS I CANCEL IT IN WRITING/E-MAIL INSTRUCTION TO MERCHANT & CO LTD.

Signature

Email
(where signing online)

Date

(* Please insert the relevant Card name