

# Free Trials & Promotional Offers

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# Agenda



1. Today's Challenge
2. Client Feedback
3. Planned Solution
4. Next Steps

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*Merchants employing free/discounted trials have an outsized impact on cardholders & issuers...*

# Today's Challenge – What We Heard

## Identification & Customer Impact

### Customer complaints & confusion

- Cardholders forget/did not understand they agreed to future transactions
- It is believed physical goods subscription services (e.g. cosmetics, toiletries, nutraceuticals, clothing, meal prep./groceries, pet goods) are generally more problematic than digital subscription services

### Difficult to track & monitor

- No mechanism to uniquely identify transactions (they occur across a variety of MCCs)
- Benefit in helping issuers & cardholders better identify these types of transactions

### Lack of clarity on dispute rights

- Disputes are raised as either "Fraud", "Cancelled Recurring" or "Goods/Services Not Received"
- Lack of consistency means unnecessary costs & inability to track problem areas

### Existing Visa policies

- Room to update Visa's existing policies in a **balanced manner**, recognizing different use-cases, consumer expectations, technology & impacts to the ecosystem



# Client Feedback

*Visa consulted issuers around the world to validate understanding & scale/impact*

## Feedback was thematically consistent:

1. Cardholder recognition is key
2. Cardholders want an easy way to cancel
3. Clearer, specific dispute rights are welcomed; but preference to empower cardholders to be “self-servicing” in recalling & cancelling transactions before/instead of disputing with their issuer

## To quantify when Free Trials going wrong:

- Issuer A: ~\$13m of Canc. Rec. disputes
- Issuer B: ~\$7.5m of CNP Fraud disputes; operational impact ~\$11m p.a.
- Issuer C: operational impact ~\$4.5m p.a.





# Updated policy for merchants offering trial subscriptions

Effective **18 April 2020**

## Enhanced Disclosures

Merchants must provide:

- A digital receipt upon enrollment, *even if no amount is due*, disclosing T&Cs, ongoing obligations (amount & frequency) & link to online cancellation
- Electronic notification (e.g. email/SMS) with a link to online cancellation at least 7 days before a new transaction at the end of a trial, introductory or promotional period
- A descriptor in BASE II e.g. "Trial Offer" or similar

## Easier Cancellation

- Merchants must provide an easy way to cancel, minimally online
- Online cancellation applies regardless of initial merchant interaction (e.g. door-to-door sales, pop-up store in a shopping mall, SMS from a TV ad)
- Easy online cancellation should be akin to "unsubscribing" from email distribution lists

## Clearer Disputes

Expand dispute rights under 13.5 – *Misrepresentation*:

- For purchases through a trial period where the cardholder was not clearly advised of further billing
- Merchant representment right to prove adequate disclosure, cardholder acceptance & subsequent notification

## Ongoing Monitoring

Visa will monitor for compliance:

- Recurring Indicator
- Statement descriptor
- Excessive disputes & fraud reporting

Visa will undertake mystery shopping, in addition to transaction monitoring, to look for:

- Appropriate disclosures
- Notifications
- Cancellation process



# Communication Material

- Visa Business News (VBN) article published June 20
- Reminder VBN article with FAQs published September 26
- Flyer/overview on Visa.com
- Updated rules effective April 2020



# Q&A