

Reversing a Credit-Card Charge Has Never Been Easier—or More Abused

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Malolan Vasu felt duped when a \$750 wingback chair he ordered turned out not to be as antique as advertised when he went to pick it up. The seller had a no-refund policy, but Vasu had a surefire way to get his money back.

With a few clicks and even fewer questions asked, Vasu disputed the charge to his Capital One credit card—a power move millions of shoppers are relying upon to win retail arguments.

So swift and effective was the process that the 22-year-old financial analyst said disputing charges has become his go-to way to settle grievances large and small. A few weeks later, he filed his second dispute, this time over a \$3 tip that was tacked onto a bar tab without his permission.

“Three dollars is inconsequential, but the point was I didn’t tip him and it’s unethical,” he said.

Disputes over credit-card charges, once a measure of last resort,

have surged as shoppers learn how easy it is to deploy them. Last year, consumers disputed about 105 million charges with credit-card issuers in the U.S., worth an estimated \$11 billion. That is up from \$7.2 billion in 2019, according to Datos Insights, a finance-industry research firm. The company predicts that figure will rise nearly 40% by 2026.

Consumer advocates say the trend is a sign that people are getting savvy about their rights as cardholders. Under federal law, debit- and credit-card holders can dispute billing errors, unrecognized or unauthorized charges, and transactions that are misrepresented, defective or not delivered. In cases where merchants rack up too many disputes, it is often a sign of subpar goods or services, said Paul Fabara, [Visa's V 0.90%increase; green up pointing triangle](#)▼ chief risk officer.

When cardholders misuse the process to dispute legitimate charges, credit-card companies call it “friendly fraud.” This covers everything from flagging unrecognized transactions and [unwanted subscriptions](#) to just trying to get stuff for free.

“We, unfortunately, see a growing number of consumers intentionally reporting a legitimate transaction as fraud or disputing the purchase,” said Sarah Grano, a spokeswoman for the American Bankers Association, a trade group.

Visa and [Mastercard MA 0.45%increase; green up pointing triangle](#)▼ have updated their policies to help merchants address disputes. Major card issuers, including JPMorgan Chase and American Express, declined to comment on the rise in disputes.

Customers are supposed to make a good-faith effort to resolve disagreements with businesses before turning to their bank, but

many find it is easier to skip that step, said Eran Agrios, senior vice president of financial services at [Salesforce CRM](#) [0.58%increase; green up pointing triangle](#) ▼, which is working with Mastercard to help merchants address these disputes.

“The first call that these consumers are making is to the bank,” Agrios said.

How credit-card disputes work

When cardholders file a dispute, card companies often give them a temporary credit for the amount in question, and pull the money from the merchant’s account while they investigate the claim. If the dispute is resolved in the customer’s favor—and according to Equifax data, it usually is—the credit becomes permanent.

Depending on what kind of card customers have—gold, platinum or a starter card—banks may return their money without initiating a chargeback, Visa’s Fabara said.

“They take on whatever the loss is, because they assume it is in the best interest of the relationship,” he said.

While cardholders are given the benefit of the doubt, merchants must submit evidence and be proven innocent to get the money back. Fights over a dispute can drag on for months, and merchants have to pay a fee for each one, win or lose.

Card companies streamlined the dispute process early in the pandemic, when [customers sought to get their money](#) back for flights, hotels and other canceled plans. Before then, customers filing disputes had to call their card issuer and document their claims. On many bank sites and apps, disputing a charge is now as simple as getting credit from a food-delivery app when the fries

are missing from your order.

Social-media influencers also popularized chargebacks. Vivian Tu, who runs the financial-literacy blog Your Rich BFF, [offered tips on TikTok](#) for how to get money back for purchases that aren't delivered on time.

“Credit-card companies have so much power, dispute the charge with them,” she said in a TikTok that has been liked more than 40,000 times.

The ‘nuclear option’

Consumers often misuse or abuse the process, according to data from several payments companies.

A majority of people said they view disputes as a valid alternative to requesting a refund from a merchant. Half said they have disputed a transaction without first contacting the merchant, according to a January survey of about 4,000 people by Chargebacks911, a company that helps businesses fight false disputes.

[No-show and late fees](#) charged by merchants are a common source of credit-card disputes, said Christopher Elliott, founder of Elliott.org, a consumer-rights nonprofit.

Filing a dispute without trying to work it out with the merchant first should be considered “the nuclear option,” he said.

People often dispute legitimate charges they don't recognize on statements, credit-card companies say. Johnathan Feldman, a tutor in Virginia, recently tried to dispute a \$100 charge from a gas station where he remembered spending only \$20. The bank told

him it was a legitimate, temporary hold, so it never became a chargeback.

Chargebacks are different from [credit-card purchase protection](#), a perk that lets customers file claims for damaged or stolen items. Purchase protection is more like insurance, while chargebacks penalize merchants directly.

Costs and consequences

Merchants across North America reported a 69% increase in chargeback misuse last year, and merchants globally estimated that “friendly fraud” accounted for 20% of all disputes, according to Cybersource, a payment-management company owned by Visa.

That has been costly for card issuers, since the disputes cost an average of \$37 to resolve, according to Salesforce’s Agrios.

Consumers face few consequences. Even when merchants prove they aren’t at fault in a dispute, half of the 12 largest card issuers said they don’t try to recoup the funds from cardholders, according to a recent client survey by fraud-protection company Socure.

Many of those issuers told Socure they have become more aggressive in recovering money from illegitimate disputes over the past year.

The surge in chargebacks costs retailers money and time. Having too many chargebacks on their record also puts them at risk of paying higher processing fees.

For some retailers, the rise in friendly fraud has become a bigger concern than fraud committed by criminals with stolen payment credentials. [EBay EBAY 2.65%increase; green up pointing triangle](#)

▼ has invested in AI-detection tools and enhanced documentation

to protect sellers from fraud, but weeding out invalid disputes remains tricky, said Ryan Jones, the company's chief risk and compliance officer.

Lauren Nygard, a children's bookseller in San Antonio, got her first chargeback in 15 years of business earlier this year. She said the customer never reached out.

The customer claimed Nygard had mistakenly billed the customer twice, when in fact two items with the same price were purchased, a children's book and a puzzle.

Nygard contested the chargeback in January, but didn't get her money back until May.

She complained that she was only given 300 characters in an online form to plead her case.

"That's barely more than a tweet," she said.

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