

Updated Policy for Subscription Merchants Offering Free Trials or Introductory Promotions

AP, Canada, CEMEA, LAC, U.S. | Acquirers, Issuers, Processors, Agents

Visa Network; V PAY



Overview: To enable greater customer transparency and control, easier cancellation and clearer dispute rights, Visa is updating its rules related to transactions at merchants that offer free trials or introductory offers as part of an ongoing subscription service.

Visa has policies, rules and requirements in place to regulate subscription and “negative option” merchants dating back to 2011, including express, informed consent from customers after required disclosures and a simple cancellation mechanism.

Upon further review of its existing rules, Visa recognizes that free trials or introductory offers that roll into ongoing subscriptions or recurring charges can lead to problems for cardholders and clients, including multimillion-dollar operational cost increases due to high call center volumes, customer complaints, write-offs and card closures / re-issuances.

To address these concerns and help provide clarity for all parties, Visa is updating its acceptance, disclosure and cancellation policies **effective 18 April 2020**.

Additionally, Visa has identified potential solutions to the following pain points around notification, identification and resolution of issues with these transactions:

- **Cardholder complaints and confusion.** After taking advantage of a free trial or introductory offer, cardholders often forget or do not understand that they had agreed to future transactions at the time of the original enrollment or purchase. They also find it difficult to cancel the subscription. This can lead to an increase in customer service contacts for both merchants and issuers.
- **Tracking and monitoring difficulties.** Currently, no mechanism is available to distinguish transactions involving promotional or introductory offers from any other subscription / recurring transaction. Helping cardholders to better identify these types of transactions is in all parties’ interest in order to reduce confusion and/or frustration, customer service issues and disputes.
- **Lack of issuer clarity on available dispute rights.** There is confusion regarding dispute rights for issuers to address recurring transactions after an initial free trial / promotional period ends. Some issuers raise disputes as “Fraud,” some as “Cancelled Recurring” and others as “Goods / Services Not Received.”

Mark Your Calendar:

18 April 2020

- New or expanded requirements related to subscription merchants take effect
- Dispute rights for issuers expanded under Condition 13.5— Misrepresentation

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Subscription Merchant Transaction Policy Updates

The changes are designed to (1) promote an enhanced cardholder experience; (2) enable issuers to clearly identify these transactions; and (3) bring more specificity and clarity to the disputes requirements. With these changes, cardholders will be provided clearer information, enabling them to identify, recognize and take action on subscription transactions, reducing the need for disputes. Specifically, cardholders will benefit from:

- Opportunities to expressly acknowledge the ongoing subscription agreement
- Immediate confirmation of the terms of the agreement
- Proactive notification of future transactions
- Easier cancellation

The changes apply equally to merchants selling either physical or digital goods and services, if they offer free trials or introductory offers that roll into an ongoing subscription / recurring agreement. There are no new indicators or other changes to these transactions that issuers or acquirers need to cater for.

Policy	Summary of Requirements Effective 18 April 2020
Express Consent (existing rule)	At the time of enrollment, merchants must require the cardholder to expressly consent to entering an ongoing subscription service for recurring payments.
Enhanced Notification	<p>At the time of enrollment, merchants must send an electronic copy (i.e., email or SMS / text, if agreed with the cardholder) of the terms and conditions of the subscription service to the cardholder, even if no amount was due at the time. This must include:</p> <ul style="list-style-type: none"> • Confirmation that the cardholder has agreed to a subscription, unless the cardholder cancels. • The start date of the subscription. • Details of the goods / services. • Ongoing transaction amount and billing frequency / date. • Link or other simple mechanism to enable the cardholder to easily cancel any subsequent transactions online. <p>Merchants must also send an electronic reminder notification (i.e., email or SMS / text) a link to online cancellation at least seven (7) days before initiating a recurring transaction if:</p> <ul style="list-style-type: none"> • A trial period, introductory offer or promotional period has expired. • The nature of the recurring agreement has changed (for example, the price or billing period).
Explicit Transaction Receipts	<p>Merchants must disclose the following on transaction receipts upon establishment of the agreement:</p> <ul style="list-style-type: none"> • Length of any trial period, introductory offer or promotional period, including clear disclosure that the cardholder will be charged unless the cardholder takes steps to cancel any subsequent transactions. • Transaction amount and date for the initial transaction (even if no amount is due) and for subsequent recurring transactions. • A link or other simple mechanism to enable the cardholder to easily cancel any subsequent transactions online via SMS / text message.
Easier Cancellation / Modification	<p>Merchants must provide an easy way to cancel the subscription or payment method online, regardless of how the cardholder initially interacted with the merchant.</p> <p>For example, the ease of cancellation should be similar to “unsubscribing” from an email distribution list.</p>

Statement Descriptor	<p>An additional descriptor indicating a trial period-related transaction will be required in the Merchant Name field for the first financial transaction at the end of the trial period. This descriptor (e.g., "trial," "trial period," "free trial") will then appear on cardholder statements, online banking, mobile apps and SMS / text alerts.</p> <p>Additionally, the Recurring Payment Indicator will be required to be populated for the first transaction, even if the amount is not equal to the usual / ongoing obligation (this is currently optional).</p>
Expanded Dispute Rights	<p>Issuers will be able to raise disputes under the expanded Condition 13.5—Misrepresentation, for transactions where merchandise or digital goods have been purchased (i) through a trial period or (ii) as a one-off purchase, and the cardholder was not clearly advised of further billing after the purchase date.</p> <p>Additionally, specific documentation requirements will be implemented to protect merchants that have acted appropriately, provided they can prove:</p> <ul style="list-style-type: none"> (i) the cardholder expressly agreed to future transactions at the time of the initial interaction; and (ii) the merchant electronically notified the cardholder (based on the details the cardholder provided) before processing new transactions following the trial / promotional period. <p>Note: Existing Dispute Condition 13.2—Cancelled Recurring Transaction will continue to apply when the cardholder expressly withdrew their permission to charge their account for recurring transactions, or the merchant was advised that the cardholder’s account was closed. The expanded Dispute Condition 13.5—Misrepresentation will apply specifically when the cardholder claims to have never agreed to a recurring / subscription arrangement with the merchant.</p>
Expanded Policy for Negative Option and Up-Selling Merchants	<p>The Global Brand Protection Program includes specific references to two existing business models: "Negative Option"¹ and "Up-Selling"² merchants. The Visa Rules will be updated with additional cardholder disclosure and consent requirements that will apply to these business models in all regions.</p> <p>In addition to the requirements outlined in the Visa Rules and Visa’s Global Acquirer Risk Standards, these merchants must comply with all other requirements applicable to the transaction type(s).</p> <p>Note: Not all Negative Option merchants offer introductory free trials / promotional discounts, and not all subscription merchants who offer free trials / promotional discounts are considered Negative Option merchants. If a Negative Option merchant operates a recurring / subscription model, they must also comply with all relevant Stored Credential requirements.</p>
Updated Complaint Forms	<p>Updated Visa complaint forms for issuers and cardholders will identify specific complaints against free trial / Negative Option merchants.</p>

¹ A merchant that requires a cardholder to expressly reject the merchant’s offer of additional goods and/or services during the transaction process, or expressly decline to participate in future transactions (e.g., via a pre-selected check-box that the cardholder must un-check).

² A seller of goods or services different from, and not affiliated with or a subsidiary of, the initial merchant with whom the cardholder initiates the transaction, which the cardholder must expressly agree to by way of "click to accept" (for example, purchasing an insurance or maintenance service to be supplied by an unrelated entity to the seller of the goods).

Monitoring and Compliance

Ongoing monitoring and enforcement are key to ensuring that the Visa brand promise is upheld for cardholders and merchants around the world. To ensure compliance with the new requirements and policies, Visa will undertake proactive monitoring and mystery shopping.

For More Information

Merchants and third party agents should contact their acquirer.

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