

## Handling E-Commerce Risk

Selling your goods online can enhance customer relationships, attract new customers and increase sales revenue. However, if you are considering expanding your business online, it is important to understand what is required to maximise information security and minimise credit card payment risks. E-commerce sites that have little or no fraud controls in place can experience a chargeback rate of 10 per cent or more. It is important to understand the basics of credit fraud before opening up for business online.

### Typical Risks for E-Commerce Merchants

Those handling transactions online should consider the following common risks:

- Fraud
- Account information theft by hackers
- Account information theft on site
- Customer disputes and chargebacks

### Authentication Systems

To avoid chargebacks, it is up to the e-commerce merchant to apply the right tools and controls to verify the cardholder's identity and the validity of the transaction. When used efficiently, these systems can reduce fraudulent transactions and the potential for customer disputes.

- Address Verification Service checks a credit card holder's billing address with the issuer, providing an indicator of the validity of the transaction.
- Card Verification Value numbers are printed on the back of credit cards and can help ensure that the customer is in possession of a genuine card.

- Fraud Screening examines transactions and calculates the level of risk associated with each transaction, providing merchants with risk scores.

### Chargebacks

Chargebacks are transactions that are returned as your financial liability, and they translate into extra

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processing time and cost in addition to possible loss of revenue. They occur for several reasons, including:

- Customer-disputed transactions
- Fraud
- Authorisation issues
- Inaccurate or incomplete transaction information
- Processing errors

When cardholders dispute transactions on their statements, they usually ask for a copy of the receipt, which you should provide to the card company as soon as possible to avoid loss.

### Train Your Staff

Be sure your staff is aware of the risks of credit fraud and chargebacks. They should know the chargeback

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Provided by Crendon Insurance Brokers Ltd

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rules and regulations that your provider uses and be well-versed in your risk management policies and procedures.