

Greater Transparency for Cardholders

Modified Requirements for Subscription and Negative Option Billing Models

The Changes

Effective 11 October 2022, Mastercard implemented modifications to its requirements for merchants offering subscriptions or low-cost/free trials of physical goods, digital goods, or services on a recurring basis.

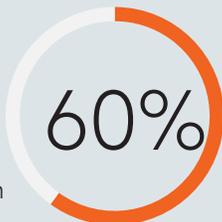
The Reason

Negative option billing practices can burden consumers with recurring payments for products and services they did not intend to purchase or did not want, resulting in significant volumes of chargebacks.

The Benefits

These requirements encourage merchants to communicate openly and honestly with their customers. Increased transparency and clarity around subscription transactions will help reduce complaints and provide a better cardholder experience.

Data shows that recurring transactions, such as subscription services, are more likely to result in chargebacks than non-recurring transactions.



60% of chargebacks were related to recurring transactions



76% of chargebacks involving a recurring payment were disputed because the cardholder stated they did not authorize the transaction

Mastercard GCMS Chargebacks for MCC code 5698 in 2020

What is Negative Option Billing? A business practice where a merchant offers a free or low-cost trial period of physical goods, digital goods, or services and then automatically enrolls the cardholder into a recurring billing/subscription plan once the trial period ends.

Ensuring a more positive cardholder experience

The subscription/recurring billing model can provide cardholders with a safe and convenient way to receive goods and services on an ongoing basis. However, if cardholders do not have clarity around subscription-related transactions, it can often result in chargebacks and a poor consumer experience. To create a more positive cardholder experience, Mastercard established the following combination of requirements and recommendations for merchants to follow:

- Ensure transparency to cardholders at the time of enrollment/purchase
- Send a confirmation email at time of enrollment
- Provide an online cancellation method
- Send a receipt after every billing
- Send a notice 7 days prior to billing for annual subscriptions

