



## MERCHANT PROCESSING COVID RESPONSE



Recently Util Auditors hosted a webinar to provide valuable insight on how companies can be prepared to manage costs as a result of the changes from Covid-19. Here is a brief overview of some of the highlights from this call:

Thomas is the Lead Merchant Processing Auditor at Util Auditors, LLC. Thomas has a decade of experience in auditing merchant processing account expenses.

### ***Thomas, what are the changes in the industry since Covid -19?***

Many processors continue to operate as usual, but merchants should be aware of the following developments:

- How your processor treats you today will be a good indication of how much they value their relationship with their merchants.
- As soon as dust settles, processors will be hungry for business and this will be a good thing for merchants.

### ***What are the vendors responses?***

- The credit card brands have postponed increases in Interchange, brand fees, dues and assessments. Most of them until July 2020.
- Some processors are placing restrictions on the types of new accounts they will board. This means that now may not be the best time to take your processing business out to bid or open new merchant IDs. Processors are more reluctant to sign high risk merchants as their risk-appetite has dropped.

### ***What do these changes mean for businesses?***

- Processors may use this opportunity to increase processor fees or hide avoidable costs so merchants need to stay vigilant.
- Many merchants are seeing steep declines in their processing revenue. As a result, this can trigger the following action by a processor:
  - *Monthly minimum fees.*
  - *Potential price increases as processors search to increase revenue.*
  - *Processors may begin holding funds to cover the fees from the previous month, refunds and potential chargebacks they may receive. It is our hope that processors return these reserves in a timely and honest manner as soon as any chargebacks or fees have been honored.*
  - *Some processors have also shifted to a daily discount model, as opposed to the monthly discount model most merchants have.*
  - *Merchants may experience a delay in funding. For example, if a merchant has 1-2 day funding, their processor may shift to 3-5 day funding.*



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### ***What do these changes mean for business? (Continued...)***

- Some merchants may begin to experience an increase in chargebacks as customers attempt to dispute charges or avoid paying debts posted to their credit card(s).
- This can increase a merchant's fees as they incur more chargeback fees.
- Merchant's may not see the revenue from these sales until the chargebacks are resolved.
- Increases in chargebacks may impact a merchant's risk profile as perceived by the processor.
- Increases in chargebacks can potentially trigger a processor reserve (merchants with <1% are ok, but this environment could see an increase in this percentage).

### ***What are the recommended steps a business can take to protect itself/mitigate risk/stop losses/save money/cut cost?***

- First, and most importantly, many processors are still willing to perform rate reviews and consider cost-reduction recommendations made by Util Auditors. Generally, processors want to keep your business and they know that many merchants are experiencing hardships.
- Cyber security experts are warning of increased cyber threats/attacks. Merchants will want to make sure they are validating PCI compliance and handling credit card information in a safe and secure manner; especially as their staff begins to work remotely.



[Listen to the audio for this segment of our webinar](#)