

Refunds supporting real consumer needs

The refunds processes are not aligned with the real consumers' needs due to **consumers not receiving the funds immediately** and the **issuers do not release unused funds after receiving the final pre-authorisation**.

Additionally, the PSR should ensure that there is **no Strong Customer Authentication (SCA) required for merchant-initiated refunds** and **remove unconditional 8-week refund right to non-DD Merchant Initiated Transactions (MIT)**.

Without these changes, this will happen:

- **Consumers** will have to continue waiting several days, even weeks, to receive the funds that belong to them because even though they already have returned the products, or the final pre-authorization was sent, they **do not have the availability of the funds immediately to use them as they consider**.
- **If SCA is required for the merchant-initiated refunds**, the **refunds will be unviable** due to it is impossible that merchant staff perform the SCA for these transactions. The European Parliament has already exempted to apply the SCA for merchant-initiated refunds (article 85).
- The extension of the **unconditional 8-week refund right to all MIT will have severe unintended consequences** in customer behaviour (fraudsters will take advantage), merchant losses and will force to increase consumer prices. The European Parliament has already limited this unconditional 8-week refund right to Direct Debit (DD) only (Article 62).
- In summary, maintaining the situation in the previous scenarios will continue affecting negatively in the consumer experience and damaging the credibility in the electronic payment's ecosystem.

Ensuring these changes would:

- **Improve the customer experience** who will receive their refunds immediately and without friction, avoiding the current inconvenience and letting them use the funds as they consider.
- Guarantee that **refunds can be completed satisfactorily**, even if it is a merchant-initiated refund and the customer is not available at that moment of performing the SCA.

- Ensure that **retailers can continue using MIT transactions**, which offer a good payment experience for consumers, without fear of an unjustified increase in complaints and losses, also considering that MIT currently gives the consumer the right to receive the money back in case of justified fraud.
- **Improve the customer credibility and the security** in the electronic payment's ecosystem.

Policy asks:

- 1) Ensure legislation requires immediate crediting of refunds to the consumer card or account by the issuer or account servicing PSP once the merchant confirms receipt of the goods and initiates the refund.
- 2) Ensure 8-week unconditional refund rights are restricted to DD. For other types of MIT dispute/refund mechanisms are already in place.

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