



Regular Payments

Growing Profitable Volumes



Recurring transactions offer a large potential area for Visa card payments. Regular and recurring payments for insurance and telecommunications alone are worth €1.1 trillion a year in Europe (source: WEFA) and account for 20 per cent of personal consumer expenditure. Other key merchant sectors include Internet service providers, membership clubs and utility suppliers.

The majority of the volume occurs on inter-bank systems (e.g. Postgiro in Sweden or Direct Debit in the UK), however, there is still a proportion that is not. Furthermore, in contrast to the inter-bank systems, Visa recurring transactions can generate revenues for Members.

To help Visa Members, cardholders and merchants make the most of this opportunity now and in the future, Visa is working on creating solutions that will be convenient to use, minimise cost and maximise value.

Understanding the problems

Today, recurring transactions generate more chargebacks than any other payment environment. Chargebacks and disputes can occur if:

- Card Account details change – perhaps because of a new expiry date on a replacement card or an upgrade to another Visa product – and the cardholder does not inform the merchant.
- Cardholders and merchants find it difficult to cancel a recurring agreement or query a transaction and therefore call their Issuer for help. This may initiate a dispute that is subsequently written off or charged back.
- A merchant does not have the correct Visa Account number to bill – this could be because the cardholder did not give the correct number or because the merchant has made a mistake.



Solving the problems

Visa has been addressing these problems as part of a comprehensive strategic initiative called Regular Payments. The initiative has designed a set of rules and solutions that can be used to help resolve each of the problems identified above.

Since October 2004, Visa Issuers in Europe must not decline a recurring transaction based only on an incorrect Expiry Date. This rule has been operating in the UK market for over a year and has been effective in reducing the overall level of authorisation declines.

Across Europe, almost 1 in every 3 recurring transactions is not approved during the authorisation process. This situation is not sustainable and needs to be addressed if volumes are to grow. One of the main reasons for the high level of declines is that the merchant does not have the most up-to-date Visa account details.

Visa has been looking at the feasibility of developing a new service that would allow Issuers to send up-to-date Account information to merchants. This service, codenamed the Visa Account Updater solution, involves a central database that would be able to link old account details to new account details. As a significant percentage of VisaNet recurring transaction volume is seen in the UK market, Visa is focusing on gathering experience from this market. The experience and learnings will then be shared with Visa Europe Members.

As well as providing the most up-to-date information to the merchant, the service will also allow Issuers to issue Stop requests to specific merchants. This would be beneficial when an Issuer closes an account that has some recurring transactions or if a cardholder requested a specific recurring transaction to be halted.

Without the ability to cancel, the cardholder will not use their Visa product to start a recurring transaction. Once the recurring transaction has started, they should continue seamlessly for all parties – minimising cost and maximising value.

Growing Volumes

The three key areas of focus for Visa Europe are:

- Amending the rules to reflect the current marketplace.
- Creating solutions that will help to reduce chargebacks and disputes.
- Helping to ensure data integrity of the key stakeholders.