

Updated Policy for Subscription Merchants Offering Free Trials or Introductory Promotions

Europe | Acquirers, Issuers, Processors

Visa Network; V PAY



Overview: To enable greater customer transparency and control, easier cancellation and clearer dispute rights, Visa is updating its rules related to transactions at merchants that offer free trials or introductory offers as part of an ongoing subscription service.

Visa has policies, rules and requirements in place to regulate subscription and “negative option” merchants dating back to 2011, including express, informed consent from customers after required disclosures and a simple cancellation mechanism.

Upon further review of its existing rules, Visa recognizes that free trials or introductory offers that roll into ongoing subscriptions or recurring charges can lead to problems for cardholders and clients, including multimillion-dollar operational cost increases due to high call center volumes, customer complaints, write-offs and card closures / re-issuances.

To address these concerns and help provide clarity for all parties, Visa is updating its acceptance, disclosure and cancellation policies **effective 18 April 2020**.

Additionally, Visa has identified potential solutions to the following pain points around notification, identification and resolution of issues with these transactions:

- **Cardholder complaints and confusion.** After taking advantage of a free trial or introductory offer, cardholders often forget or do not understand that they had agreed to future transactions at the time of the original enrollment or purchase. They also find it difficult to cancel the subscription. This can lead to an increase in customer service contacts for both merchants and issuers.
- **Tracking and monitoring difficulties.** Currently, no mechanism is available to distinguish transactions involving promotional or introductory offers from any other subscription / recurring transaction. Helping cardholders to better identify these types of transactions is in all parties’ interest in order to reduce confusion and/or frustration, customer service issues and disputes.
- **Lack of issuer clarity on available dispute rights.** There is confusion regarding dispute rights for issuers to address recurring transactions after an initial free trial / promotional period ends. Some issuers raise disputes as “Fraud,” some as “Cancelled Recurring” and others as “Goods / Services Not Received.”

Mark Your Calendar:

18 April 2020

- New or expanded requirements related to subscription merchants take effect
- Dispute rights for issuers expanded under Condition 13.5—Misrepresentation

Related Training From Visa Business School:

- [Acquiring and Acceptance](#)
- [Disputes](#)

Subscription Merchant Transaction Policy Updates

The changes are designed to (1) promote an enhanced cardholder experience; (2) enable issuers to clearly identify these transactions; and (3) bring more specificity and clarity to the disputes requirements. With these changes, cardholders will be provided clearer information, enabling them to identify, recognize and take action on subscription transactions, reducing the need for disputes. Specifically, cardholders will benefit from:

- Opportunities to expressly acknowledge the ongoing subscription agreement
- Immediate confirmation of the terms of the agreement
- Proactive notification of future transactions
- Easier cancellation

The changes apply equally to merchants selling either physical or digital goods and services, if they offer free trials or introductory offers that roll into an ongoing subscription / recurring agreement. There are no new indicators or other changes to these transactions that issuers or acquirers need to cater for.

Policy	Summary of Requirements
Express Consent (existing rule)	At the time of enrollment, merchants must require the cardholder to expressly consent to entering an ongoing subscription service for recurring payments.
Enhanced Notification¹	<p>Currently, subscription merchants in Europe must send an electronic reminder notification (i.e., email or SMS / text, if agreed with the cardholder) and a link to online cancellation at least seven (7) days before initiating a recurring transaction if:</p> <ul style="list-style-type: none">• A trial period, introductory offer or promotional period has expired.• The nature of the recurring agreement has changed (for example, the price or billing period). <p>Additionally, subscription merchants in Europe must send an electronic copy (i.e., email or SMS / text, if agreed with the cardholder) of the terms and conditions of the subscription service to the cardholder, even if no amount was due at the time.</p> <p>Effective 18 April 2020, both of these requirements will be expanded to all subscription merchants globally that offer a free trial / introductory promotional discount. Specifically, the electronic confirmation must include:</p> <ul style="list-style-type: none">• Confirmation that the cardholder has agreed to a subscription, unless the cardholder cancels.• The start date of the subscription.• Details of the goods / services.• Ongoing transaction amount and billing frequency / date.• Link or other simple mechanism to enable the cardholder to easily cancel any subsequent transactions online.
Explicit Transaction Receipts²	<p>Merchants must disclose the following on transaction receipts upon establishment of the agreement:</p> <ul style="list-style-type: none">• Length of any trial period, introductory offer or promotional period, including clear disclosure that the cardholder will be charged unless the cardholder takes steps to cancel any subsequent transactions.• Transaction amount and date for the initial transaction (even if no amount is due) and for subsequent recurring transactions.• A link or other simple mechanism to enable the cardholder to easily cancel any subsequent transactions online or via SMS / text message.

Easier Cancellation / Modification³	<p>Merchants must provide an easy way to cancel the subscription or payment method online, regardless of how the cardholder initially interacted with the merchant.</p> <p>For example, the ease of cancellation should be similar to “unsubscribing” from an email distribution list.</p>
Statement Descriptor²	<p>An additional descriptor indicating a trial period-related transaction will be required in the Merchant Name field for the first financial transaction at the end of the trial period. This descriptor (e.g., “trial,” “trial period,” “free trial”) will then appear on cardholder statements, online banking, mobile apps and SMS / text alerts.</p> <p>Additionally, the Recurring Payment Indicator will be required to be populated for the first transaction, even if the amount is not equal to the usual / ongoing obligation (this is currently optional).</p>
Expanded Dispute Rights¹	<p>Currently, issuers in Europe may raise disputes under Condition 13.5—Misrepresentation for intraregional transactions where merchandise or digital goods have been purchased (i) through a trial period or (ii) as a one-off purchase, and the cardholder was not clearly advised of further billing after the purchase date.</p> <p>Effective 18 April 2020, this dispute right will be expanded globally.</p> <p>Additionally, specific documentation requirements will be implemented to protect merchants that have acted appropriately, provided they can prove:</p> <ul style="list-style-type: none"> (i) the cardholder expressly agreed to future transactions at the time of the initial interaction; and (ii) the merchant electronically notified the cardholder (based on the details the cardholder provided) before processing new transactions following the trial / promotional period. <p>Note: Existing Dispute Condition 13.2—Cancelled Recurring Transaction will continue to apply when the cardholder expressly withdrew their permission to charge their account for recurring transactions, or the merchant was advised that the cardholder’s account was closed. The existing and expanded Dispute Condition 13.5—Misrepresentation applies specifically when the cardholder claims to have never agreed to a recurring / subscription arrangement with the merchant.</p>
Expanded Policy for Negative Option and Up-Selling Merchants⁴	<p>The Global Brand Protection Program (currently in the AP, Canada, CEMEA, LAC and U.S. regions) includes specific references to two existing business models: “Negative Option”⁵ and “Up-Selling”⁶ merchants. The Visa Rules will be updated with additional cardholder disclosure and consent requirements that will apply to these business models in all regions, including Europe.</p> <p>In addition to the requirements outlined in the Visa Rules and Visa’s Global Acquirer Risk Standards, these merchants must comply with all other requirements applicable to the transaction type(s).</p> <p>Note: Not all Negative Option merchants offer introductory free trials / promotional discounts, and not all subscription merchants who offer free trials / promotional discounts are considered Negative Option merchants. If a Negative Option merchant operates a recurring / subscription model, they must also comply with all relevant Stored Credential requirements.</p>
Updated Complaint Forms	<p>Updated Visa complaint forms for issuers and cardholders will identify specific complaints against free trial / Negative Option merchants.</p>

¹ Some or all of these requirements currently apply only to the Europe region, and will be expanded to all regions effective 18 April 2020.

² This is a new policy in all regions, effective 18 April 2020.

³ This is an expansion of an existing policy in all regions, effective 18 April 2020.

⁴ This existing policy will be augmented and will expand to the Europe region, effective 18 April 2020.

⁵ A merchant that requires a cardholder to expressly reject the merchant’s offer of additional goods and/or services during the transaction process, or expressly decline to participate in future transactions (e.g., via a pre-selected check-box that the cardholder must un-check).

⁶ A seller of goods or services different from, and not affiliated with or a subsidiary of, the initial merchant with whom the cardholder initiates the transaction, which the cardholder must expressly agree to by way of “click to accept” (for example, purchasing an insurance or maintenance service to be supplied by an unrelated entity to the seller of the goods).

Monitoring and Compliance

Ongoing monitoring and enforcement are key to ensuring that the Visa brand promise is upheld for cardholders and merchants around the world. To ensure compliance with the new requirements and policies, Visa will undertake proactive monitoring and mystery shopping.


Additional Resources

[Requirements for Free Trial and Promotional Offer Merchants \(Advance copy\)](#)

Note: For Visa Online resources, you will be prompted to log in.

For More Information

Contact Visa customer support on your country-specific number, or email CustomerSupport@visa.com.

Notice: This Visa communication is furnished to you solely in your capacity as a customer of Visa Inc. (through its operating companies of Visa U.S.A Inc., Visa International Service Association, Visa Worldwide Pte. Ltd, Visa Europe Ltd., Visa International Servicios de Pago España, S.R.L.U. and Visa Canada Corporation) or its authorized agent, or as a participant in the Visa payments system. By accepting this Visa communication, you acknowledge that the information contained herein (the “Information”) is confidential and subject to the confidentiality restrictions contained in the Visa Rules, which limit your use of the Information. You agree to keep the Information confidential and not to use the Information for any purpose other than in your capacity as a customer of Visa Inc. or as a participant in the Visa payments system. You may disseminate this Information to a merchant participating in the Visa payments system if: (i) you serve the role of “acquirer” within the Visa payments system; (ii) you have a direct relationship with such merchant which includes an obligation to keep Information confidential; and (iii) the Information is designated as “affects merchants” demonstrated by display of the storefront icon  on the communication. A merchant receiving such Information must maintain the confidentiality of such Information and disseminate and use it on a “need to know” basis and only in their capacity as a participant in the Visa payments system. Except as otherwise provided, the Information may only be disseminated within your organization on a need-to-know basis to enable your participation in the Visa payments system. Visa is not responsible for errors in or omissions from this publication.