

# New Mastercard Rules for Trial and Recurring Payments Accounts Arrive in April—Are you Prepared?

To establish transparency in the trial and recurring payments space, Mastercard is establishing new rules that focus on obtaining explicit consent from the customer. This is especially relevant for merchants in the nutraceuticals industry selling online. In a nutshell, by April you must send the customer an email verifying that they wish to continue with the initial purchase, and **only** the initial purchase after the trial period is over.

April 12, 2019 is when the new rules will kick in and will have an impact on subscription, continuity, recurring billing and free trial models (Merchant Category Code 5968). This will affect card-not-present transactions when it comes to subscription-based models, usually on a monthly basis. Mastercard wants to protect consumers with transparency. It's that simple.

## The New Rules: Acquirers

While Mastercard will classify all negative option billing merchants as high risk, and add additional responsibilities to them around protecting the customer, they are also adding more responsibility on acquiring banks:

1. Acquirers must register their negative option billing merchants with Mastercard's Registration Program (MRP).

This is new to the free trial industry and will require additional cost of registration to the merchants and acquirers alike. However, it will assure that the merchants in this space take more accountability in the ways in which they market their products, operate their business and service their valued customers.

2. Monitor merchants' transactions in real time to ensure their merchants maintain chargeback rates and fraud below required thresholds.

This is a must in the payments industry and goes without saying but one main rule the card brands want acquirers to live by is the "100 and 1% rule." This means if a merchant, in any given month receives 100 chargebacks *and* their chargeback rate is equal to or greater than 1%, the merchant may be placed into Mastercard's Excessive Monitoring Program. Most acquirers will never let a merchant of theirs get close to that and some have their own rules in place to flag accounts getting close to 50 and 0.50% so that they are never caught off guard in these situations.

3. Make known and if necessary, register any third-party services; that may have access to consumer account information.

The payments industry and PCI Compliance (Payments Card Industry) has very strict rules around consumer account information, otherwise known as PII (Personally Identifiable Information). This rule mandates that all systems that touch or handle PII or consumer card information, be registered as a TPP through the acquirer to insure PCI Compliance standards.

## The New Rules: Merchants

1. Once the set trial period has ended, merchants will now be required to get **explicit consent** from the customer prior to charging their credit card and continuing with the product/service they asked for at a discount.
2. Merchants must provide electronic receipts with the business name as it appears on the descriptor, date, amount of the transaction as well as clear opt-out instructions to the customer after every transaction.
3. The free trial will be considered as started on the date when the consumer receives the product, *not* the date of signup through the website.

This is to make sure the customer has enough time to receive and try the product, which makes sense. In truth, without trying something a customer cannot make a well-informed decision to receive the product monthly at the full price. This may rule out the shorter trial periods which have been used by merchants in the past.

4. Upon customer cancellation, merchants are required to provide a written confirmation of the cancellation by mail or email to the customer.

The new rules will affect the free trial industry, though in the end, is meant to benefit every party involved in transactions. These new rules will help lower customer attrition rates for these merchants, they will lower the chargeback rates that have been so hard to merchants and acquirers to manage (because you will no longer have to deal with so much of the annoying chargeback situation we've all experienced). Being upfront with your customers has never been a bad thing, and by providing the explicit consent everyone will be happier, and by "everyone" we mean the customer, provider, fulfillment company, acquiring bank, and of course -- Mastercard!

If you want to learn more about how we can help educate you on what the new rules are and how to use them properly please reach out to us at 1-800-930-4476.