



Everything You Need to Know About Refunds Abuse

There's a new form of fraud that's on the rise. Learn how Accertify's solution helps retailers fight refunds abuse.



Everything You Need to Know About Refunds Abuse: How it is wreaking havoc on your business

What is refunds abuse? It's when a customer places an order, receives the goods and then fraudulently claims to have not received the shipment. As a merchant, you're placed in a difficult position. Do you simply attribute this to the cost of doing business online and accommodate each refund request? Or, do you instead penalize all customers by introducing unwanted friction into the customer experience?

So, what is the best way to solve this growing problem? Here we give you the rundown of everything you need to protect your business.

Refunds Abuse vs. Returns Abuse



MINIMIZING DISPUTES

Most merchants are well versed in returns abuse.

Customers have been taking advantage of company return policies for years by returning used or damaged items. Some bad actors even go so far as to purchase the tools needed to reattach price tags or steal gift cards to buy things only to return them for a refund.

But since the retail industry has moved primarily online, a different type of fraud is mainly based on a customer claiming an item was not received.

Here's how it works: a customer purchases an item, often a big-ticket item from a large retailer. They receive the item. They then contact customer service claiming they did not receive the item and request a refund or a replacement.

Because there are legitimate reasons a customer might not receive a package, the customer service representative believes the bad actor and issues the refund. The fraudster often ends up with the big-ticket item and all their money back, and the merchant is left thinking the package was lost or stolen.



WHO ARE THE REFUND FRAUDSTERS?

So, who is committing this form of refunds abuse?

The simple, unfortunate answer: bad customers. Sometimes they act alone, and sometimes they've connected with organized retail crime units, which help them through the process. Either way, these customers are fully aware and fully involved in this deceit.

Disgruntled customers acting on their own volition are bad enough, but refund fraud is growing rapidly because of its ability to scale. Returns abuse involves returning the item -- the logistics involved make it more cumbersome to commit. On the other hand, refund fraud requires nothing more than some information on refund policies and a phone call to customer service.

Hence why professional fraudsters are now offering refunds-as-a-service – for a cut of the profits - they will help a consumer secure a refund. These criminals are clever and have done their homework. They've studied the return policies for large retailers and know precisely what to say to seem genuine.



HOW REFUND FRAUD IS SLIPPING THROUGH THE CRACKS OF YOUR SYSTEM

The main reason refund fraud goes undetected is a lack of objective data to help identify fraudulent refund requests. Because both the consumer and the transaction are legitimate, there is no hard evidence that a crime has been committed. Merchants may know something is wrong due to an increase in lost or stolen package claims, but it is difficult to prove and even harder to prevent.

That's because so much of the responsibility for detecting this type of fraud falls on customer service, which is not an effective defense against today's sophisticated fraudsters. Customer service representatives are trained to keep customers satisfied. They know that packages get lost in transit or stolen off porches, so the customer could be truthful in claiming they never received the item they ordered.

It is unrealistic to expect customer service staff to also be human lie detectors. While more training and stricter policies have historically been the answer, both run the risk of offending genuine consumers and ruining a company's reputation for putting their customers first.



HOW TO FIGHT THE FRAUD

First, remove refund requests claiming items not received out of the hands of customer service. When callers claim they did not receive their item, customer service representatives can direct the person to submit their refund request online.

Moving the process online allows for data to be collected and analyzed. In many cases, there will be significant discrepancies between the original transaction and the refund request. How do you identify those discrepancies? That's where we come in.

Accertify's Refunds Abuse Protection uses machine learning, user behavior analytics and device intelligence to detect fraudulent refund requests in real-time. Our systems analyze everything from a user's location and IP address to the input data rate. Legitimate refund requests will pass through the screening process with no issues, meaning your genuine customers enjoy a seamless experience. On the other hand, suspicious actors will be flagged for further investigation before a refund is issued. You can then determine if you want to take the appropriate action:



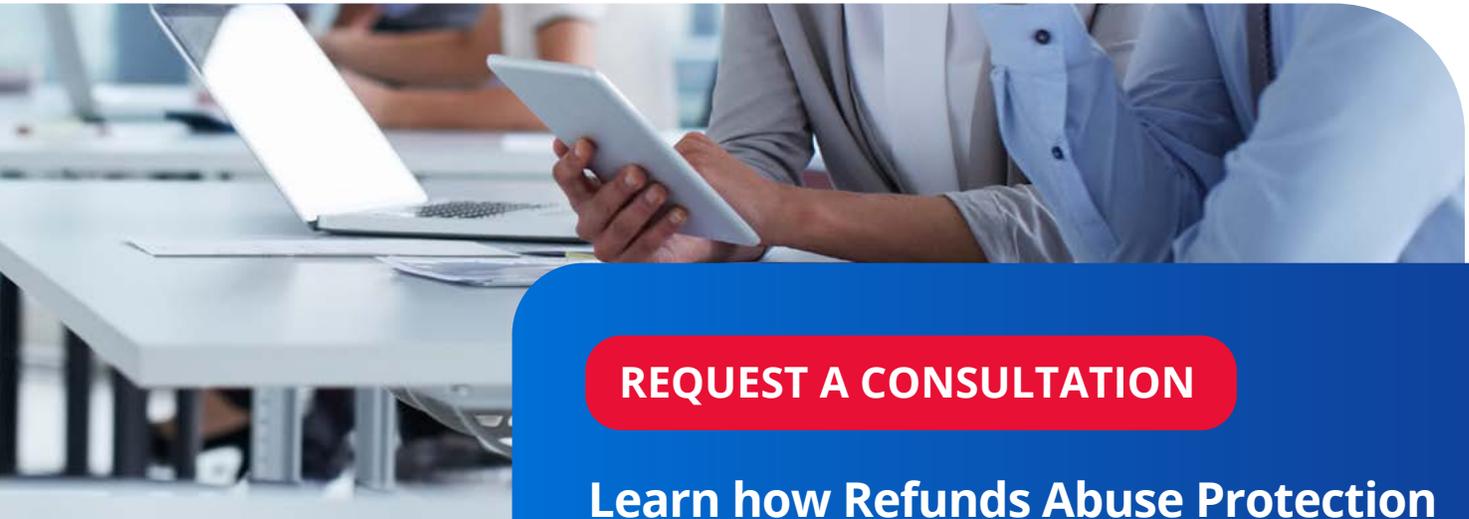
Allow the refund



Deny the refund



Opt to issue an in-store credit



REQUEST A CONSULTATION

Learn how Refunds Abuse Protection can help keep your company protected from refunds abuse and fraud.