

Mastercard Announces Revised Standards for Free Trial Merchants

Global Merchant Impact, Effective April 12, 2019

Overview

Mastercard announced new registration requirements and clarified processing rules for merchants that offer free trial programs to cardholders – with a primary focus on nutraceuticals.

Free trial, also referred to by Mastercard as negative-option billing, merchants provide a sample of a good or service to consumers either free or at a small price, before billing for a subscription of that good or service. The consumer provides payment card information and receives the sample. The merchant then bills the consumer later, unless the subscription is cancelled by the consumer. Mastercard reports that merchants with a significant population of customers purchasing with free trial transactions may have higher than average rates of chargebacks and consumer complaints, and therefore may need to be classified as high risk. Mastercard has introduced rules to support these transactions and support improved cardholder and customer experience.

Quick Summary

Mastercard is updating registration and processing changes to promote greater transparency around select free-trial offers.

Who Is Affected By These Changes?

Mastercard is initially looking at the “nutraceutical” industry, which typically sells health and nutritional products or supplements and often offer free trial programs. The rule changes may apply to other merchants using negative option billing for physical goods, and should be reviewed by any free trial merchant as a best practice.

If my business offers free trials of goods, what do I need to know?

Mastercard published the standards below that we must follow for those merchants that offer free trials of goods:

- Mastercard requires us to register those merchants that offer free trial for a physical product in the Mastercard Registration Program
- We must also register all third party entities that provide you services involving cardholder data. We will need you to identify them to us as part of the registration process.
- As with all transactions, you must ensure that cardholder agreement and support is available for each sale and transaction for verification if requested.
- We may need to change the merchant category code (MCC) for these transactions. Mastercard requires MCC 5968 (Direct Marketing – Continuity/Subscription Merchants) for registered merchant accounts.

Mastercard also published these standards for free trial merchants. Many of these requirements may already be supported, so review your existing processing first.

- The trial period must begin on the date the cardholder receives the product.
- After the trial period has ended but before any additional payments are made, you must obtain cardholder’s consent to authorize further payments. The notification must include:

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- The payment transaction amount
 - The payment date
 - The merchant's name as it will appear on the statement
 - Instructions for canceling the subscription
- Every time you request an authorization, you must send a receipt to the cardholder by email or text that includes instructions on how to cancel the subscription.
 - Transactions must include contact information: for E-commerce transactions, the website URL where the transaction took place. For mail order/telephone order (MO/TO) transactions, the merchant's contact telephone number.
 - A registered e-commerce free trial merchant must provide a direct link to an online cancellation procedure for recurring payment transactions on the website where the transaction took place, as well as a customer service phone number.
 - You must send written confirmation to the cardholder when the cardholder's trial period or high-risk negative option billing plan has been canceled.

We will continue to monitor the program and provide updates as we become aware of any modifications.