

## Visa® updated policies for Subscription, Free-Trial and Introductory Promotions Global Merchant Impact, Effective April 18, 2020

Free trials and introductory offers that become ongoing subscriptions or recurring charges can create confusion for cardholders and clients, as well as increased operational costs from inquiries and refunds. To help improve the clarity for all parties, Visa is updating their policies that regulate subscription and “negative option” billing, including express, informed consent from cardholders.

**Quick Summary**

**Visa updated acceptance, disclosure and cancellation policies for subscription sales and recurring billing for merchants selling digital and physical goods.**

### Overview

Effective April 18, 2020, Visa updated their acceptance, disclosure and cancellation policies related to negative option billing practices, specifically free trials or introductory offers that roll into an ongoing subscription or recurring agreement. The changes enable greater customer recognition, easier cancellation and clearer dispute rights.

### Who is affected by these changes?

The changes apply to all merchants selling physical or digital goods or services offered as subscription, free trials and introductory offers that automatically transition to recurring charges or billing.

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

The changes are designed to provide cardholders with:

- Opportunities to expressly acknowledge the ongoing subscription agreement
- Immediate confirmation of the terms of the agreement
- Proactive notification of future payment transactions
- Easier ability to cancel a subscription or recurring payment

### Here are the detailed changes you need to know:

| Policy                                   | Summary of Requirements  |
|--|--|
| <b>Express Consent (existing rule)</b>   | At the time of enrollment, merchants must require the cardholder to expressly consent to entering an ongoing subscription service for recurring payments.  |
| <b>Enhanced Notification<sup>1</sup></b> | 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: <ul style="list-style-type: none"> <li>○ A trial period, introductory offer or promotional period has expired.</li> </ul> |

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| Policy  | Summary of Requirements  |
|---|--|
|   | <ul style="list-style-type: none"> <li>○ The nature of the recurring agreement has changed (for example, the price or billing period).</li> </ul> <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><b>Effective April 17, 2021</b>, 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"> <li>○ Confirmation that the cardholder has agreed to a subscription, unless the cardholder cancels.</li> <li>○ The start date of the subscription.</li> <li>○ Details of the goods / services.</li> <li>○ Ongoing transaction amount and billing frequency / date.</li> <li>○ Link or other simple mechanism to enable the cardholder to easily cancel any subsequent transactions online.</li> </ul> |
| <b>Explicit Transaction Receipts<sup>2</sup></b>      | <p>Merchants must disclose the following on transaction receipts upon establishment of the agreement:</p> <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ Transaction amount and date for the initial transaction (even if no amount is due) and for subsequent recurring transactions.</li> <li>○ A link or other simple mechanism to enable the cardholder to easily cancel any subsequent transactions online or via SMS / text message.</li> </ul>   |
| <b>Easier Cancellation / Modification<sup>3</sup></b> | <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>   |
| <b>Statement Descriptor<sup>2</sup></b>               | <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 is 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>  |
| <b>Expanded Dispute Rights<sup>1,2,3</sup></b>        | <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</p>   |

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|--|---|
|  | <p>purchase, and the cardholder was not clearly advised of further billing after the purchase date.</p> <p><b>Effective April 18, 2020</b>, 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"> <li>o the cardholder expressly agreed to future transactions at the time of the initial interaction; and</li> <li>o the merchant electronically notified the cardholder (based on the details the cardholder provided) before processing new transactions following the trial / promotional period.</li> </ul> <p><b>Note:</b> 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> |
| <p><b>Expanded Policy for Negative Option and Up-Selling Merchants<sup>4</sup></b></p> | <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”<sup>5</sup> and “Up-Selling”<sup>6</sup> 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><b>Note:</b> 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>  |
| <p><b>Updated Complaint Forms</b></p>  | <p>Updated Visa complaint forms for issuers and cardholders will identify specific complaints against free trial / Negative Option merchants.</p>   |

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

<sup>2</sup> This is a new policy in all regions, effective April 17, 2021.

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

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

<sup>5</sup> 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).