

# MasterCard High-Risk Negative Program

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The new MasterCard High-Risk Negative program is designed to bring best practices for consumer notifications to e-commerce business models which offer free or reduced trial offers of physical products that lead to a subscription. Although the regulation potentially affects a broad range of e-commerce businesses, MasterCard specifically references the Nutraceutical market.

This article discusses the qualification criteria, requirements, and Qualpay's responsibilities.

## Does your Business qualify?

1. Do you sell to the Nutraceutical market?
2. Do you use a negative option to sell your product? MasterCard defines this option as: "A negative option billing merchant provides a sample of a good or service (either complimentary or at a nominal price) to consumers. The merchant requires the consumer to provide their payment card information to receive the sample, then the merchant bills the consumer (cardholder) at a future date, unless the consumer proactively cancels his or her subscription with the merchant."

**Note:** If you sell physical products as a one time purchase only, then you do not qualify for the program.

## Understanding how to Comply

The High-Risk Negative Option Billing Merchant Requirements go into effect on **April 12, 2019**. By this date and ongoing you will need to implement the following:

1. **Trial Period.** A trial period must begin on the date the consumer receives the product and not before.
2. **Consumer Notifications.** After the free trial period has ended, and before you charge your cardholder for the first subscription, you must send a notice to your customers, letting them know the following information:

- The amount their card will be charged
- The date their card will be charged
- The date you will attempt to charge the card a second time if the first charge is not successful due to insufficient funds
- Your business name, as displayed on cardholder statements
- Instructions on how to cancel the subscription

**3. Gather Consent.** You are required to obtain the cardholder's explicit consent for the first payment amount after the free trial period has ended and before initiating the authorization request for the first subscription charge.

**4. Subsequent Payments.** Each time you send a transaction authorization request, you must send the cardholder a receipt. This can be done by email or text message. The receipt must have instructions on how to cancel the subscription/billing plan.

**5. Unsuccessful Payments.** When an authorization attempt is unsuccessful, you will need to send the cardholder a receipt and explanation of why the card was declined, along with the information of when you will retry the payment.

**6. Cancellation Policy.** Not only must the cancellation method be included on every receipt, but you will make the cancellation policy easily accessible on your website through a direct link. Ideally, please include a copy of the link on your receipts with the cancellation policy details.

**7. Cancellation Confirmation.** Upon cancellation, you must send a written confirmation of the cancellation to the cardholder.

**8. MCC Code.** Your merchant card acceptor business code (MCC) will need to be 5968. Qualpay will coordinate this change with you and your payment gateway to ensure that there are no transaction rejects as a result of the change.

## Understanding Qualpay's Responsibilities

**1. Registration.** Qualpay will register you with MasterCard for the program. The

cost of the program is a pass-through \$500 annual fee. Upon registration, Qualpay will debit your account the \$500, and after the initial payment, we will bill annually.

2. **MCC Code.** Qualpay is required to register your MCC as 5968 (Direct Marketing—Continuity/Subscription Merchants). Qualpay will work with you and your payment gateway to make the appropriate changes at the right time.
  3. **Third-Party Providers.** Additionally, if you are using a third-party provider to manage and access your full customer card data and process payments, please contact Qualpay with this information. Qualpay may need to register your CRM or call center as a third-party provider.
  4. **Monitoring.** Qualpay will monitor high-risk negative option merchant transactions both individually and as a group. Requirements call on us to monitor consumer cards used across multiple merchants.
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