Best Practices for Authorization and Reversal Processing

For U.S. Lodging, Car Rental and Cruise Line Merchants

VISA

For More Information

For more information, please contact your merchant relations representative at your acquirer or contact your Visa representative.

Estimated and incremental authorizations give merchants the ability to secure funds for approved transactions. These best practices are designed to help merchants ensure that authorizations are not improperly tying up customer funds leading to a poor guest payment experience.

This document supplements the Visa Acceptance Guide for the Lodging and Cruise Line Industries and the Visa Acceptance Guide for the Car Rental Industry guides, highlighting key technical processing information to allow you to properly process authorization holds and reversals. This document should be used in conjunction with other Visa best practices materials.

Please note that the field numbers and names mentioned in this document refer to messages exchanged between Visa and its clients (such as issuers and acquirers). Field nomenclature and formats for messages exchanged between merchants and processors or acquirers may differ from these.

Securing funds for transactions

Authorizations are a key part of any transaction, guaranteeing merchants the ability to complete the transaction. With each successful authorization, the amount available to the cardholder for other purchases is reduced to cover the approved transaction until it is settled with the cardholder's bank. This is commonly known as an authorization hold. However, not all transactions are settled, and that can cause a problem for cardholders when the authorization is tying up money that can be used for other purchases.

Estimated and incremental authorizations

Visa systems and rules allow certain merchants such as lodging, car rental companies, and cruise lines to obtain an estimated initial authorization when the final amount of the purchase is unknown and to request incremental funds if needed.

Merchants should follow standard Visa authorization procedures provided by each acquirer to obtain an authorization approval for the estimated transaction amount, as well as for incremental authorizations. Incorrect coding may result in the issuer not matching the authorization and clearing, and may result in an improper hold. This may lead to customer complaints to merchants, as cardholders may believe they have been double charged.

When to use estimated authorizations

Estimated authorizations may only be used when the merchant does not know the final amount when the transaction begins. For example, an estimated authorization is appropriate when a cardholder checks into a hotel, but not when the cardholder is prepaying an agreed amount. Estimated authorizations should be used for:

- *Cruise Line and Lodging Merchants:* Amount that the merchant expects the cardholder to spend during the voyage or stay, plus applicable taxes.

- *Car Rental Merchants:* Cost of cardholder's intended rental period, plus taxes and mileage rates.

Estimated authorizations must not include charges that cover potential damage or an insurance deductible amount.

When to use incremental authorizations

Incremental authorizations can be used to increase the total amount authorized. Incremental authorizations do not replace the original authorization — they are additional to previously authorized amounts — the sum of all linked estimated and incremental authorizations represent the total amount on hold in the cardholder's account for a given transaction.

At the end of the stay or rental, an incremental authorization must be obtained if the final amount of the purchase is:

- *Cruise Line and Lodging Merchants:* Final amount of the purchase is more than 15% higher than the sum of the authorized amounts.

- *Car Rental Merchants:* Final amount of the purchase is more than 15% higher than the sum of the authorized amounts or USD 75, whichever is greater.

HOW TO PROCESS	
In order to appropriately process estimated and incremental authorizations, merchants in the U.S. must ensure that all fields are being populated correctly, including:	
Transaction Identifier (TID) (Field 62.2)	This field must match the Transaction Identifier (TID) generated by Visa and returned as part of the response message to the original authorization request. The TID is a key element that links original authorization requests to subsequent messages, such as reversals.
System Trace Audit Number (Field 11)	This is a number assigned by the merchant that uniquely identifies a cardholder transaction and all the message types that it comprises. The same trace number is used in an estimated authorization request and response, incremental authorization request and response, and in a subsequent reversal request and response.
Retrieval Reference Number (Field 37)	This field must contain the value from the original authorization request message. The Retrieval Reference Number is used with other key data elements to identify and track all messages related to a given cardholder transaction. It is usually assigned by the acquirer, but it may be assigned by a merchant or by an individual electronic terminal.
Authorization Characteristics Indicator (Field 62.1)	The value of this field needs to be set to "I" in the case of Incremental Authorizations.
Duration (Field 62.5)	This field indicates the number of days (from 01 through 99) anticipated for the car rental, cruise or hotel stay. For prepayments, the value reflects the number of days of the expected guest stay or rental covered by the prepayment. In incremental authorizations, this field is optional and reflects the number of additional days to be added to the auto rental or hotel stay.
Multiple standalone authorizations should not be processed for one payment transaction. If incremental authorizations are not properly coded, issuers may not be able to link associated authorizations, which may lead to cardholder frustration. Additionally, cardholder funds may be held in error.	
Incremental authorizations are available to U.S. merchants only.	

Authorization reversals

Authorization reversals notify the issuer that all, or part, of a transaction has been cancelled and that the authorization hold should be removed and open to buy amounts may be adjusted.

When to use

To help ensure that cardholders have access to all of their available funds, merchants should process authorization reversals within 24 hours of the check-out, rental return, or disembarkation date for:

*   Any transactions that are not completed by their customers (e.g., rentals or stays where a different form of payment is used to settle final charges, or where there is no balance to settle at departure, or where cardholder returns a car or departs earlier than originally planned)

*   The difference between the final transaction amount and the authorization amount, if the final transaction amount is more than 15% below the total authorization amount (estimated and incremental)

HOW TO PROCESS	
With missing or non-matching data elements, the issuer may not be able to match the authorization reversal to the original authorization. This could mean that the funds remain held for an elongated period. Cardholders may interpret this as being an extra charge by the merchant, which may result in inquiries or complaints from cardholders to the merchant.	
In order to appropriately process authorization reversals, merchants in the U.S. must ensure that all fields are being populated correctly, including:	
Transaction Identifier (TID) (Field 62.2)	This field must match the Transaction Identifier (TID) generated by Visa and returned as part of the response message to the original authorization request. The TID is a key element that links original authorization requests to subsequent messages, such as reversals.
Transaction Amount (Field 4)	Authorization reversals (full or partial) should always contain the original transaction amount in Field 4 (Transaction Amount). In the case of authorizations which have been incremented, Field 4 should contain the total amount authorized (sum of all original and incremental authorizations).
Replacement Amounts (Field 95)	Contains the corrected amount of an authorization transaction.

As highlighted above, only one reversal is needed for a properly coded authorization. Incremental authorizations are extensions of the original authorization. Since all subsequent messages are connected through the same TID, only one reversal is needed for a linked sequence of authorizations and incremental authorizations.

Misuse of Authorization System Fee

In order to maintain the data integrity of the Visa authorization system, a Misuse of Authorization System Fee is assessed by Visa to approved and partially-approved electronic authorizations that cannot be matched to a settled transaction within 20 days for lodging, car rental and cruise line merchants. If an authorization was attempted and received but the transaction was not settled, merchants must electronically reverse the authorization within 24 hours for all card present transactions and 72 hours for all card not present transactions.

Common causes leading up to Misuse of Authorization System Fee for lodging, car rental and cruise line merchants include:

*   Not processing estimated, incremental authorizations and authorization reversals according to the guidelines in this document.

*   Usage of $1.00 'test transactions' in certain circumstances instead of the Visa Account Verification Service.

Additional Resources

Visit visa.com/merchant for additional resources, including the *Card Acceptance Guide for Merchants*, *Visa Acceptance Guide for the Car Rental Industry* and the *Visa Acceptance Guide for Lodging and Cruise Line Merchants*.

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