

ACH Returns & Chargebacks

Description: Understand how to handle ACH returns and chargebacks.

There are two reasons an ACH payment may be unsuccessful, a return or chargeback.

An ACH return means that the payment was not able to be processed due to an issue such as insufficient funds or an invalid account number. ACH chargebacks are defined as transactions that were not properly authorized and are being disputed by your customer. A customer can dispute an ACH charge up to 90 days after the transaction was processed. Read our Help article, [Authorizations for Credit Card & ACH Transactions](#), to learn about the importance of ACH authorizations.

ACH Returns

Reasons an ACH Transaction Can Be Returned

- There are insufficient funds in the account.
- The account has been closed.
- The bank account and/or routing number is invalid.

What Happens When an ACH Transaction is Returned?

- The status of the transaction in your Studio Director account will show as **Returned** on the View Transactions report and on the family account ledger.
- Your studio can receive an optional email notification informing you that the transaction was returned. You can manage this email notification under the *Admin tab > Online Registration > Email Notifications*.
- Your customer will automatically receive an email notification informing them that their payment was unsuccessful. The email includes a link to the Customer portal where they can update their payment method and retry the payment.

ACH Chargebacks

Reasons an ACH Transaction Can Be Charged Back

- Authorization was never obtained, or the authorization was revoked by the customer.
- The amount debited was different than the authorized amount.
- The transaction was processed before the authorized date.

What Happens When an ACH Transaction is Charged Back?

- The status of the transaction in your Studio Director account will show as **Chargeback** on the View Transactions report and on the family account ledger.
- Your studio will receive an email notification informing you that the transaction was charged back.
- Your customer will *not* receive an email notification.
- Your studio will need to work with the customer outside of your Studio Director account to resolve the issue.

- You will be assessed the **ACH Chargeback Fee** as noted in your ACH processing contract, which will be billed as part of your regular monthly ACH transaction processing fees.
- To bill a customer who has previously had a chargeback, you will need to obtain a new authorization form from the customer.

Prevent ACH Chargebacks

- Obtain proper authorizations.
- Maintain good business relationships.
- Be willing to work with customers when they are unhappy or requesting a refund.
- Communicate how the charge will display on your customer's account.

What if You Have Too Many Chargebacks?

Any studio who receives an excessive number of chargebacks from their customers is at risk of being placed on a processor funding hold. Excessive chargebacks are defined by a ratio of chargebacks greater than 1% of total transactions (based on number or \$ amount) in a specific time period.

Why Processors Care About Chargebacks

If your customer disputes a charge as being unauthorized or incorrect, the processor must recover those funds from your business to send back to the customer. If there are not sufficient funds in the merchant bank account, the processor is ultimately liable for the funds.