



## Payment Card Network updates for subscription Merchants offering free trial, introductory promotions and ongoing subscriptions

The Payment Card Networks (PCNs) have made changes to their requirements for Merchants offering free trials, introductory promotions, and ongoing subscriptions.\*<sup>1</sup> These changes are designed to improve transparency for Cardholders by easily identifying promotional transactions and providing a simple cancellation process. In addition, these requirements will help mitigate billing discrepancies and transaction disputes with Cardholders.

To protect your business from possible Cardholder disputes and to maintain a positive customer experience, the PCNs require full adoption of their requirements.

The Merchant obligations include:

1. Obtaining consent
2. Providing disclosures
3. Sending reminders
4. Implementing a simple cancellation process
5. Providing enhanced transaction receipts

Details of the specific Payment Card Network requirements are as follows:

### Overview of Mastercard requirements

#### Negative option billing Merchants

The following will apply to negative option billing Merchants accepting Mastercard Cards that offer a free or low-cost trial period of digital goods and services (such as streaming services, club memberships, website access, or software licenses) and then automatically enroll the Cardholder into a subscription plan at the end of the trial period (referred to as negative option billing).

- No less than three days and no more than seven days before the end of trial period, or whenever terms and conditions will change, the Merchant must send a reminder notification to the Cardholder that the subscription plan will commence if the Cardholder does not cancel. This notification must include the basic terms of the subscription and instructions about how to cancel. This reminder can be completed by email message or any other electronic method.

**NOTE:** This requirement will not apply to high-risk negative option billing Merchants that offer a free or low-cost trial period of physical goods such as dietary supplements and healthcare products, and then automatically enroll the Cardholder into a recurring billing/subscription plan at the end of the trial period.

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<sup>1</sup> **Effective Dates:** Visa's changes came into effect April 18, 2020. Mastercard effective dates are as follows: March 22, 2022, all requirements become effective, except the requirement regarding disclosure at the point of payment; and September 22, 2022, the requirement regarding disclosure at the point of payment will become effective.

## All subscription Merchants

The following requirements will apply for all subscription Merchants accepting Mastercard Cards:

- Merchants must clearly disclose the basic terms of the subscription at the point of payment and capture the Cardholder's affirmative acceptance of such terms. The disclosure must include the price that will be billed and the frequency of the billing (e.g. "You will be billed USD 9.95 per month until you cancel the subscription."). Merchants that utilize a negative option billing model must also disclose the terms of the trial, including any initial charges, the length of the trial period, and the price and frequency of the subsequent subscription (e.g. "You will be billed USD 2.99 today for a 30-day trial. Once the trial ends, you will be billed USD 19.99 each month thereafter until you cancel.").
  - For electronic commerce (e-commerce) Merchants, the point of payment includes the screen where Cardholders enter their card credentials and any screens that show a summary of the order (such as a shopping cart) before it is submitted for authorization by the Cardholder.
  - Providing a link to another page that contains this information (such as a terms and conditions page), or otherwise requiring the Cardholder to expand a message box or scroll down the page to see the terms, will not satisfy this requirement.
- Merchants must send a confirmation by email message or by any other electronic method at the time of enrollment in a subscription/recurring billing plan that provides the terms of the subscription, including the terms of a trial period when applicable, and clear instructions about how to cancel the subscription.
- Merchants must send a receipt by email message or by any other electronic method after every billing that includes clear instructions for how to cancel the subscription.
- Merchants must provide an online or electronic cancellation method (like unsubscribing from email messages or any other electronic method).
- For any subscription/recurring payment plan that bills a Cardholder less frequently than every six months (180 days), the Merchant must send a notification no less than three days and no more than seven days before the billing date that includes the terms of the subscription and instructions about how a Cardholder may cancel the subscription.

## Overview of Visa requirements

The following requirements apply to Merchants accepting Visa Cards selling both physical and digital goods and services who offer free trials or discounted introductory offers as part of a subscription ("recurring") service:

### Express consent

At the time of enrollment, Merchants must require the Cardholder to expressly consent to entering an ongoing subscription service for recurring payments.

## **Enhanced notification**

At the time of enrollment, Merchants must provide a copy (e.g. email or SMS/text, or other delivery method, 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. This must include:

- Confirmation that the Cardholder has agreed to a subscription, unless the Cardholder cancels
- The start date of the subscription
- Details of the goods/services
- Ongoing transaction amount and billing frequency/date
- Link or other simple mechanism to enable the Cardholder to easily cancel any subsequent transactions online

Merchants must also send a reminder notification (e.g. email or SMS/text) including a link to online cancellation policy at least seven (7) days before initiating a recurring transaction if:

- A trial period, introductory offer, or promotional period is about to expire
- The nature of the recurring agreement has changed (e.g. the price or billing period)

## **Explicit transaction receipts**

Merchants must disclose the following on transaction receipts:

- 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
- Transaction amount and date for the initial transaction (even if no amount is due) and for subsequent recurring transactions
- A link or other simple mechanism to enable the Cardholder to easily cancel any subsequent transactions online

## **Statement descriptor (OPTIONAL)**

An additional descriptor indicating a trial period-related transaction will be required in the Merchant Name field of the Clearing Record for the first transaction at the end of a 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, in the same way discretionary, additional invoice/order numbers appear for electronic commerce transactions.

## **Easier cancellation**

Merchants must provide an easy way to cancel the subscription or payment method online, regardless of how the Cardholder initially interacted with the Merchant (for example, a pop-up store in a shopping mall, door-to-door sales, or a TV/Radio ad).

## **Expanded dispute rights**

The existing dispute condition of “Misrepresentation” has been expanded, specifically for transactions where merchandise or digital goods have been purchased (i) through a trial period or (ii) as a one-off purchase, and the Cardholder was not clearly advised of further billing after the purchase date.

Merchants can remedy the dispute by proving that they have acted appropriately, provided they can show:

- The Cardholder expressly agreed to future transactions at the time of the initial interaction; and
- The Merchant electronically notified the Cardholder (based on the details the Cardholder provided) before processing new transactions following the trial/ promotional period