

MERCHANTS

Rolling reserves: why providers hold your money and how to get it released

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What a reserve is for, the three forms it takes, what the usual terms look like and what persuades a provider to reduce one.

A reserve is money a payment provider keeps back from a merchant's own sales. It is not a fee and it is not lost: it still belongs to the merchant. But it is not available either, and for a business with thin margins that distinction can decide whether an account is worth having.

What it is for

A card payment can be reversed long after it settles. A customer has months to dispute a charge, and if the merchant cannot repay it, the provider must. The reserve is the provider's security against that: a pool it can draw on for chargebacks, refunds and fines if the merchant's own balance runs out or the business stops trading.

That is why reserves follow risk. The longer the gap between payment and delivery, the higher the dispute rate, or the shorter the trading history, the more a provider is exposed and the more it will want to hold.

The three forms

TYPE	HOW IT WORKS
Rolling	A percentage of each day's sales is held and released after a fixed period, so money flows in and out continuously.
Capped	A percentage is held until the pool reaches an agreed amount, then nothing more is taken.
Upfront	A fixed sum is deposited, or withheld from the first settlements, before processing starts.

The rolling reserve is the most common. Commonly quoted terms are 5% to 10% of sales held for around 180 days, though both numbers vary with the provider and the business. On those terms a merchant always has roughly six months of that percentage tied up: the money from day one is released on day 181, as day 181's own share goes in.

What to check in the contract

- **The percentage and the holding period.** These two numbers set how much cash is out of reach at any time.
- **What it is calculated on.** A percentage of gross sales is more than the same percentage after refunds.
- **Whether it is capped.** Without a cap the pool grows with the business.
- **Review points.** A date or a volume at which the terms will be looked at again.
- **What happens when the account closes.** Providers usually keep the reserve for the full dispute window after the last transaction, which can mean six months or more with no income from the account.
- **When it can be increased.** Most agreements let the provider raise a reserve if the risk changes, sometimes without notice.

How to get one reduced

A reserve is a judgement about risk, so it moves when the evidence does.

1. **Build a record.** Several months of processing with a low chargeback ratio is the strongest argument there is.
2. **Shorten the gap.** Faster delivery and tracked shipping reduce the period in which things can go wrong.
3. **Show the finances.** Bank statements and accounts that show the business could cover its own disputes make the reserve less necessary.
4. **Ask at the review point.** Come with the numbers: volume, refund rate, chargeback ratio and how many disputes were won.
5. **Offer an alternative.** A capped reserve, or a bank guarantee, may suit both sides better than an open-ended percentage.

Providers rarely reduce a reserve unprompted. The merchant who asks, with figures, is the one whose terms change.

What not to do

Do not treat the reserve as working capital that will arrive on a known date. If chargebacks rise, the release can be delayed or the percentage increased. And do not open a second account elsewhere to move volume away from a reserve without telling the first provider: a sudden drop in volume with disputes still arriving is exactly the pattern a reserve exists for, and it tends to make the terms harder.

Before you sign

Work out what the reserve does to cash flow at your expected volume, month by month, for the first year. A 10% reserve held for six months means that half a month's revenue is permanently out of reach once it is full. If the business cannot run on what is left, negotiate before the account opens, when the provider still wants the business.

Sources

- [Merchant Cost Consulting: what is a rolling reserve](#)
- [PXP: rolling reserve](#)

Read online: <https://payments-marketplace.com/insights/rolling-reserves/>

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