

MERCHANTS

Subscription billing: the card scheme rules for trials, renewals and cancellations

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Visa and Mastercard both set rules for recurring payments, and most subscription disputes come from breaking them. What must be disclosed, when to remind and how cancelling has to work.

Subscriptions produce more card disputes than any other way of selling. The customer forgets they signed up, did not realise a trial would turn into a charge, or cannot find how to cancel. The card schemes have responded with specific rules, and a merchant who follows them removes most of the reasons a subscriber has to call the bank.

What the schemes require

The details differ between Visa and Mastercard and change from time to time, so treat this as the shape of the rules and confirm the current text with your provider.

At sign-up

- **Disclose the terms before taking card details.** The price, how often it is charged, and what happens when any trial or introductory price ends.
- **Get express consent.** The customer must actively agree to the recurring charge. A pre-ticked box or terms buried in a link is not consent.
- **Send a confirmation.** A copy of the terms the customer accepted, with how to cancel, sent at the time of enrolment.

During a trial

- **Remind before the first full charge.** Visa requires a reminder before a trial or introductory offer ends, at least seven days ahead, stating what will be charged and how to cancel.
- **Make the descriptor honest.** The charge on the statement should be recognisable, and under Visa's rules a trial-related charge should say so.

For every charge

- **Send a receipt.** Mastercard requires a receipt each time the customer is billed, with clear cancellation instructions.
- **Bill only what was agreed.** A change in price or frequency needs notice, and in practice fresh consent.

Cancelling

- **Offer cancellation online.** Both schemes expect a customer to be able to cancel through the website or by email, not only by phone, however they signed up.
- **Stop at once.** A charge after a cancellation request is the easiest dispute a customer can win.

Why the rules matter to the account

A dispute for a cancelled recurring payment has its own reason code, and a merchant has little defence against it if the customer asked to cancel. Subscription businesses therefore carry higher chargeback ratios than most, and a provider underwriting one looks closely at how the billing is run.

Free trials that convert to a paid plan, known as negative option billing, are treated as a high-risk model in their own right. Mastercard requires merchants using it for physical goods to be registered, and many providers will not take the model at all.

What an underwriter checks

1. **The checkout page.** Is the recurring price shown next to the button, in the same size as everything else?
2. **The consent.** Is there an action the customer takes that is clearly about the subscription?
3. **The cancellation route.** Can it be found from the account page in a click or two?
4. **The emails.** Confirmation, reminder and receipt, with the terms and the way to cancel in each.
5. **The numbers.** Trial-to-paid conversion, refund rate, and the share of disputes coded as cancelled recurring.

Beyond the rules

The schemes set a minimum. These go further and cost little:

- **Remind before every renewal on annual plans.** A yearly charge is the one a customer has most thoroughly forgotten.
- **Refund without argument in the first days after a renewal.** A refund costs the sale. A chargeback costs the sale, a fee and a mark on the ratio.
- **Pause as well as cancel.** Some customers who would have cancelled will pause instead.

- **Use account updater services carefully.** They keep expired cards working, which reduces failed payments, and occasionally bills a customer who had meant to let the card lapse. A reminder solves that.
- **Join the dispute alert services.** A customer who goes to the bank first can still be refunded before it becomes a chargeback.

The test

Sign up for your own product with a personal card, let the trial end, then cancel. Every point at which you were surprised, or had to search, is a point at which a customer disputes instead.

Sources

- [Stripe: 2020 Visa trial subscription requirement changes](#)
- [Qualpay: Visa requirements for subscription merchants offering free trials](#)
- [Chargebee: Mastercard rules](#)
- [Nets: merchant rules for recurring and subscription payments](#)

Read online: <https://payments-marketplace.com/insights/subscription-billing-rules/>

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