

COVID-19 Debit Memo Management FAQs

FOR AIRLINES AND TRAVEL AGENCIES

Updated: April 20, 2020

ARC has been working closely with airlines, travel agencies and payment card companies to monitor the impact of COVID-19 on the industry — particularly related to debit memos and credit card chargebacks.

One of ARC's guiding principles when assessing liability in the event of a chargeback is that travel agencies should not be liable in situations where they have no control over outcomes. Therefore, and with this guiding principle in mind, ARC recently announced the following:

ARC will not take action on any debit memos that:

- **Involve a flight canceled by an airline or government entity as a result of COVID-19**
- **Are related to a passenger compensation dispute resulting from COVID-19**

As such, ARC will not use the ARA or threat of termination to enforce COVID-19-related chargeback debit memos. **However, airlines may still issue and independently enforce all types of agency debit memos. All decisions on debit memo issuance, validity and resolution remain at the discretion of the airline.**

ARC encourages its accredited agencies to work with the airline toward resolution of any outstanding debit memos. Failure to do so could negatively impact the travel agency's relationship and standing with that airline.

ARC itself will not hold travel agencies liable for the payment of such memos, nor will ARC take any action against agencies that could affect their accreditation status for failure to do so. All other types of debit memos will be handled by ARC in accordance with ARC's standard policies and procedures.

ARC is providing the following FAQs to assist airlines and travel agencies as they deal with the potential for an increase in chargebacks resulting from the COVID-19 pandemic. These FAQs will be updated as the situation continues to evolve.

FAQs for Airlines

1. **How can an airline reduce the likelihood of receiving a chargeback?**

The best way to avoid a chargeback is to provide customers with a satisfactory resolution when they contact the airline for help. If customers don't get what they need from the airlines, they are more likely to contact their credit card issuer and dispute the transaction.

2. **What should airlines do when they receive a chargeback for canceling a flight as a result of the COVID-19 pandemic?**

The first step is to validate whether a refund or other form of compensation was provided to the customer. If a refund or other form of compensation was not provided, airlines should simply accept the chargeback.

If a refund or other form of compensation was provided, airlines should respond to the chargeback indicating that a refund or other form of compensation was provided and be sure to include the appropriate supporting documentation.

Airlines are encouraged to consult with their credit card processor or credit card brands if they have questions concerning chargeback liability or the representment processes.

3. **Are travel agencies liable for chargebacks related to a flight that was canceled by an airline or government entity as a result of the COVID-19 pandemic?**

ARC's position is that airlines should accept responsibility for chargebacks when the airline or a government entity canceled a flight as a result of the COVID-19 pandemic. While ARC believes that travel agencies should not receive debit memos for these types of chargebacks, decisions about debit memo issuance, validity and resolution are ultimately at the discretion of the airline. Airlines may still issue and independently enforce all types of agency debit memos.

ARC itself will not take action on any debit memos travel agencies might receive under such circumstances, nor will ARC take compliance actions against agencies that could affect their accreditation status for failure to pay such debit memos. However, agencies that receive COVID 19 chargeback-related debit memos from airlines may be liable to the airline for payment of those memos.

ARC encourages its accredited agencies to work with the airline toward resolution of any outstanding debit memos. Failure to do so could negatively impact the travel agency's relationship and standing with that airline.

4. **Is ARC waiving agency liability for debit memos and chargebacks during COVID-19?**

No. ARC recognizes that airlines may still need to issue debit memos for valid fare discrepancies, refund/exchange issues and chargebacks, whether related to COVID-19 or otherwise. Decisions on debit memo issuance, validity and resolution remain, as they always have, at the discretion of the airline.

However, ARC will not use the ARA or threat of termination to enforce COVID-19-related chargeback debit memos.

5. **Is ARC changing its policies around the management of debit memos?**

No. This announcement is intended to make clear that ARC itself will not use the ARA or threat of termination to enforce COVID-19-related chargeback debit memos; it does not reflect a change in its debit memo policies.

ARC continues to fulfill its role in connecting airlines and travel agencies to do business together, pursuant to its Agent Reporting Agreement (ARA) and Carrier Services Agreement (CSA). Consistent with ARC's longstanding policy, ARC does not regulate or enforce debit memos related to customer service-related chargebacks, fares, commissions, refunds or exchanges.

Please note that ARC's COVID-19 policies on debit memos and the extension of the Ticket Resolution Service (TRS) compensatory grace fee period from 15 to 45 days remains in effect until further notice.

6. What should airlines do when they receive a "refund not received" chargeback for transactions related to the COVID-19 pandemic?

The first step is to validate whether a refund or other form of compensation was provided to the customer. If a refund or other form of compensation was not provided, airlines should simply accept the chargeback.

If a refund or other form of compensation was provided, airlines should respond to the chargeback indicating that a refund or other form of compensation was provided. It is recommended that airlines include the appropriate supporting documentation.

Airlines are encouraged to consult with their credit card processor or credit card brands if they have questions concerning chargeback liability or representation processes.

7. Are travel agencies liable for chargebacks when a customer claims they have not received a refund or other form of compensation for a transaction related to the COVID-19 pandemic?

ARC's position is that travel agencies should not be held liable for chargebacks when a customer claims they have not received a refund or other form of compensation for a transaction related to the COVID-19 pandemic. Additionally, ARC will not take action on any debit memos travel agencies might receive under such circumstances, nor will ARC take compliance actions against agencies that could affect their accreditation status for failure to pay such debit memos.

8. What are the expectations for handling disputes on fully refundable tickets?

In this instance, an airline should confirm that a refund was not previously processed. If a refund was not processed, the airline should simply accept the dispute and close the ticket. If a refund was processed, the airline should respond to the dispute indicating that the refund was processed. The expectation is that the airline will not reach out to the travel agency.

Airlines are encouraged to consult with their credit card processor or credit card brands if they have questions concerning chargeback liability or the representation processes.

9. Where can an airline get email addresses for chargeback contacts within a travel agency?

The ARC Carrier Dashboard allows airlines to access contact information for travel agencies, including contacts responsible for managing chargebacks. If a chargeback contact isn't available, this means the travel agency hasn't designated one. In this instance, the airline is encouraged to email the designated primary travel agency contact.

**Have additional questions about how to manage chargebacks?
Contact ARC at creditcardservices@arccorp.com or ahd@arccorp.com.**

FAQs for Travel Agencies

1. How can travel agencies reduce their risk of receiving chargeback-related debit memos during the COVID-19 pandemic?

The best action a travel agency can take during this time of uncertainty is to proactively engage with their customers who have been negatively impacted by COVID-19, and work with them and the airlines to identify satisfactory solutions to any customer problems before the customer initiates a chargeback.

2. What should travel agencies do when they receive a chargeback-related debit memo for a flight that was canceled by an airline or government entity as a result of the COVID-19 pandemic?

Ideally, travel agencies will not receive chargeback-related debit memos for flights that were canceled by an airline or a government entity as a result of COVID-19. While ARC will not take action to enforce these debit memos, decisions on debit memo issuance, validity and resolution remain, as they always have, at the discretion of the airline.

ARC encourages its accredited agencies to work with the airline toward resolution of any outstanding debit memos. Failure to do so could negatively impact the travel agency's relationship and standing with that airline.

If a travel agency does receive a COVID-19-related debit memo, it should follow best practices by first validating that the agency hasn't already processed a refund for the disputed transaction. If a refund has already been processed, the travel agency should respond to the airline with the appropriate details. If a refund has not been processed, travel agencies can dispute the debit memo and request that the airline directly manage the customer. To help travel agencies more easily track debit memos related to COVID-19 events, ARC has created an optional new code—COVID19—they can enter in the Agency Reason field in ARC Memo Manager when disputing the debit memo. **Please note:** If a travel agency is unable to use the Agency Reason field, they can alternatively use Flex Field 6. However, in this instance the code will not be visible to the airline.

If debit memos are issued for a flight that was canceled by an airline or a government entity as a result of the COVID-19 pandemic, ARC will not hold travel agencies liable for payment of any such debit memos, nor will ARC take compliance action against agencies that could affect their accreditation status for failure to do so.

3. What should travel agencies do when they receive a chargeback-related debit memo for a passenger compensation issue resulting from COVID-19?

Ideally, travel agencies will not receive chargeback-related debit memos for passenger compensation issues resulting from COVID-19. However, airlines may still issue and enforce all types of agency debit memos. ARC recommends that travel agencies work within ARC Memo Manager (AMM) toward resolution with the airline on outstanding debit memos. Failure to do so could negatively impact the travel agency's relationship and standing with that airline.

If debit memos are issued for passenger compensation issues resulting from COVID-19, ARC will not hold travel agencies liable for payment of any such debit memos, nor will ARC take compliance action against agencies that could affect their accreditation status for failure to do so.

4. If an agency applies the COVID19 debit memo code, does that mean the memo is exempt from payment?

No. The COVID19 code is intended to be used for tracking and categorization purposes. While the code may be used to aid in debit memo disputes, it has no bearing on the validity or resolution of the debit memo. Agencies should note that, if the code is entered into Flex Field 6, it will not be visible to the airline.

5. Are travel agencies exempt from paying all debit memos during the COVID-19 pandemic?

No. ARC does not have the authority to enforce, regulate or waive the issuance or payment of agency debit memos. All decisions on debit memo issuance, validity and resolution remain at the discretion of the airline.

6. Should travel agencies initiate a refund if they receive a dispute or chargeback from an airline?

No. Travel agencies should not initiate a refund if they receive a dispute or chargeback from an airline. Instead, travel agencies should work with the airline to resolve the dispute or debit memo according to the instructions provided by the airline.

7. How should agencies handle commission-related debit memos?

Agencies should handle commission-related debit memos as they always have. Commission-related debit memos, even if related to a chargeback, are outside the scope of ARC's Agent Reporting Agreement (ARA). Travel agencies are encouraged to work with the airline toward resolution of these and other outstanding debit memos.

8. An airline cancelled a customer's flight due to COVID-19 and gave them a refund. Now my agency has a commission recall memo for that refunded ticket. Does my agency have to pay it?

A recall commission memo, even if it is related to a COVID-19 event, is not a memo type that ARC can take action on under the ARA. Agencies are encouraged to work with the issuing airline for all resolution options. ARC does not have the authority to enforce, regulate or waive the issuance or payment of any agency debit memo.

9. Which types of debit memos are outside the scope of the ARA?

ARC does not regulate or enforce debit memos related to customer service-related chargebacks, fares, taxes, commissions, fees, refunds or exchanges.

10. How long do travel agencies have to resolve open debit memos before they are charged a Ticket Resolution Services (TRS) compensatory fee?

Beginning with debit memos loaded on April 9, 2020, and until further notice, ARC has extended the TRS compensatory fee grace period from 15 to 45 days. ARC is taking this action to allow travel agencies and airlines additional time to resolve debit memos during this challenging period.

11. How does the compensatory fee grace period policy change from 15 to 45 days affect debit memos loaded prior to April 9, 2020?

Any debit memos loaded prior to April 9, 2020, remain subject to the regular 15-day grace period.

Have additional questions about how to manage chargebacks?

Contact ARC at creditcardservices@arccorp.com or ccchelp@arccorp.com.