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Your source for payments education

Combatting Fraud and Increasing Authorization Rates Through Issuer Collaboration

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Key Takeaways

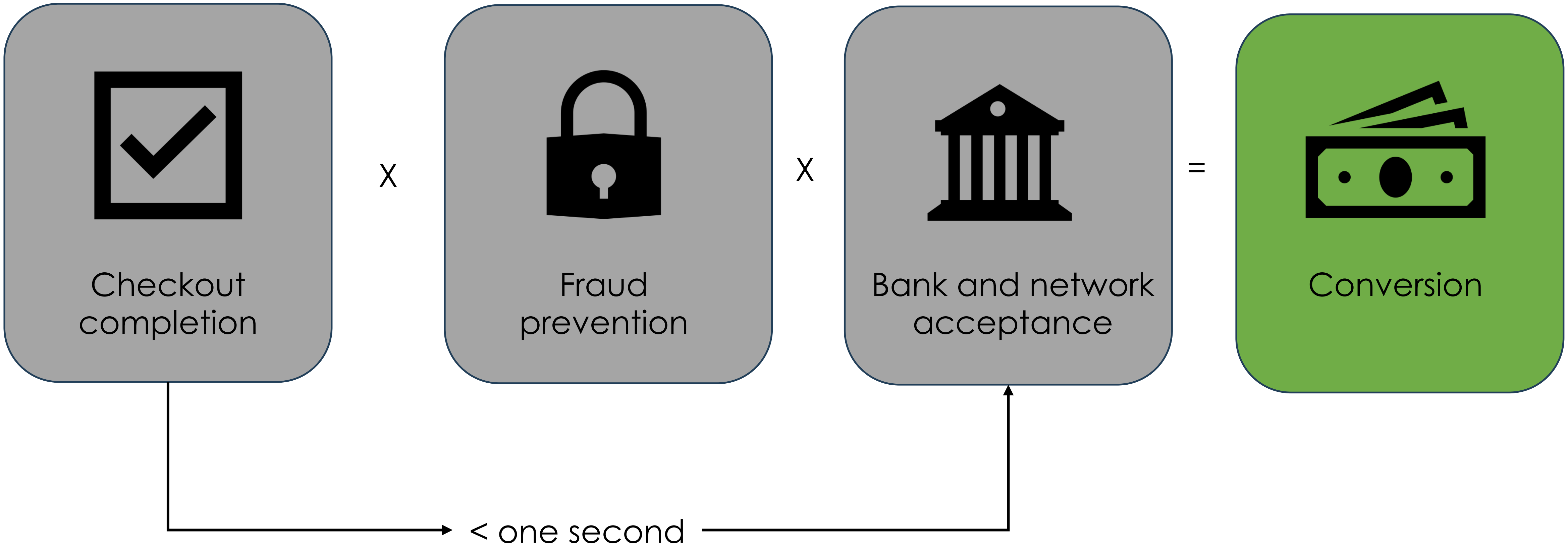
If you take one thing away from this presentation, it's that

information sharing benefits everyone in the ecosystem.

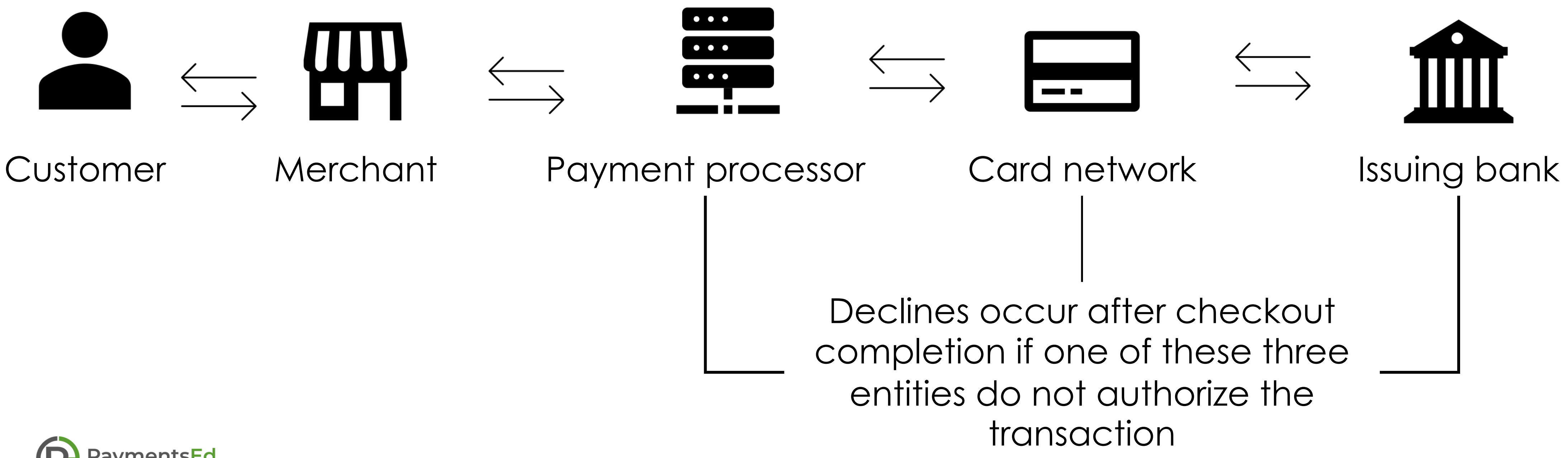
1. Issuers require a lot of information to approve a transaction. Information asymmetry between merchants and issuers is costly and painful. There's an opportunity to collaborate with issuers to reduce both fraud and false declines.

2. Payment processors can share relevant information with issuers to improve conversion in a compliant way.

Issuer acceptance is critical to conversion



Transactions can be declined at various points in the authorization flow



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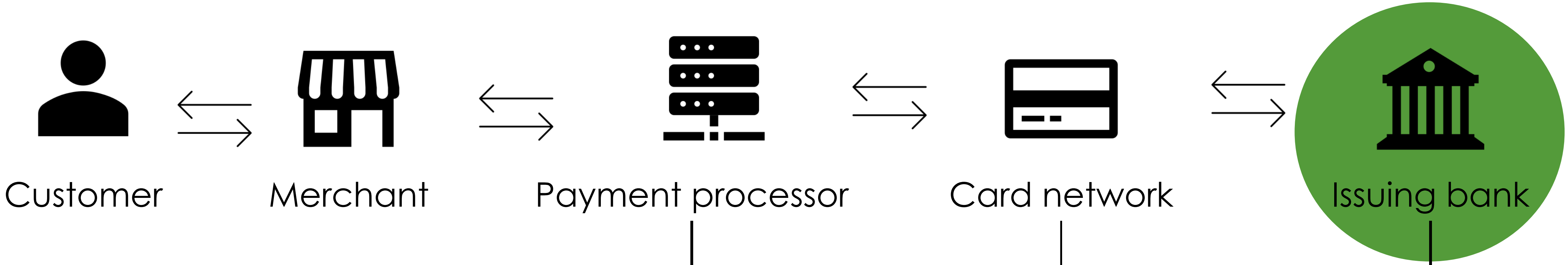
Issuer acceptance relies on information and trust from intermediaries



Declines occur after checkout completion if one of these three entities do not authorize the transaction

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Why would an issuer decline an authorization attempt?

	Types of Declines			
Response to merchant		No Funds Available	Outdated or inaccurate credentials	Suspicion of fraud or prohibited behaviors
	Insufficient Funds	✓		
	Incorrect Payment Credentials		✓	✓
	Expired Card		✓	✓
	Lost / Stolen Card			
	Generic Decline	✓	✓	✓

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Fraud is costly

Fraudulent transactions are costly for issuers and for merchants.

Disputes & chargebacks

Replacement cards

Friction of card replacement

False declines are also costly

Declining legitimate customers costs businesses more than just money—high lifetime-value customers and reputation are at stake too.

80%

of suspected fraud declines are on legitimate (non-fraudulent) transactions

33%

of customers won't return to a merchant if their card is falsely declined

$11B

is the annual cost of false declines for US companies alone

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Merchants and issuers have different sets of information

Information that the **merchant** knows:

- What's being purchased
- Browser information
- Shipping address
- Billing address
- IP address
- Email
- etc.

Information that the **issuer** knows:

- Cardholder home address
- Mobile app IP address
- Holistic purchase history
- Typical behavior
  Credit limit
- etc.

Information asymmetry creates billions in false declines,
leading to poor outcomes for all members of the ecosystem.

Leverage your payment processor as a strategic partner to bridge this gap

Information that the **merchant** knows:

- What's being purchased
- Browser information
- Shipping address
- Billing address
- IP address
- Email
- etc.

PSP

Information that the **issuer** knows:

- Cardholder home address
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Leverage your payment processor as a strategic partner to bridge this gap

- PSPs like Stripe are perfectly situated between the merchant and the rest of the payment ecosystem to enrich transaction data and improve decision accuracy.
- PSPs see millions of cards and many have ML tooling to predict a transaction's legitimacy. This can enhance the raw information merchants already are able to provide.
- Increase revenue, capture the legitimate completed checkout flows, reduce disputes, and decrease customer churn with increased transparency.
- Benefit from exposure to top issuers without integration work – your PSP should handle it end-to-end.

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Leverage your payment processor as a strategic partner to bridge this gap

How?

- [merchants] Send transaction signals to your processor to run risk evaluations + bridge the gaps to banks.
- [issuers] Ingest enhanced information at scale for multiple merchants (vs. merchants individually).
- [issuers] Work with processors to find the right integration option with the right balance of granularity, compliance, and integration ease.

Thank you

- Don’t forget to submit your session evaluation!

- Olivia Wax Lewin, Stripe, Financial Partnerships

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