

AN 4934 Revised Standards for Merchants Utilizing a Subscription/Recurring Payments Model or Negative Option Billing Model

Type:

Bulletin Announcement

Category:

Operations

Rules/Standards

Audience:

Acquirer

Processor

Region:

Global

Brand:

Mastercard®

Action indicator:

Brand Mandate

Published:

12 April 2022

Effective:

22 September 2022

Executive overview

Mastercard is extending the deadline and providing clarification for new requirements that will help ensure a more positive cardholder experience and to mitigate negative practices associated with the utilization of a subscription/recurring billing model, a negative option billing model, or both.

Effective date details

| Date | Details |
|-------------------|---|
| 22 September 2022 | All requirements will become effective. |

Customer benefit

The new requirements will benefit all participants of the Mastercard payment ecosystem by providing:

- A better cardholder experience with merchants
- Fewer complaints and chargebacks related to cardholders that do not intend to enroll in a subscription, cardholders that do not recognize a transaction related to a subscription they previously agreed to, and cardholders that have trouble canceling their subscription

In addition, these requirements will align with various consumer protection regulations in many jurisdictions, including the U.S. region, Canada region, and the European Union.

What Mastercard is doing

To help ensure a more positive cardholder experience, to mitigate negative practices associated with the utilization of a subscription/recurring billing model, and to reduce negative impacts to the ecosystem such as chargebacks, Mastercard will implement new acquirer requirements.

Version history

| Date | Description of Change |
|-------------------|--|
| 12 April 2022 | Change to effective dates and clarification regarding applicability of the new requirements. |
| 9 November 2021 | Change to effective dates |
| 21 September 2021 | Initial publication date |

Background

When implemented responsibly by merchants, the use of a subscription/recurring billing model provides cardholders with a safe and convenient way to receive products and services on an ongoing basis. However, merchants that fail to provide the necessary transparency, or do not implement proper controls often provide a poor consumer experience.

As a result, these merchants may suffer from an increase in disputes from cardholders that did not intend to enroll in a subscription or no longer want to remain on a subscription plan but do not know how to cancel it. This is especially true when cardholders are automatically enrolled in a subscription after an initial free or low-cost trial period, or when the cardholder is enrolled in a subscription plan that bills infrequently (for example, annually).

Acquirer impact

Acquirers must ensure that all merchants in their portfolio that utilize a subscription/recurring payment model, a negative option billing model, or both are operating per the new requirements by the effective date.

Overview of new requirements

Effective 22 September 2022, the following revised Standards will apply to negative option billing merchants that offer a free or low-cost trial period of a digital good (such as streaming service, club membership, website access, or software license) and then automatically enroll the cardholder into a subscription plan at the end of the trial period (referred to as negative option billing).

- For merchants offering a trial period longer than seven days, the merchant must send a reminder notification to the cardholder no less than three days, and no more than seven days, before the end of the trial period 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 notification requirement will not apply to negative option billing merchants that offer a free or low-cost trial period of a physical good 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. For additional information about the requirements for negative option billing merchants, refer to section 5.4.2 of the *Transaction Processing Rules*.

In addition, the following requirements will apply for all merchants that utilize a subscription model, where a cardholder is billed a fixed amount on a regular basis for a service, membership, physical products or digital goods (such as access to a website, a streaming service, membership to a gym or other organization, or a purchase of downloadable software). These requirements do not apply to payments for utilities (such as gas,

electric, sanitation, heating oil, water), telecommunications services, insurance policies, or existing debt (for example, vehicle loan or mortgage repayments).

- 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 (for example, "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 (for example, "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. Cardholders may choose to opt-out of receiving these notices.
 - As a reminder, Mastercard Standards prohibit merchants from submitting subsequent authorization requests on the same primary account number (PAN) when the original authorization response included certain response codes. Refer to [AN 1704—Revised Standards—Multiple Authorization Requests for Card-Not-Present Transactions](#).
- Merchants must provide an online or electronic cancellation method (similar to unsubscribing from email messages or any other electronic method) or clear instructions on how to cancel that are easily accessible online (such as a "Manage Subscription" or "Cancel Subscription" link on the merchant's page).
- For any subscription/recurring payment plan that bills a cardholder less frequently than every six months (such as, but not limited to, cardholder is billed every six months every year, every two years), the merchant must send a notification at least seven days, but no more than 30 days, before the billing date that includes the terms of the subscription and instructions about how a cardholder may cancel the subscription.

Revised Standards

To view marked revisions, refer to the attachment associated with this announcement. Additions are underlined; deletions are indicated with a strikethrough.

Questions

Customers with questions about the information in this announcement should contact Global Customer Service using the contact information on the Technical Resource Center.