



3 steps to take charge of chargebacks

podcast episode 50 tip sheet

You're working with a client who seems happy with your services until one day they issue a chargeback through their credit card company or Paypal. The client reverses the credit card charge and you have no advance notice. Not only that, but you have no payment for your services.

What do you do? How do chargebacks work? Is there anything you can do to stop them from happening? This episode explains the chargeback process and how you can take charge of chargebacks when they happen with 3 simple steps.

What's a chargeback?

A chargeback is issued when a client decides they want to stop working together and they contact their credit card company or Paypal and tell them to reverse the charges on their credit card and refund the amount of money that they paid to you.

It does NOT feel good when a chargeback happens. Not only can chargebacks hurt you financially as a business owner, but they can also be a black mark against you with your credit rating, and it can even prevent credit card processors or companies from working with you in the future if it happens too often.

Why were chargebacks created?

Generally, chargebacks were designed for consumer protection so that unethical companies couldn't take advantage of vulnerable individual consumers and get away with it.

Here's how the chargeback process works:

(This is a simplified version – I'm just hitting the high notes here so you can understand how it works.)

Step 1. First, the client notifies her credit card company that she is disputing a purchase and wants to make a chargeback against you.

Step 2. The credit card company reviews the dispute and determines whether the client's chargeback request is valid or invalid. If it's invalid, the process stops here. If it is valid, that means a decision has been made to investigate further.

Step 3. The client is immediately reimbursed and you are sent notification about how to respond to that disputed charge. (This is the part where it doesn't feel fair because the credit card company process automatically defaults to taking the client's side. That's because you'll remember the chargeback process was created to protect consumers from businesses who are bad apples.)

Step 4. You can gather and send in to the credit card company ALL of the evidence you have to show that you have delivered what was promised to your client. You can provide things like:

Client Agreement or **Terms of Use** and proof that the client signed or checked the box to agree to

- Copies of any call recordings or transcripts of calls
- Proof of delivery of the services to the client
- Past transaction history between you and the client
- E-mail communications
- Other purchases from the client
- Social media proof that you are actually delivering your services
- Basically, everything you have to show that you've delivered your services as advertised.

Step 5. The credit card company, usually through its issuing bank, reviews the chargeback claim and the evidence and decides who wins the dispute. If the business wins, then the chargeback is reversed and the business is paid. If the client wins, you are out of luck – and out the money.

When a chargeback happens like this, it can feel so disempowering. Not going to lie, chargebacks are a harder battle to win than even a client not paying you at all or “ghosting” you.

Here are 3 take-charge steps to handle chargebacks:

1. Use written legal documents.

The best protection from the start is to be sure that you are using a written **Client Agreement** with your 1-on-1 clients AND **Terms of Use** for your group programs, online courses and other things you sell through your website that aren't 1-on-1.

Some people will ask me if they can have a “no refunds or chargebacks” policy on their website or on their sales page and if that’s enough to protect them. Generally speaking, the answer is NOPE! It’s not likely to be enough protection by itself because your client hasn’t agreed to it explicitly as part of the terms of hiring you.

Using a Client Agreement and Terms of Use is the strongest evidence that a client consented to your policies about not issuing chargebacks.

Ready to take charge of chargebacks?

**Learn more about a Client Agreement at
lisafraley.com/diyclientagreement**

**Learn more about Terms of Use at
lisafraley.com/diytermsofuse**

Know that like with everything else in life, nothing in the law is 100% guaranteed - just like nothing in life is 100% guaranteed (except for death and taxes - ha!) so all you can do is have the strongest evidence you can to build your case and show that you were clear about your policies and that your client overtly agreed to them.

2. Have a clear “no chargebacks” policy in your legal documents.

Make sure that in your Client Agreement for your 1-on-1 clients and in your Terms of Use for group programs, online courses and other programs, that you have clear payment terms, including a “no chargeback” clause spelled out in writing. Include specific language about what happens if a chargeback is issued.

If they don’t follow the “no chargeback” clause in your contract or terms, they can be considered to have “breached” that term of the contract and you can potentially sue them or go after them for a breach of contract claim. This is a completely different form of legal recourse than the chargeback process through the bank or Paypal – it falls under CONTRACT law. If you find yourself in the situation where your client issues a chargeback and wins, talk with a lawyer to find out if it makes sense – financially and otherwise - for you to file a breach of contract lawsuit against your client. I’m not generally a huge fan of lawsuits, but sometimes they are necessary.

3. Have strong energetic boundaries around money.

If you’ve tuned in for several of my podcast episodes, you know that I am a big believer in the energetic side of the law.

I like to say that when a client makes a chargeback, it's like a little tap on the shoulder from the Universe that you might have a boundary leak when it comes to money. It's almost like the Universe is saying "Are you ready for what's coming? Tighten things up so you'll be able to hold what I've got headed your way!" Sometimes it can be an indication that you need to tighten up not only your legal boundaries in your contracts and your terms, but also your ENERGETIC boundaries as well.

I align strong boundaries and written contracts with the 2nd chakra – the **sacral chakra** of the body – which also is aligned with money, abundance, trust, relationships and boundaries.



You can take charge of chargebacks with clear legal documents and strong energetic boundaries.

Still have questions about clients making chargebacks? Feel free to reach out to me at clientlove@lisafraley.com. I'm always happy to help you however I can or refer you to another attorney who can assist you.

Here's to getting legally enlightened!

With Legal Love™,

Handwritten signature of Lisa Fraley.

This information is for educational and informational purposes only. It is not legal advice and it does not create an attorney-client relationship.

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Lisa Fraley, JD, CHHC, AADP, is an acclaimed attorney, Legal Coach®, speaker and #1 Best Selling Author of "Easy Legal Steps...That are Also Good for Your Soul." With her unique blend of coaching, legal expertise, and spirituality, Lisa has supported thousands of heart-centered entrepreneurs and small business owners to protect themselves, their businesses and their brands through DIY legal templates, online legal courses and one-on-one services.

From sharing international stages with thought leaders like Kris Carr and Gabrielle Bernstein to being featured on hundreds of podcasts, webinars, radio shows and bonus calls, Lisa has made it her mission to help every single small business owner understand that the law can be accessible, empowering, loving, and even spiritual. When she's not saving the world (with Legal Love) one contract at a time, she's posting free legal tips and connecting with her tribe at lisafraley.com.