

HOW CARD DISPUTES ARE AN **OPPORTUNITY** TO CULTIVATE CUSTOMER LOYALTY



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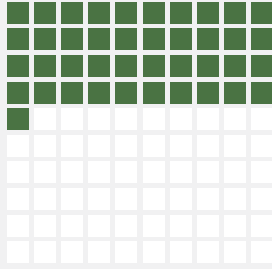


How Card Disputes Are an Opportunity to Cultivate Customer Loyalty was produced in collaboration with Banyan, and [PYMNTS Intelligence](#) is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

WHAT'S AT STAKE

Unexpected or fraudulent credit card charges have become a reality for 3 in 10 consumers in just the last year. But what happens next? The way in which credit card disputes are handled can positively or negatively influence a consumer's loyalty to a card. Notably, frequent use of a card drives up the possibility of a fraudulent or unexpected charge, with 41% of frequent card users noticing an unexpected charge on their card. Among frequent users who saw an unexpected charge, 68% disputed it.

While 41% of disputers noted they disputed due to a fraudulent purchase they did not authorize, the top reason they disputed was due to a lack of clarity in the charge amount or origin. The ways in which merchants, banks and card providers communicate to cardholders are linked to charge clarity. A cardholder's financial literacy also plays a part. Charge disputes may be reduced by education and all parties communicating the charges more clearly.



41%
of frequent card
users noticed an
unexpected charge.

These are some of the findings explored in How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, a PYMNTS Intelligence and Banyan collaboration. This report examines consumers' experiences with credit card disputes and their impact on customer satisfaction and loyalty. The report draws on insights from a survey of 2,691 U.S. consumers across key demographics conducted from Aug. 18 to Aug. 27.

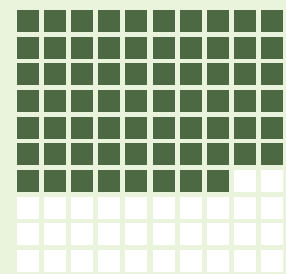
This is what we learned.

KEY FINDINGS

01

DISPUTING UNEXPECTED CHARGES

Consumers who use credit cards frequently were the most likely to notice — and dispute — unexpected and fraudulent charges



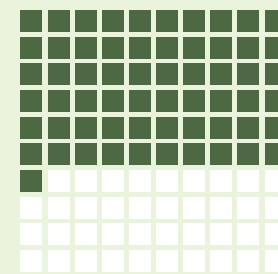
68%

Share of frequent card users with an unexpected charge who disputed a charge with their bank, card provider or merchant

02

HAZY NUMBERS

An unclear charge — such as the cardholder not recognizing the amount or merchant — was the most common reason to dispute a charge.



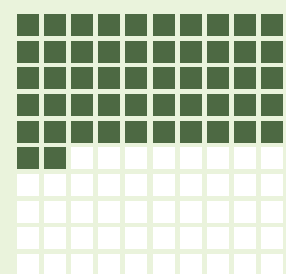
61%

Share of consumers who disputed a charge in the last year because it was unclear

03

FAST SATISFACTION

A key factor in customer satisfaction with the way a charge dispute is handled is how fast it was processed.



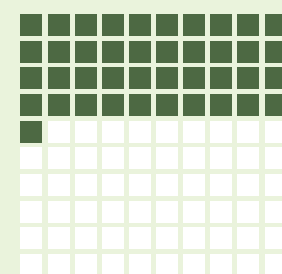
52%

Share of consumers who say the speed of processing a dispute is a key reason they were satisfied with its resolution

04

PREDICTING FUTURE USE

A charge dispute for a cardholder who infrequently uses their card can have an outsized impact on their willingness to use that card in the future.



41%

Share of sporadic users of cards who will not continue to use their card after dealing with a charge dispute

THE FULL STORY

Providing clarity on a credit card charge can prevent charge disputes. When a dispute does occur, addressing the dispute in a clear and timely manner is key to maintaining loyalty.



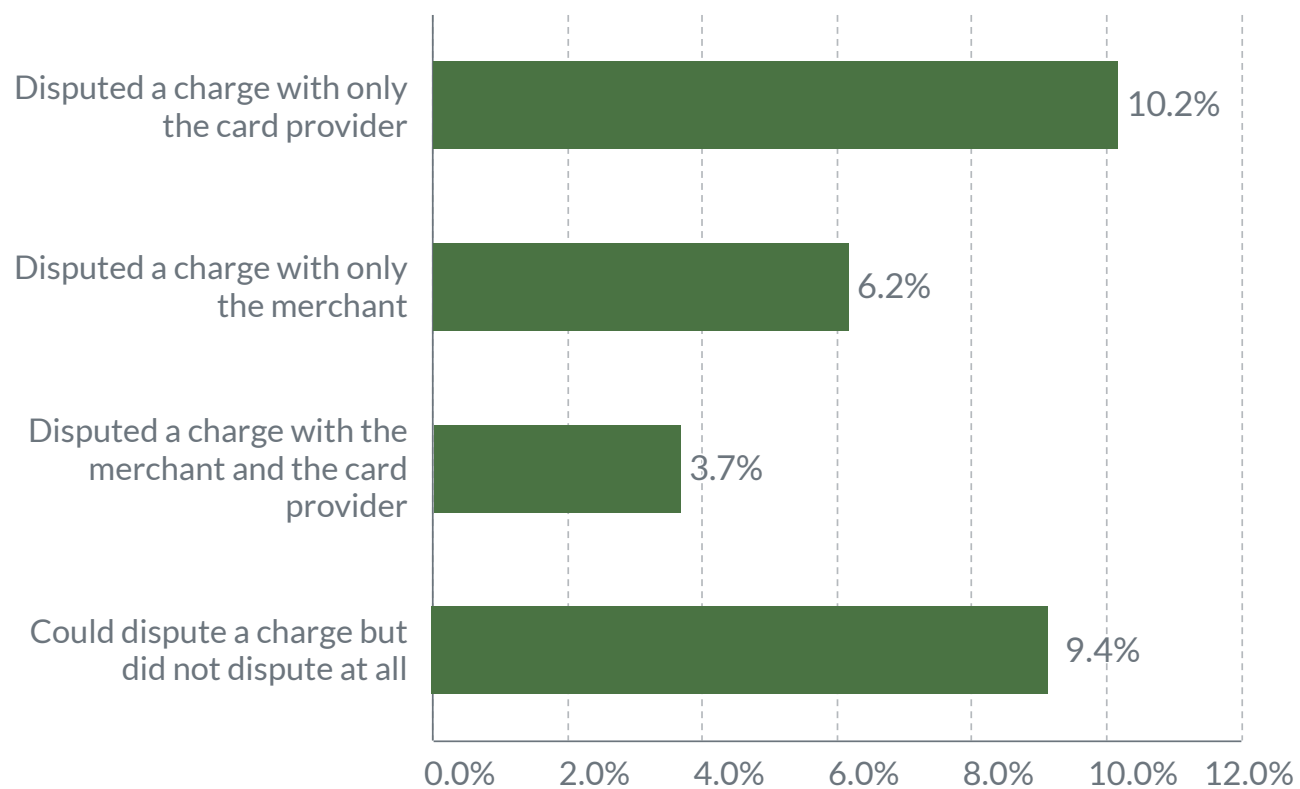
Thirty percent of consumers were hit by unexpected credit card charges in the last 12 months, with most ultimately disputing the charges.

Credit card fraud or errors are a reality that 30% of consumers experienced in just the last 12 months. These charges could include either outright fraud or some level of ambiguity, such as the amount of a charge or an unrecognized merchant. Among consumers who experienced unexpected charges on their cards, 47% ended up disputing the charge with their card provider while 34% disputed with the merchant. Many also experienced simple charge errors. However, not everyone acted: 32% of consumers did not end up disputing a fraudulent charge at all.

FIGURE 1:

Consumer disputes and credit cards

Share of consumers reporting they noticed disputable charges on their credit cards and took select actions



Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024

N = 2,691: Complete responses, fielded Aug. 18, 2024 – Aug. 27, 2024

Among frequent card users who had an unexpected charge, 68% disputed it. Consumers across age groups acted similarly when it comes to responding to credit card fraud or incorrect charges. Bridge millennials and millennials were the least likely age groups to act on a fraudulent charge, with 37% of them choosing not to dispute even when they could. Further, the data shows that consumers were more likely to report an instance of fraud if they were not actually fraudsters. Some consumers admitted to committing so-called friendly fraud, which refers to disputing a legitimate charge made by an authorized user, such as a cardholder falsely claiming a purchase was not delivered to get their money back. Those admitting to being friendly fraudsters were, however, more likely to dispute a charge with a merchant. Among friendly fraudsters, Gen Z consumers were the most likely to do so. This suggests they may think of merchants as easier to dupe.

FIGURE 2:

Where consumers reported disputes

Share of consumers taking select actions regarding unexpected or fraudulent charges, by demographic

	Disputed a charge with only their bank	Disputed a charge with the merchant and their bank	Disputed a charge with only the merchant	Could dispute a charge but did not dispute at all
SAMPLE	34.6%	12.6%	21.0%	31.9%
GENERATION				
• Baby boomers and seniors	39.1%	19.1%	13.8%	28.0%
• Generation X	33.0%	13.2%	21.0%	32.8%
• Bridge millennials	28.7%	10.4%	23.8%	37.1%
• Millennials	29.9%	10.2%	22.3%	37.7%
• Generation Z	37.5%	8.9%	26.2%	27.4%
HOW FREQUENTLY CARD WAS USED				
• Frequent users	37.0%	14.8%	16.7%	31.6%
• Periodic users	32.2%	11.5%	26.6%	29.7%
• Sporadic users	33.7%	6.3%	22.8%	37.2%
COMMITTED FRIENDLY FRAUD IN THE PAST 12 MONTHS				
• Committed friendly fraud	26.0%	16.7%	24.1%	33.2%
• Did not commit friendly fraud	36.2%	11.8%	20.4%	31.6%

Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024
 N = 794: Respondents who could dispute a charge, fielded Aug. 18, 2024 – Aug. 27, 2024

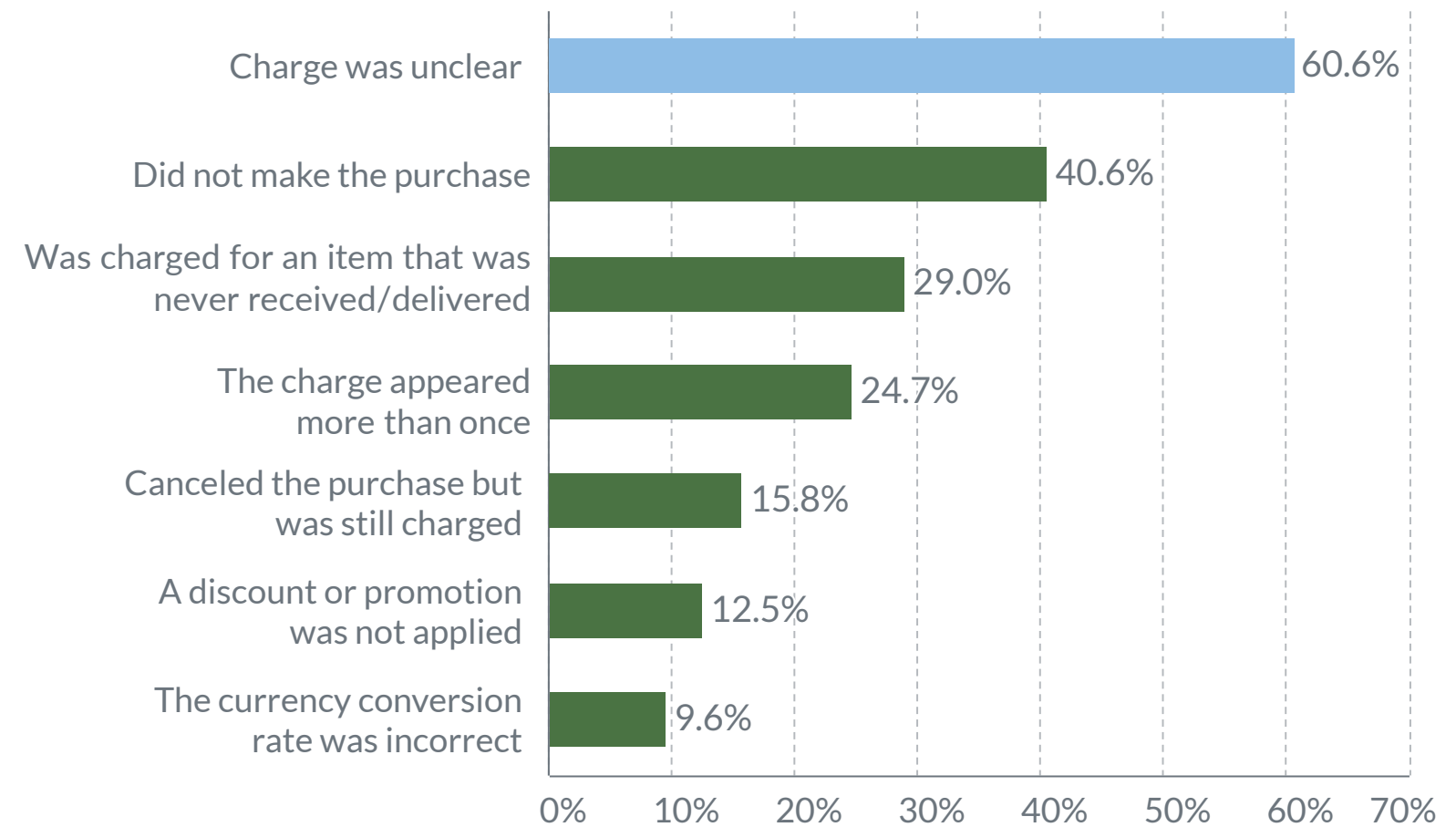
Unclear charges were cited as a key reason to dispute a charge by 61% of consumers — and they were not happy about it.

An unclear charge was the most common reason cardholders disputed a charge on their credit cards. This type of dispute includes an unclear amount being charged — such as unexpected additional taxes, fees or tips — or a cardholder not recognizing the merchant’s information on the charge. Cardholders who initiated this type of dispute were less satisfied with its resolution, with 29% saying they were not satisfied. The resulting confusion is directly linked to the cardholder’s dissatisfaction with the handling of the dispute. This compares to other types of card disputes. For example, when disputing a fraudulent charge, just 12% of cardholders were not satisfied with the dispute outcome. Additional dispute scenarios that can lead to low customer satisfaction include a canceled purchase that resulted in a charge, a discount that was not applied or a currency conversion issue. A consumer may see all of these as the fault of the merchant or card provider, which may decrease their trust in them.

FIGURE 3:

Reasons for charge disputes

Share of consumers citing select reasons why they disputed a charge



Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024

N = 373: Respondents who disputed a credit card charge with their bank in the last 12 months, fielded Aug. 18, 2024 – Aug. 27, 2024

How cardholders first heard about an unclear charge contributed to their subsequent confusion. Consumers were most likely to dispute a vague charge if they first noticed that charge from an email sent to them by the merchant. This was the case for 21% of cardholders. The second-most common way cardholders noticed an unclear charge was via digital bank statements, at 13%, followed by phone call alerts from the bank or card provider, at 12% each.

A consumer's familiarity with a card and their finances also coincided with how they respond to unclear charge alerts. They are more likely to be confused on cards they do not use regularly, which means alerts on those cards may be less intuitive to them. This suggests that cardholders are more familiar with how charges are listed on cards they use on a regular basis. Alternatively, cardholders may prefer to use cards that are explicit about including details of when, where and what was charged to the card. Prioritizing communicating the source of charges in a clear way has the potential to increase a cardholder's use of that card.

Age also mattered if consumers disputed charges out of confusion. Gen Z consumers were twice as likely to dispute a charge as baby boomers and seniors for this reason. The data suggests that a consumer's financial literacy, which likely increases with age, is inversely related to their likelihood of misunderstanding a credit card charge. Being explicit about charge amounts — and where they are coming from — has the potential to decrease charge disputes, which could, in turn, increase trust and card use.

FIGURE 4:

Consumer discovery of unclear charges

Share of consumers who disputed an unclear credit card charge citing how they were made aware of the charge

Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024

N = 201: Respondents who received an unclear credit charge in the last 12 months, fielded Aug. 18, 2024 – Aug. 27, 2024



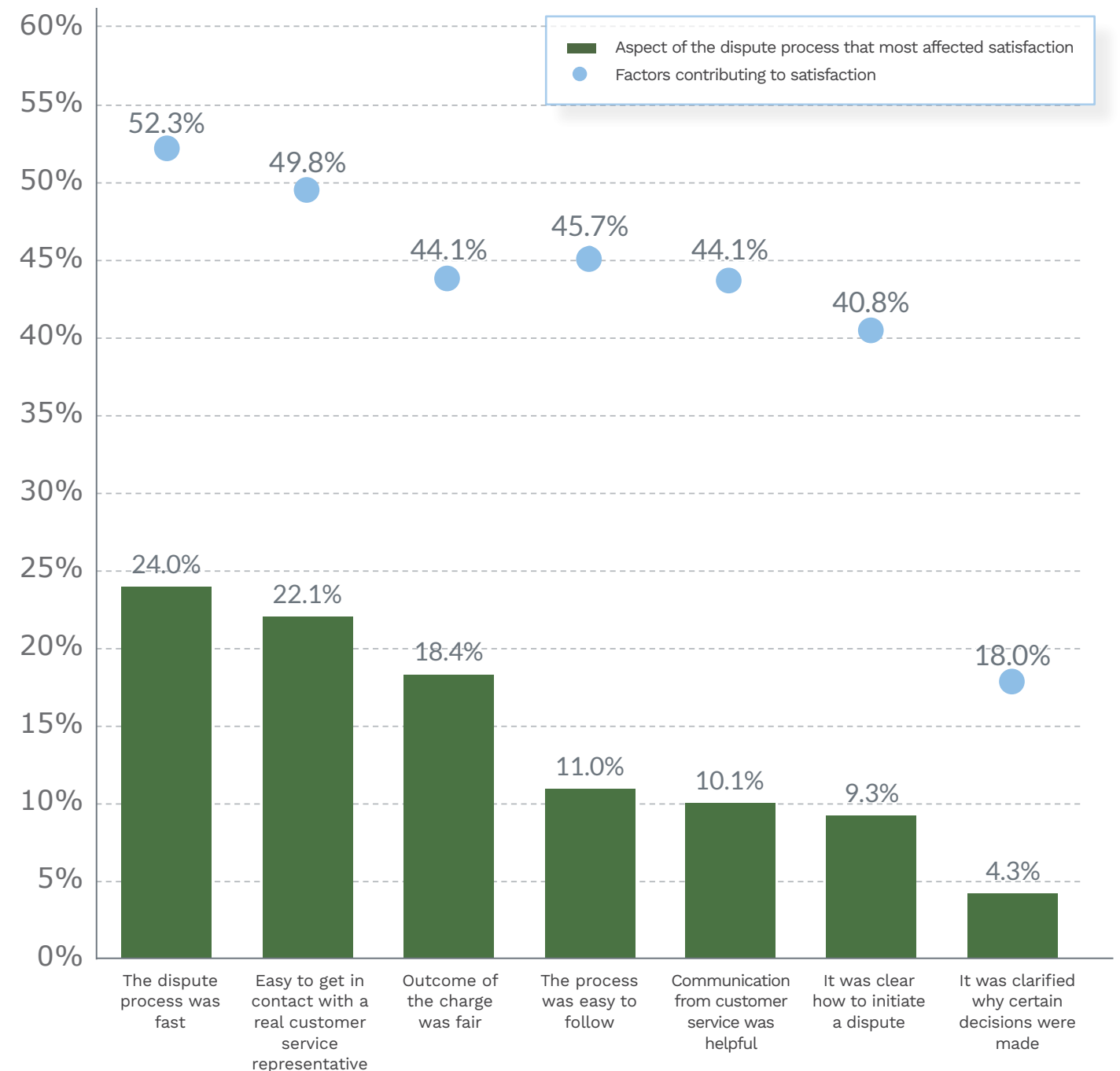
A quick process, return of funds and accessible customer service are key drivers of cardholder satisfaction in charge disputes.

When credit card charge disputes do occur, a few key factors help predict the cardholder’s level of satisfaction. How quickly a credit card dispute is handled is a key ingredient in keeping the cardholder happy. More than half of satisfied consumers cited the speed of processing a dispute as a factor in their satisfaction, with 24% identifying it as core to their satisfaction. Having readily accessible customer service is also key: 50% of satisfied consumers cited this, while unhelpful communication with customer service left a bad taste in the mouths of 39% of dissatisfied consumers. Taken together, the time needed to resolve a dispute and the quality of the customer service are more impactful for cardholder satisfaction than even the outcome. That is, taking the time to work with consumers in resolving these disputes can build trust and loyalty, especially if these are cards with which consumers are less familiar.

FIGURE 5:

Dispute processes resulting in customer satisfaction

Share of consumers citing select reasons why they were satisfied with a credit card dispute



Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024

N = 373: Respondents who were or were not satisfied with a credit card charge dispute process, fielded

Aug. 18, 2024 – Aug. 27 2024



39%

of dissatisfied consumers say unhelpful customer service agents — who may not have access to data about disputed charges — is a key reason for dissatisfaction in resolving a charge dispute.

Most consumers plan to continue using the card they filed a dispute with — particularly if they use that card regularly.

Most cardholders are attached to the credit cards they use regularly. A charge dispute does not necessarily change that. Frequent use of a card increases the likelihood that a cardholder will still use it after disputing a charge. However, this changes for consumers who only use a credit card sporadically. Among this group, 41% of cardholders report they will likely not continue to use their card after dealing with a charge dispute. Among consumers who had their payment amount corrected, 77% said they are very likely to continue using their card, and for those who had the charge removed entirely, another 77% were amenable to continuing to use that card. But, once satisfaction rates dipped with the dispute process, so too did their likelihood of continuing to use the card. In fact, 54% of those who were dissatisfied with the resolution said they would continue to keep swiping. The data suggests that a consumer's card loyalty is linked to how dispute issues are resolved.

FIGURE 6:

Potential to switch

Share of consumers citing how likely they are to continue using a card after disputing a recent charge, by select factors

	Very or extremely likely	Somewhat likely	Not at all or slightly likely
SAMPLE	68.9%	13.8%	17.3%
RESULT OF THE DISPUTE			
• The payment amount was modified to the correct charge value	77.3%	12.3%	10.3%
• The entire charge was removed from the card	76.5%	7.7%	15.8%
• Never finished the dispute process	36.4%	33.7%	29.8%
• Finished the dispute process but the charge was not changed	39.8%	28.8%	31.4%
SATISFACTION WITH DISPUTE			
• Satisfied	74.2%	12.4%	13.4%
• Neutral	38.0%	30.2%	31.8%
• Dissatisfied	54.4%	9.2%	36.5%
HOW OFTEN THE DISPUTED CARD IS USED			
• Frequent users	86.0%	8.9%	5.1%
• Periodic users	66.9%	19.5%	13.6%
• Sporadic users	47.4%	12.1%	40.5%

Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024

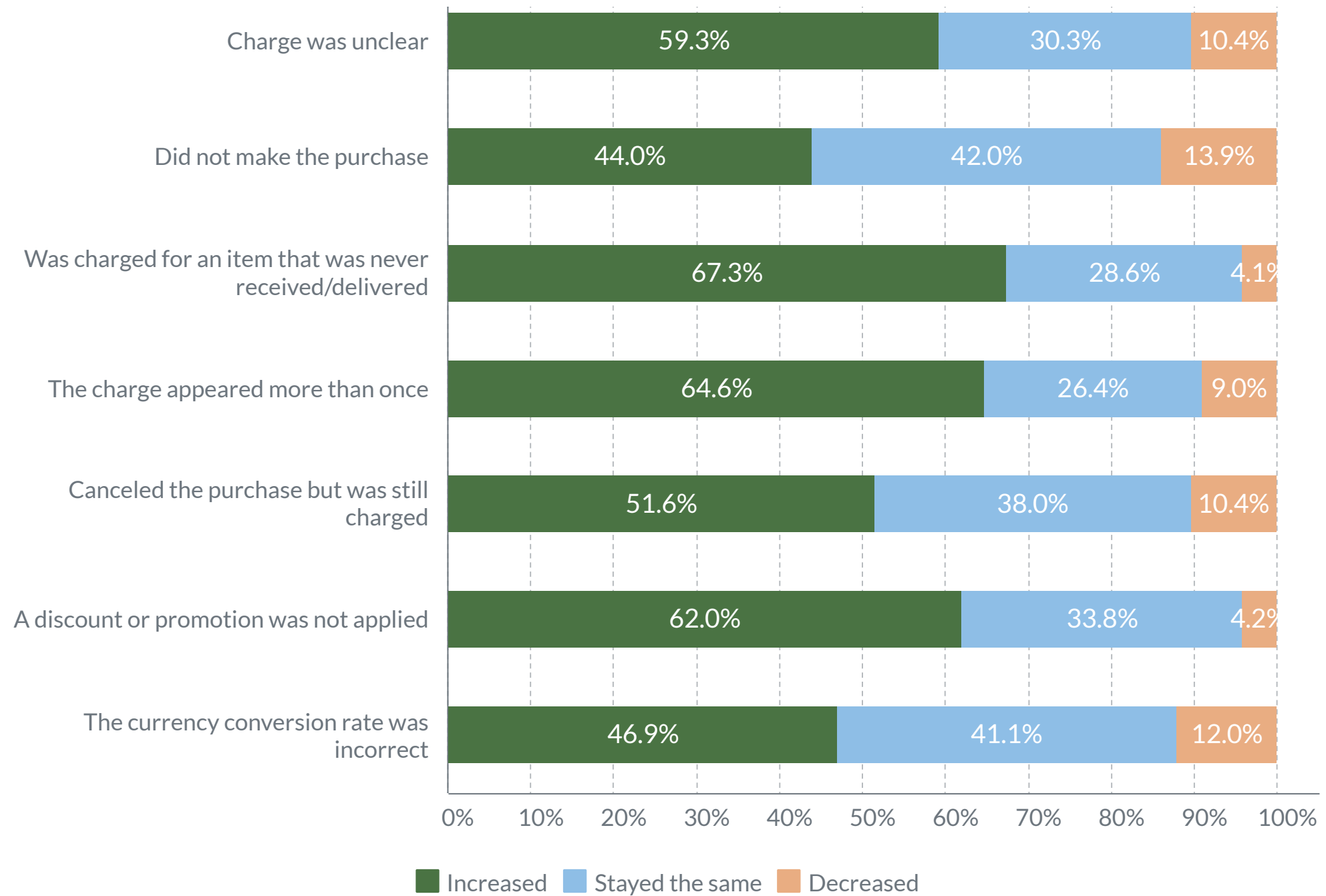
N = 373; Respondents who disputed a credit card charge with their bank in the last year, fielded Aug. 18, 2024 – Aug. 27, 2024

Experiencing fraudulent or unexpected transactions impacts the level of trust and loyalty a consumer feels toward their card. In these card disputes, 14% of consumers report their trust decreased. This result suggests some consumers hold their card providers accountable for their security. Currency conversion issues were the second-biggest driver, with 12% of consumers losing trust in this case. Lastly, among those who experienced unclear charges, 10% reported losing trust in the card provider. This data suggests that if a consumer considers the card issuer at fault for the transaction error, they lose trust.

FIGURE 7:

Shifting consumer trust

Change in a consumer’s trust level following a charge dispute, by reason why the charge was disputed



Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024

N = 373; Respondents who disputed a credit card charge with their bank in the last year, fielded Aug. 18 – Aug. 27, 2024

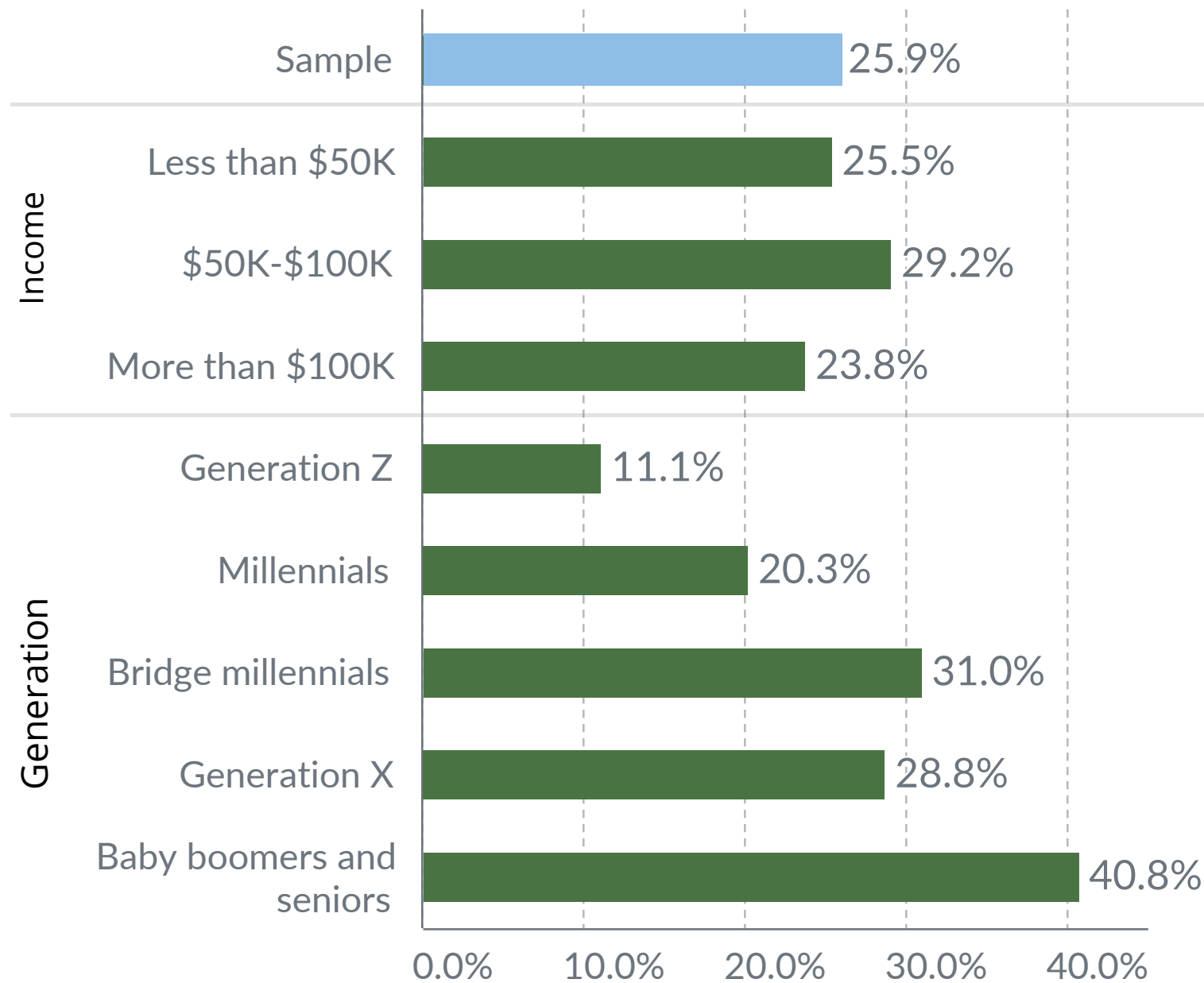
DATA FOCUS

One in 4 cardholders who disputed a charge stopped shopping at the store where the purchase was made.

A smooth resolution of a card charge dispute can start with the merchant. In fact, if a consumer starts a dispute with a merchant but has to escalate it to the card provider, they might not do business with that merchant in the future. Among all age groups, baby boomers and seniors, at 41%, were most likely to say a dispute negatively impacted the likelihood they would shop there again. Comparatively, just 11% of Gen Z consumers said the same. The data suggests consumers blame merchants for unclear, erroneous or fraudulent charges, just as they hold their card providers accountable for their security.

FIGURE 8:
How charge disputes affect merchant choice

Share of consumers who disputed a charge and cite a subsequent negative impact on their likelihood to purchase from the same merchant again, by demographic



Baby boomers and seniors say a dispute negatively impacts their likelihood of shopping at a retailer again.

Source: PYMNTS Intelligence

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty, October 2024

N = 373: Respondents who disputed a credit card charge with their bank in the last year, fielded Aug. 18 – Aug. 27, 2024

ACTIONABLE INSIGHTS

01

Nearly half of consumers who could dispute a charge ended up disputing one with their card provider. Frequent card users were the most likely to dispute, indicating cardholder loyalty may be linked to trusting card providers to resolve charge issues. This suggests that card providers who have checks and balances in place to quickly resolve a dispute — particularly for their most loyal customers — will have better customer retention.

02

Consumers who dispute an unclear charge are the most dissatisfied with their experience. The result is more stress and confusion. This suggests providers should deliver timely, accurate and clear communications about the nature of the charges to their customers, particularly with their statements and notifications to prevent the charge dispute in the first place.

03

Consumers who experienced a speedy resolution process — and whose funds were returned — were the most satisfied with their experience. The speed of processing a dispute is the most significant factor impacting a happy resolution for the customer. This highlights the need for providers to have systems in place to quickly resolve charge disputes.

04

Most consumers plan on continuing to use the card that was subject to a charge dispute process. Consumers are generally loyal to cards they use regularly. But fraud and a lack of clarity in the disputed charge can stand in the way of this loyalty. This suggests that card providers should have added incentives, such as loyalty systems and card member rewards, to ensure consumers continue to use their cards in such situations.

HOW CARD DISPUTES ARE AN OPPORTUNITY TO CULTIVATE CUSTOMER LOYALTY

METHODOLOGY

How Card Disputes Are an Opportunity to Cultivate Customer Loyalty is based on a survey of 2,691 U.S. consumers conducted from Aug. 18 to Aug. 27. The report examines consumers' experiences with credit card disputes and the consequent impact on customer satisfaction and loyalty. The sample was balanced based on census data, including demographics such as income, age and education.

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ABOUT

PYMNTS INTELLIGENCE

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◆ BANYAN

Banyan is the receipt data platform powering innovation in commerce — fast, simple and secure. Banyan's privacy by design and first-of-its-kind data infrastructure enables merchants to easily collaborate with banks, FinTechs and other service partners to activate item-level receipt data solutions ranging from loyalty and marketing personalization to fraud and chargebacks prevention to commercial and consumer solutions that reduce payments friction. Banyan was named to the 2024 Fintech Innovation 50, an annual list by GGV Capital U.S. in partnership with Crunchbase that recognizes the most promising FinTech companies.

To learn more, visit www.banyan.com.

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