

Vending Technology News[®]



Jim Mitchell

Company Kitchen Explores EMV-Compliant Readers To Prevent Credit Card Chargebacks

By Elliot Maras

Company Kitchen, formerly known as Treat America Food Services, a Merriam, Kan.-based provider of vending, refreshment services and micro markets, has begun exploring EMV-compliant credit card readers for vending machines and micro markets. The company has been experiencing some bank chargebacks for credit card purchases due to a change in how card payments are accepted in the U.S.

“They (the credit card issuers) flipped a switch in their software somewhere,” said Jim Mitchell, chief information officer at Company Kitchen. “They probably made a change in software which caused certain questionable transactions to be flagged as merchant responsibility, whereas they were not before.”

Under rules instituted by MasterCard, Visa, American Express and Discover, as of Oct. 1, 2015, in-store counterfeit fraud liability shifted to the party – either the card issuing financial institution or the merchant – that had not adopted EMV technology, according to creditcards.com, a credit card industry website.

Previously, credit card issuers were primarily responsible for covering fraud affecting consumer accounts. While credit card issuers say they will still reverse charges for fraud victims, in some cases they are seeking reimbursement from the merchant or merchant acquirer if the merchant has not installed EMV-compatible equipment when fraudulent charges were made on an EMV card.

EMV is a global payment standard designed to reduce counterfeit payment cards. EMV-enabled cards contain a computer chip that is activated and read when inserted in the card reader or tapped for contactless acceptance.

For vending and micro market operators, the liability related to EMV cards occurs when a patron uses a card in a reader that is not EMV compliant, which is the vast majority of readers.

Paul Bridgewater, CEO of Sage Payment Solutions at payment processing firm Sage North America in Atlanta, Ga., told [creditcards.com](#) that since the liability shift covers kiosk acceptance, vending machine operators that don't upgrade are at risk of paying for chargebacks in fraud-related situations.

If a consumer reports an EMV card lost or stolen, they are credited for any charges made to their card once they report it lost or stolen. The credit card company then charges the machine operator a \$25 fee for each of the charges.

If the consumer uses a credit or debit card that does not have the EMV chip, the credit card company charges the bank and not the machine operator.

As consumers switch to cards with EMV chips, vending and micro market operators will be liable for more of the chargebacks.

Mitchell said Company Kitchen began noticing chargebacks this past fall on both vending and micro market credit card purchases in billing statements. "It just keeps growing every month," Mitchell said.

If a consumer calls the bank that issued the credit card to question a charge from a vending machine, the bank will credit the consumer, then charge Company Kitchen \$25 for all of the charges – regardless of the charge amount – made to that card for the month. "The bank takes all hundred charges the consumer had for the month and says all the charges are bad," Mitchell said. "The consumer doesn't even know."

Mitchell said Company Kitchen has removed the card readers from vending machines where chargebacks have occurred.

Heartland Payment Systems, Company Kitchen's credit card processor, recently agreed to drop its portion of the chargeback, Mitchell said. As a result, Company Kitchen is only getting charged the bank's \$7 portion.

Chargebacks have only occurred on a small number of machines, Mitchell noted. "It's not our highest priority. It's growing and we're looking for a solution."

According to Heartland Payment Systems, vending machines are among the merchant categories that have experienced chargebacks, along with fuel stations and restaurants.

Company Kitchen is exploring EMV compliant card readers for its machines and kiosks, Mitchell noted. Visit website at: www.CompanyKitchen.com.

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