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## Are You Over Authorizing When Your Customers Pay by Credit or Debit Card?

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Are your terminals or point-of-sale (POS) systems automatically programmed to add an estimated tip of 20% or more to your customers' credit and debit transactions? If the answer is "yes," you are over authorizing — estimating the transaction to include a tip and ensuring the cardholder has funds available. This makes customers unhappy, especially because over authorizations can appear as unexpected — and unwelcome — charge amounts.

Over authorizations show up as unrecognizable "holds" on customers' debit accounts. This is confusing and irritating — especially for those patrons who choose to tip less than 20% or leave a cash tip at the table or with the server. Plus, over authorizations may reduce a customer's available funds. All of this adds up to dissatisfied diners who may decide to no longer patronize your restaurant — which means lost revenue for your business. This could also mean more chargebacks — disputes from cardholders or their issuing banks requesting refunds.

In addition, you could be vulnerable to significant financial penalties from Visa USA Inc., which views over authorizations as POS violations and charges a hefty fine for each violation — starting at \$5,000 for the first, \$10,000 for the second and \$25,000 for the third. That's a lot of money you could be reinvesting in your business instead. The bottom line is, don't over authorize.

### Guidelines to avoid over authorizing

Here are some helpful guidelines to make sure you don't over authorize:

1. Ask your card processor or POS provider if your system has a built-in over-authorization feature.
2. If it does, find out if your system automatically over authorizes transactions.

3. If the answer is "yes," ask if your system can be reprogrammed to turn that feature off. (Make sure it won't automatically be reactivated if you download your terminal software.) Work with your card processor or POS provider to determine your options. You might need to update your POS systems.

4. If the answer is "no," you are protected against over authorization.

If you're concerned about whether or not the cardholder has the funds to cover a tip added after you settle the transaction, don't be — you're protected. The card companies have a 20% tolerance for this type of transaction — so you will continue to be paid for the entire amount of the transaction, plus you're protected against chargebacks for the amount up to but not exceeding the 20% tolerance.

Rely on your card processor or POS provider to help you determine if you are over authorizing — and if you are, recommend what you should do to eliminate it from your system. You'll have peace of mind knowing your customers are happy and your business is compliant.



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*Heartland is the founding supporter of The Merchant Bill of Rights, a public advocacy initiative that educates merchants about fair credit and debit card processing practices. For more information, contact Heartland Payment Systems at 866.941.1HPS or visit [HeartlandPaymentSystems.com](http://HeartlandPaymentSystems.com) and [MerchantBillOfRights.com](http://MerchantBillOfRights.com).*