

Visa rule changes for debt collectors at a glance

October, 2022: Visa merchant category code (MCC) 7322 for collection agencies created

April 15, 2023: MCC 7322 new category rules in effect

New category rules:

Disclosure rule¹:

To promote transparency and reduce cardholder confusion, effective April 15, 2023, entities collecting debt or overdue receivables² on behalf of another entity must disclose that-following to the cardholder before the transaction occurs:

1. Name of the original lender or creditor
2. Information to identify the transaction such as:
 - Account / reference number from the original lender or creditor
 - Description of the debt or overdue receivables
 - Date of the repayment contract
3. Instructions for the cardholder on how to obtain additional information about the underlying transaction

Credit card rule¹:

A merchant accepting an overdue receivable transaction meets the following requirements:

1. Does not use a credit card
2. Includes the debt repayment indicator in the authorization request and clearing record

How many payments involve discussion on Visa cards?

1. In a review of approximately 750,000 consumer finance calls, we see 7-8% of calls including a payment discussion refer to paying with a Visa card.
2. Visa debit cards, which are subject these rules, are referenced more often (~60%) than Visa credit or charge cards, which now cannot be used for debt payments (~40%).

Why were the new rules created?

1. The disclosure rule was created so that borrowers have full transparency on the debt they are paying on and that there is no room for confusion.
2. The credit card rule was created so that borrowers do not take on new debt to fund old debt.

Possible implementation issues:

Disclosure rule:

1. This rule is least likely to affect agent scripts because the disclosure requirements are generally already included in agent scripts.

Credit card rule:

1. Remembering that Visa credit and charge cards cannot be used for debt payments may be tricky, especially for new agents.
2. The consequences of taking payment via a Visa credit or charge card will require remediation processes between the acquirer and the agency. Agencies may also be prohibited from accepting Visa for collections.

Possible mitigation strategies:

Disclosure rule:

Scripts that already include the required information for agents do not need to change even if Visa's debit card is accepted for payment by the agency.

The exception could be agencies that do not explicitly mention creditor account or reference number in their existing payment verification scripts. In those cases, we suggest that account or reference number be a part of debt details discussed post-RPC verification/mini-Miranda.

Credit card rule:

1. Continue with VISA debit card payment acceptance if you feel the agents will be able to manage the new rules.
2. (Recommended) Move to exclusively accepting payment via check or ACH.
 - The expectation is that Mastercard will be next to set up new rules for debt collection, including blocking agencies from accepting their credit or charge cards for debt payment.
 - This would exclude collection agencies from accepting any credit and charge cards, so we recommend moving away from Mastercard credit or charge acceptance now.

Source: VISA, capitalrecovery.net, insidearm.com, Prodigal internal analyses*

¹The rule names are given unofficially by Prodigal and not officially by Visa

²Overdue Receivable Definition as per Visa:

An overdue receivable is defined as money owed by one party (debtor) to another (creditor) that is not classified as a debt and is one of the following: (a) Classified by the receivable owner as non-collectable (b) Written off and/or sold to a third party (c) Subject to a court order as the result of a bankruptcy or insolvency

(d) 120 calendar days past the due date for payment.