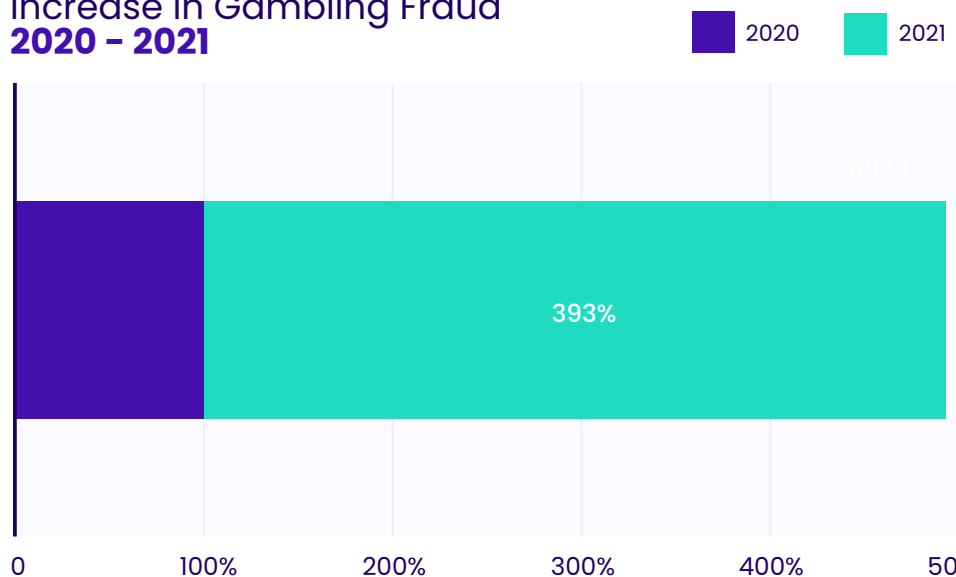


Tackling Chargeback Disputes in the Gambling and Casino Industry

Games of chance involve a lot of risk—for both the players and the house. Even though the industry is highly restricted, casino games deal with extensive sums of money that attract fraudsters prepared with illegal games of their own. While 2021 reports quoted an increase of [17%](#) in overall attempts at digital fraud, gambling fraud almost quadrupled with a spike of [393%](#).

Fraudsters always move into industries where opportunities are available. For the casino and gaming industry, that compounds the issue of chargebacks. Gambling profits rely on consumer attention and engagement, so high-friction events such as efforts to prevent fraud or routine chargebacks can have a massive negative impact on customer retention and the lifetime sales value of a client.

Increase in Gambling Fraud 2020 - 2021



Moreover, casinos are deemed high-risk by credit card networks concerning chargeback thresholds. An increase in dispute volume can boost chargeback fees that further hurt revenue totals and erode the financial partnerships crucial to seamless gaming operations.

Let's explore how the issue of chargebacks specifically impacts the gambling industry to help discover and present possible solutions to revenue loss due to customer disputes.

The Growth of Online Gaming

One of the primary factors for the increase in chargebacks in gambling is the rapid growth of the industry and its shift into the avenues of online gaming. The global market size of the casino sector reached a total of [\\$231 billion](#) in 2021, with online gambling accounting for [\\$64.1 billion](#). Digital services create market access and customer convenience, but they also create new fraud opportunities and the potential for card charge disputes.

In particular, the Supreme Court legalized sports betting in 2018, allowing many online gambling services to expand across North America at a compounded annual growth rate of [12%](#). Online merchants now use gambling-specific merchant accounts and payment gateways, offering their customers fast and simple ways to deposit funds and collect

winnings. Simply add your credit card to your account and play. It is an easy way to improve game-play experience and encourage new user sign-ups.

Online ease of use encouraged consumer spending, but it also contributed to fraud and chargebacks. For example, criminals now use gambling sites to cash out stolen credit card accounts. Others hack into online accounts and steal funds and card information. In the end, honest customers will repudiate such casino charges, leaving gaming merchants to handle the losses.

While online gaming is a boon to the industry, it has magnified the problem of chargebacks.

Customer Chargeback Fraud

To complicate the matter, customers themselves can engage in false claims, AKA friendly fraud.

Long-term customers with no prior record of deceitful behavior can now attempt to recoup losses incurred through legitimate play by initiating a chargeback via their credit card provider. Others might feel dissatisfaction with lost money due to in-game issues or could feel angered by a lack of perceived fairness and repudiate a transaction. If an earned bonus does not apply to an account, that customer may feel entitled to a return of any paid money up to that point and start a dispute.

With the convenience of chargebacks and online payments within gaming sites, incidents of friendly fraud increase. The issues often amplify as money values and gaming services scale. Online gambling creates a veil of anonymity—consumers may engage in unexpected friendly fraud at home, actions they would never dream of committing in a physical casino.

The Difficulty in Evaluating Instances of Chargeback Fraud

Since chargebacks occur for several different reasons and across a confusing mix of customer intentions, it becomes difficult for merchants to assess and defend against chargebacks. Moreover, even with high-level data security and verification practices, consumers levy many legitimate disputes in the gambling industry because of actual instances of fraud related to stolen credit cards or account hacks. Sifting through and defending against the myriad reasons a customer repudiates a charge presents a challenge for merchants.

As is often the case, attempts to solve the problem of chargebacks results in false positives and security issues that affect customer satisfaction:

- Honest players who fall victim to security issues are less likely to play again.
- A reputation for incorrect charges can significantly lower overall user sign-ups and overall retention.
- False claims, no matter the original intent of the dispute, can lead to lifetime bans for particular clients who at one point offered high sales value.

Gambling service providers will continue to struggle with dispute prevention, maintaining customer satisfaction, and eliminating instances of fraud as the industry continues to expand.

Consumer Friction and Chargebacks

In short, chargeback resolution remains a complex task. Casinos cannot only apply standard prevention or security services, as that will lower customer retention, an important success metric for customer lifetime value. Efforts toward chargeback mitigation cannot sacrifice industry growth or game utility. Online platforms benefit from seamless transactions, so any solution that attempts to lower overall chargeback rates must win initiated disputes with minimal effect on customer engagement.

It is important to stress that industry merchants do not have to view false disputes as an expected cost of doing business. Even though disputing chargebacks can affect user experience and involve additional expenses (i.e. chargeback resolution teams), chargebacks will continue to cut into earned revenues until the problem is addressed. Wrongful dispute losses already cost merchants [\\$125 billion](#) per year.

Moreover, if the volume of disputes increases past the set chargeback ratio thresholds, merchants could end up with exorbitant fees costing tens of thousands of dollars or more per month. For false claims, merchants should dispute and win back lost revenues.

How You Can Protect Against Chargeback Fraud

A balance between security, chargeback mitigation, and customer experience is necessary for the gambling sector. For example, finding positive friction points that address instances of fraud provide customer safety without undue loss to engagement. At Justt, we use third-party data sources to confirm the identity of any cardholder, which is just one way that we leverage technology and our industry-specific expertise to flag and fight potential instances of chargeback fraud.

Creating customized solutions for your business can address the unique chargeback-specific problems related to the gambling sector. With Justt as your partner, you can win disputes at an industry-leading rate without negatively impacting game metrics. Recover revenues without sacrificing internal operations and business growth.

Interested to learn more about Justt's tailored chargeback mitigation solutions for the gambling and casino industry? Contact us here for more information and to access your free demo.

