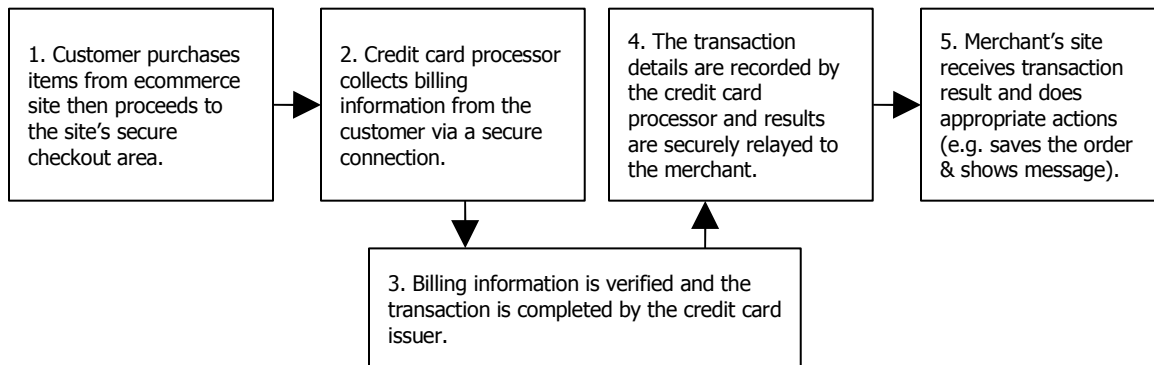


## Online Credit Card Processing Guide

Online credit card processing usually works this way:



For credit card orders to be able to be accepted over the web, as a merchant you have three basic choices for how to accept credit card payments:

1. Accept credit card numbers on the web, store them in a database, then process them off-line
2. Credit card processing with PayPal
3. Credit card processing with a third-party credit card processing company

**IMPORTANT:** Do not underestimate the importance of fraud protection for your credit card processing solution! Many criminals make a comfortable living preying on small businesses that do not have proper fraud protection. They usually do this by either stealing credit card information from web sites, creating fake websites to fool customers into giving credit card information ('phishing'), or using stolen credit card information to purchase goods then resell them.

### Off-line Processing

This solution involves the merchant collecting order information (including credit card numbers), storing this in a database on your site, and entering it using their on-site merchant credit card processing system.

**Pros:**

- Cheapest solution if merchant has current credit card processing capability

**Cons:**

- Takes time to manually enter credit card information for each order
- Insecure - there is a possibility that a skilled hacker could break into the database and steal an entire list of credit card numbers, thereby damaging the merchant's reputation with current clientèle
- There is a higher risk of customer charge backs with no signature
- Higher risk of fraud for using stolen credit cards
- Many discerning online shoppers will not give their credit card to an "untrusted" online merchant (you may want to consider being part of the Better Business Bureau or similar organization to add credibility)

### Credit card processing with PayPal

This solution involves signing up for a free PayPal Business Account. Once this is done and the e-commerce site is properly configured, you can accept payments from Visa, MasterCard, Amex, and Discover cards as well as PayPal account payments. The user does not have to be signed up with a PayPal account for most qualifying credit card purchases under a certain dollar value.

**Pros:**

- Easy and fast to set up
- No monthly fees, setup fees, gateway fees, or fraud prevention fees
- Good for low volume sales
- PayPal name is very trusted by many online shoppers
- No obligations or time commitments
- Adequate fraud and chargeback protection (check <https://www.paypal.com/cgi-bin/webscr?cmd=p/gen/protections-outside> to see if you are eligible for up to \$5000 USD protection per transaction)
- Very secure process - all information is collected on PayPal's secure servers

**Cons:**

- More expensive per-transaction rates - 1.9-2.9% (depending on monthly volume received) and \$0.55 CDN per transaction
- First-time, non-PayPal users may have to sign up for a PayPal account if it is a large purchase (varies, but usually over \$2000) which may deter some buyers
- Poor customer service
- Popular target for phishing scams (fraud scam where users are sent to a fake website to steal credit card/banking information)

- Restrictive Terms of Service - read carefully before signing up to know your rights in case of a dispute due to chargeback or fraudulent charge

### **Credit card processing with third-party credit card processing company**

There are many companies offering this service, so this solution will require you to do some research to determine which the best is for you. You should first ask your bank what options they can offer since they are often cheaper than other companies. Pay attention to fees since third-party credit card processing companies commonly charge monthly fees, setup fees, gateway fees, and fraud insurance fees on top of transaction fees.

#### **Pros:**

- Trusted if using a well known third-party processor
- Best suited for higher-volume sites
- Cheaper transaction rates than PayPal
- Getting money transferred may be very fast (if using your bank's credit card processing system)
- Excellent fraud prevention measures and fraud protection programs (although they may be at an extra cost)

#### **Cons:**

- Time consuming and expensive to set up since every credit card processing company has a different system
- May take a long time to set up your account (weeks or months)
- Lots of different fees - including monthly fees, gateway fees, fraud prevention fees, and minimum monthly fees (if you do not do enough volume)
- High application and setup fees (usually around \$300 US) and approval may be difficult for a new business
- Unknown credit card processor may deter potential sales
- Getting money transferred may take a long time (if not using your bank's credit card processing system)
- May be obligated to sign for a long period of time