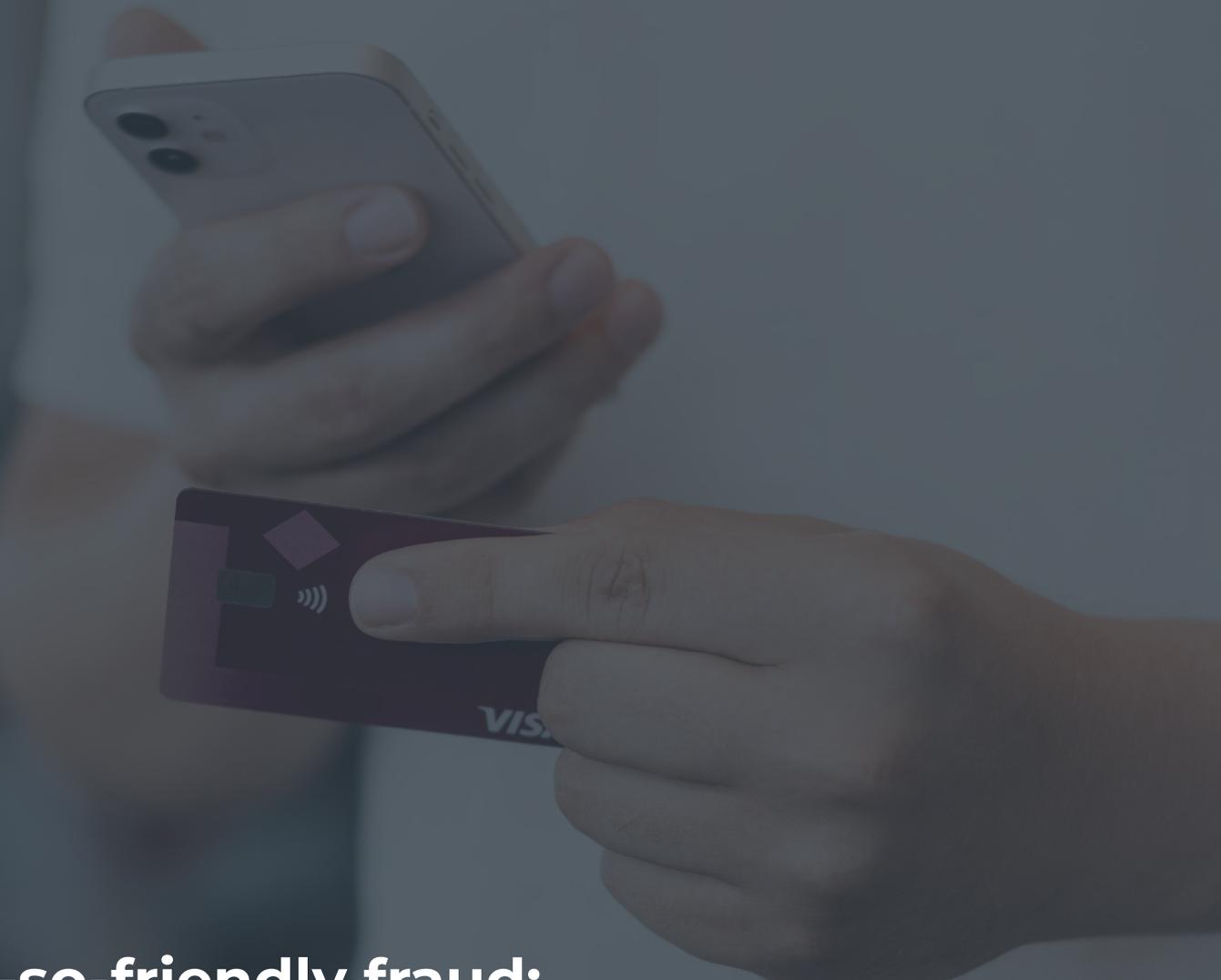


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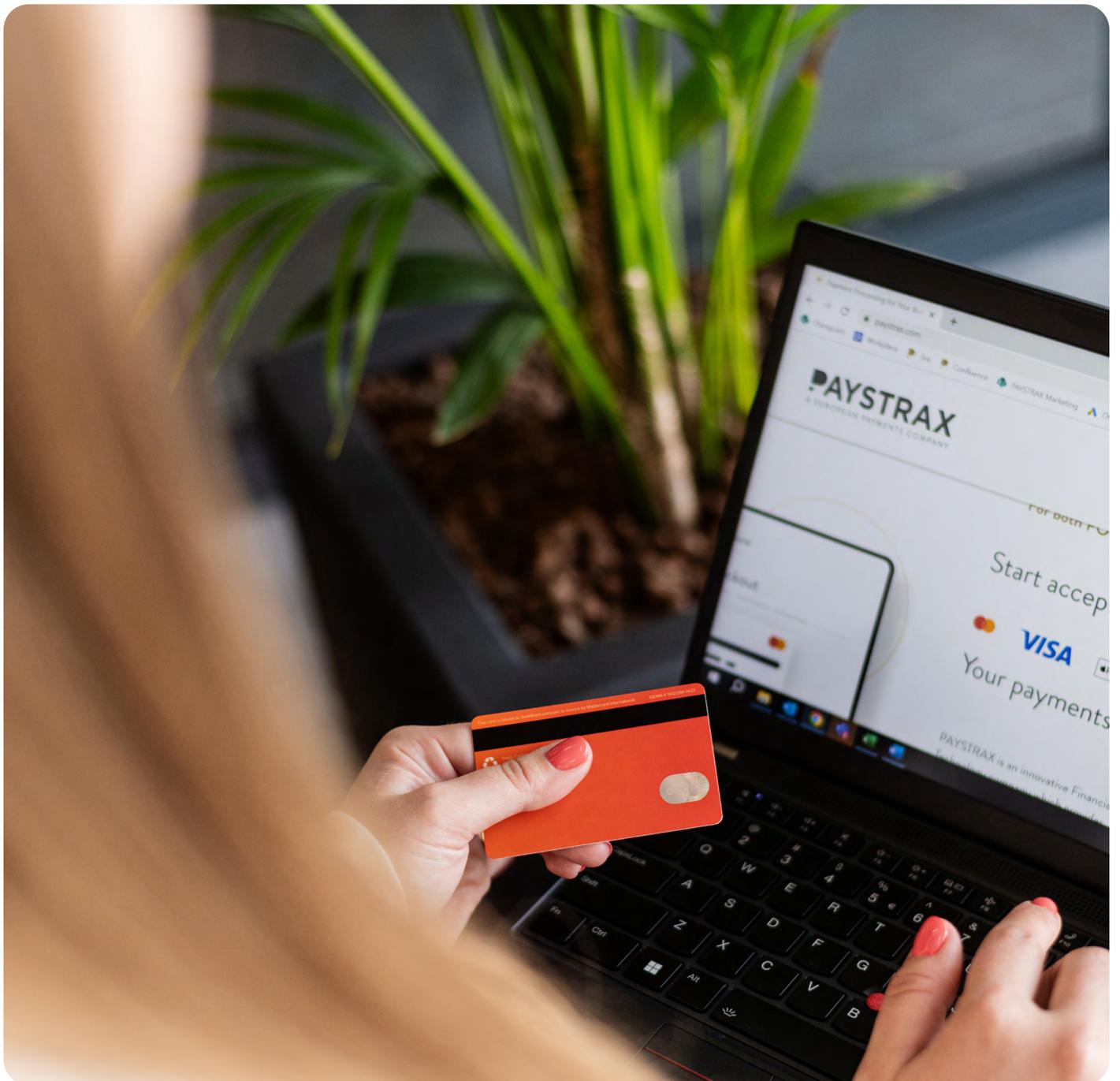


Not-so-friendly fraud: When customers become criminals

Prepared by PAYSTRAX, 2026

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Introduction

It may sound harmless, yet “friendly fraud” is anything but. Every day, customers make legitimate purchases, claim they didn’t receive or authorise the order, and then dispute the charge with their bank/card company.

Some buyers accidentally commit this friendly fraud (also known as chargeback fraud, first-party fraud or first-party misuse) because they don’t recognise the transaction in their statement, and assume it came from a fraudster. However, others will take advantage of low-barrier refund systems to gain “free” products or services by deceptively and deliberately claiming back their money.

In reality, these refunds are anything but free. They’re stolen, and whether done on purpose or by accident, the end result is the same: merchants have to refund their sales proceeds, even after shipping the goods or services, and are also unfairly punished with heavy fines and labelled as fraudulent.

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More than one in five Brits have purposefully initiated a chargeback for something they genuinely wanted to buy and, in many cases, kept.

- PAYSTRAX research

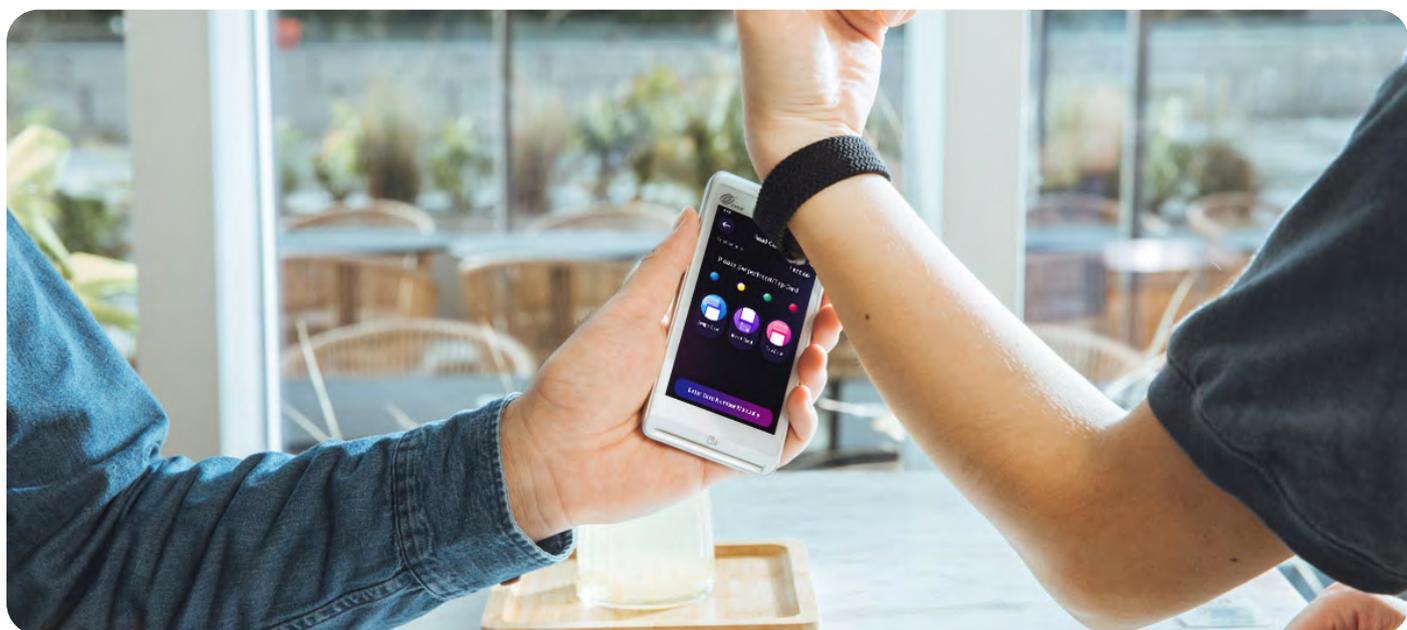
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Unfortunately, the biggest victims of chargebacks are businesses. Friendly fraud is often hard to prove as intentional, leading to costly consequences for merchants who may struggle to provide evidence to counter the disputes. For instance, a small electronics retailer selling a £300 tablet may lose the sale, pay a hefty chargeback fee, and risk higher processing charges - even if the device was delivered and signed for.

In the current system, a cardholder doesn’t have to provide any evidence - such as a police report - to claim that a purchase was fraudulent, either. Yet the merchant gets little to no chance to dispute or defend itself, even if it has valid proof of a legitimate transaction.

At PAYSTRAX, we wanted to highlight the breadth and impact of friendly fraud in the UK, a topic that we believe continues to be overlooked despite the potentially damaging consequences for merchants. We’ve carried out exclusive third-party research into consumer attitudes and purchasing behaviours to get to the heart of the problem and prove that friendly fraud is a large and growing threat to merchants and retailers.

Read on to discover the causes behind this trend, how customers view and exploit the practice, the strategies merchants can use to negate it, and how card companies can reconfigure their policies to ensure fairness for all.



What's causing friendly fraud?

Chargebacks have become one of the fastest-growing threats in e-commerce, costing merchants millions and eroding trust between brands and buyers.

Friendly fraud now accounts for the majority of global fraud claims - as many as [three-quarters \(75%\) of all chargebacks](#), according to Visa. Around half of merchants view chargeback abuse as their primary fraud-related challenge, with merchants losing more than \$117 billion globally to chargebacks back in 2023.

Take an online business selling and shipping physical goods. With a modest order value and a typical profit margin on each item, the retailer would likely need to [resell a product multiple times](#) to recover the loss caused by a single chargeback.

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Gen Z are two times as likely to commit friendly fraud as Gen X.

- PAYSTRAX research

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Subscription payments are also one of the largest contributors to friendly fraud. Alongside dishonest attempts to access product/service chargebacks, subscribers may simply forget to cancel or even forget their subscription entirely, and file a fraud claim with their bank when suddenly charged. In other cases, some subscriptions can seem too complex to terminate, and consumers feel that claiming a chargeback is their only way out.

What makes friendly fraud even tougher is how financial services organisations, like major card companies, tend to group it under the wider fraud umbrella. The general definition of fraud is “criminal, intentional deception for personal or financial gain”. But payment network policies push card issuers and cardholders to label even accidental transactions as “fraudulent”. This approach invites dishonesty into the system and misrepresents what “fraud” actually means.

Visa's strict new [“VAMP” fraud-prevention programme](#), for instance, incentivises merchants to keep disputes below a set ratio of their settled transactions. But if these thresholds are exceeded, businesses face penalties such as fines, increased monitoring or restrictions on their ability to process payments.

“In my view, we should define intentional chargeback claims for legitimate purchases as outright stealing. The research highlights just how widespread the issue is in the UK, raising the question of whether the card schemes are actually enabling and protecting this robbery in broad daylight.”

“Card companies equate first-party misuse (friendly fraud) to criminal fraud, yet they're driving cardholders to click the ‘fraud’ button in order to get a refund. In that case, are global payment networks - and I'm being a little sarcastic here - intentionally promoting organised crime?”

- Johannes Kolbeinsson, CEO and co-founder of PAYSTRAX



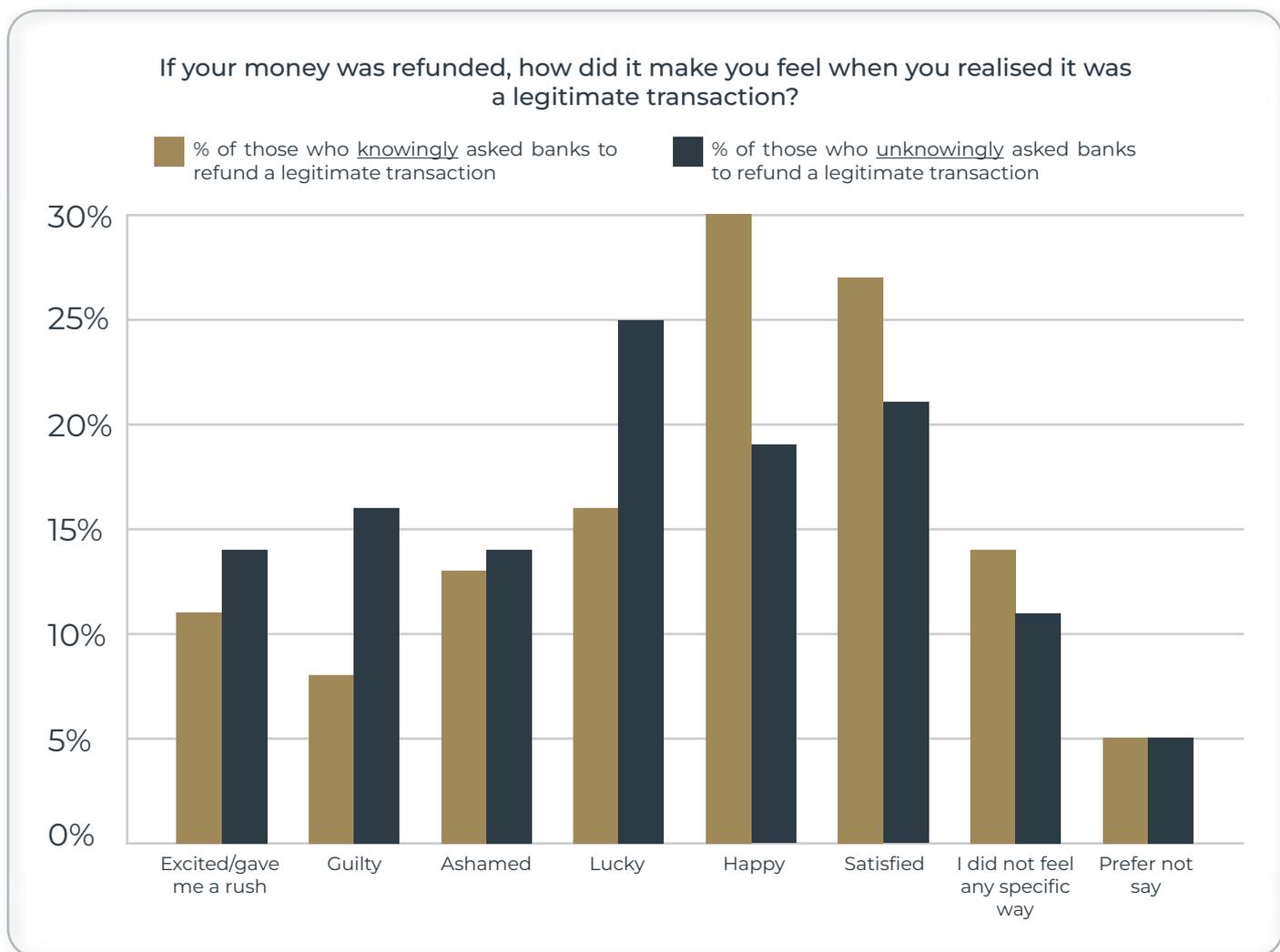
Johannes Kolbeinsson, CEO and co-founder of PAYSTRAX

Ultimately, we need to distinguish friendly fraud from genuine financial crime across all payment policies. After all, what happens when your customers become your biggest costs?

What UK consumers really think about their refunds

PAYSTRAX surveyed 1,000 consumers throughout the UK¹ - across all regions and age groups - to explore attitudes to friendly fraud. The results may surprise you:

- **22.3% of Britons have knowingly asked their banks to refund a legitimate transaction from their account in the past year.** In other words, more than one in five of us have purposefully initiated a chargeback for something we genuinely wanted to buy and, in many cases, kept. This is what effectively could be called 'accepted robbery', where all information on the actors is available to the issuing banks.
- In fact, **this proportion is fractionally greater than the number of consumers who accidentally committed friendly fraud** - 22% of us unknowingly asked our banks to refund a legitimate transaction, for example, forgetting we made a purchase or failing to unsubscribe after a free trial.
- But those who unknowingly asked for a chargeback aren't always as innocent as they seem. **After receiving the refund and realising the transaction was legitimate, over a third (35.71%) still kept the money.**



Overall, of all respondents who knowingly asked for and received a refund, more than six in ten (62.84%) felt pleased about the outcome, while just 13.51% admitted feeling negatively (guilty or ashamed). For those who unknowingly did so, more than half (57.14%) still felt positively, while less than a quarter (22.86%) felt in the wrong.

So, who do consumers think is responsible for checking whether a transaction is truly fraudulent?

| | |
|--|--------|
| No one in particular is responsible | 28.60% |
| It's up to the banks to prove it was fraudulent | 26.10% |
| The customer should own up to it | 19.20% |
| It's up to Payments Service Providers, or card acquirers, to prove it was fraudulent | 15.10% |
| It's up to the retailers to prove it was fraudulent | 10.10% |
| Other, please specify | 0.90% |



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While Britons view banks as the single most responsible entity, in reality, banks tend to push the liability down the line. If a customer requests a chargeback or complains about a transaction, the bank tends to give them a form to claim the money back from the merchant. The bank itself doesn't lose anything.

- Johannes Kolbeinsson, CEO and co-founder of PAYSTRAX

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But are consumers right? What are the real trends behind these attitudes? And what do they mean for the industry as a whole? Here are PAYSTRAX's key research takeaways.

Four trends reshaping the friendly fraud landscape

Trend 1: Chargeback requests need clearer accountability

When a consumer requests a refund, **most people aren't sure who's responsible for checking if any financial crime has actually occurred.** This confusion fuels widespread friendly fraud and systemic inefficiencies. Worse still, in most cases, no one establishes whether the registered claim was valid or whether it was a first-party misuse or criminal fraud. Yet the merchant has no way to defend itself or dispute it.

Our research finds that only 15% of respondents believe payment service providers (PSPs) or card acquirers are accountable. While nearly a third (29%) of Brits say “no one in particular” is responsible, the most commonly blamed party is banks at 26%.

The payments ecosystem clearly suffers from blurred lines of accountability. A coordinated industry education campaign and standardised communication framework between banks, PSPs, and merchants could go a long way in reducing cases and confusion around friendly fraud.

Regulators should also push for clearer disclosures that spell out who verifies what in each type of payment claim.

Trend 2: Merchants are carrying the hidden cost and burden of friendly fraud

While consumers largely blame banks for fraudulent transactions, it is most often **merchants who shoulder the financial loss** when chargebacks are processed.

Our data shows that only 10% of respondents think retailers are responsible for proving a transaction was fraudulent. Yet merchants routinely absorb the full cost of chargebacks and refund misuse because the card payment ecosystem is primarily designed to protect consumers.

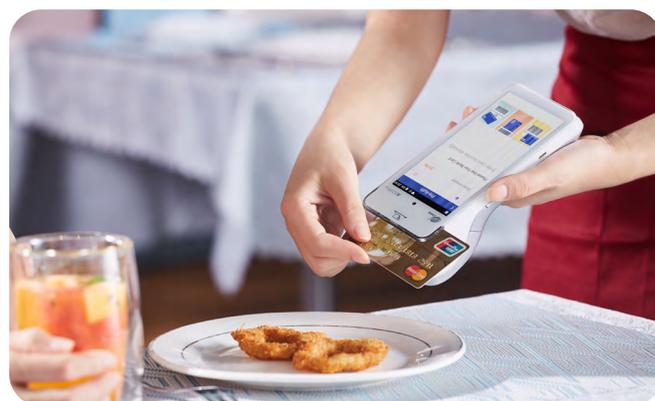
According to Chargebacks911, friendly fraud “costs UK merchants more than £128million each year.”

These distorted consumer protection policies are ultimately incentivising misuse and eroding profit margins.

Policymakers and payment providers need to rethink chargeback frameworks to ensure balanced protection. Cardholders, issuers and retailers should be integrated into fraud education campaigns and gain access to shared responsibility mechanisms - such as joint verification tools or faster dispute resolutions that discourage abuse.

“*Cardholders reporting fraud should have to present evidence, like a police report, that they're a real victim of fraud - just like they would have to in any other instance of criminality. Then, the merchant should have the option to defend themselves, with proof, for instance, of how the transaction is legitimate and not fraudulent.*”

**- Johannes Kolbeinson,
CEO and co-founder of PAYSTRAX**



Trend 3: A “finders, keepers” mindset fuels many false chargebacks

Consumers often don't view illegitimate refunds as wrongdoing - they see them as **“beating the system.”**

One in three (30.41%) feel “happy” about the outcome when they purposefully commit friendly fraud. Even when mistakenly initiating a chargeback, relatively few feel remorse once they realise it was legitimate: just 15.71% feel guilty, 13.57% feel ashamed. Either way, more than a third (35.71%) of Brits keep their refunds.

Friendly fraud isn't just an economic issue - it's a consumer behavioural one. Financial institutions and retailers should adopt feedback loops that humanise the cost of misuse (e.g., gentle prompts like “This registration of fraud impacts the retailer directly”). **Greater transparency around merchant impact could reframe “lucky” refunds as unethical wins.**

Trend 4: Digital natives are most likely to ask for refunds

Younger people, especially those who have grown up in the digital era, are more likely to **use their tech savviness to request chargebacks** – including false ones.

Two in five (40%) 16-24-year-olds have knowingly asked their bank to refund legitimate transactions over the past twelve months - compared to only 20% of 45-54-year-olds and just 5% of 55+. This practice risks becoming a “sport”, where participants try their luck at making a claim with the hope of winning free products and services.

Our findings may, in part, be rooted in Gen Z's position as the cohort with the least disposable income. But while the requesting of refunds through banking apps remains largely a younger-person phenomenon, stronger education and clearer processes remain key to discouraging friendly fraud among all consumers.

In genuine cases of fraud, **better awareness will also help older generations understand how to claim legitimate chargebacks.**



Building a fairer future for hard-working business owners

Friendly fraud remains a significant issue for merchants, sparking wide-scale repercussions across retail, finance and the global economy. And while it's up to consumers to curb this behaviour - and retailers to mitigate it where they can - the real onus lies on the card scheme duopoly.

To fix today's broken system, the card companies must change their descriptions of the term and how they enforce this type of fraud. At PAYSTRAX, we've crafted four simple steps we believe the industry must follow to negate the issue and improve fairness for merchants:

1. **Reclassify** friendly fraud transactions as "cardholder disputes"
2. **Enable** merchants to respond, refund or resolve issues directly with the cardholder before penalties are applied.
3. **Request** cardholders to present a police report or similar evidence when registering a fraudulent transaction.
4. **Exclude** friendly fraud transactions against merchants' fraud ratios if they refund a transaction in good faith.
5. **Stop** equating these disputes as criminal fraud, as this unfairly criminalises merchants while allowing cardholders to exploit protections without accountability.
6. **Create** a system in which cardholders can easily terminate a subscription in their banking apps, similar to the easily accessible subscriptions hub that Apple provides on iPhones.

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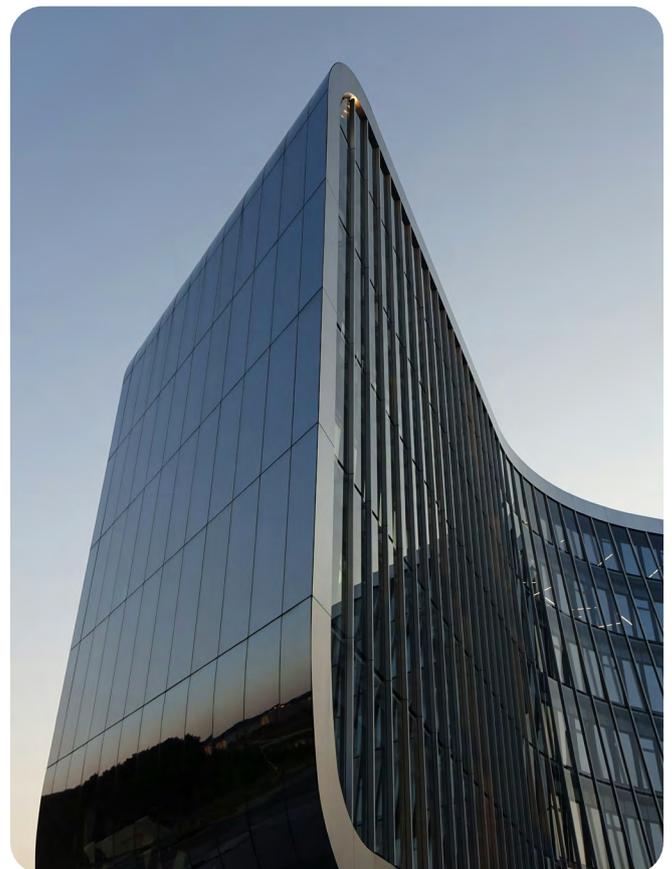
At PAYSTRAX, our team reviews merchant ratios to spot patterns of high chargebacks and fraud claims. Then, we work with merchants to help minimise these issues - whether that's displaying information more clearly on their websites, clarifying how customers can unsubscribe from a service, updating how a charge appears on a bank statement, and more.

"It's all about removing the risk of friendly fraud, so that there's no doubt that the customer is buying what they think they're buying.

**- Johannes Kolbeinson,
CEO and co-founder of PAYSTRAX**

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Ultimately, the system doesn't have to be like this. Small changes in terminology and process will help protect businesses from unfair reputational damage and financial penalties, while still preserving consumer rights. "Friendly" and "fraud" simply don't belong together - so let's separate them for good.



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