

### MR. SMITH BOOKS A FLEXIBLE OR A NON-REFUNDABLE RATE ON AN OTA

For reservations received through an OTA with the merchant model (the OTA collects the money from in behalf of the hotel), existing processes will not change. In this case, the OTA is the one collecting money from the final guest and providing hotels with a virtual card, so hotels will not need double authentication to process the payment.



Scenario 01

### MR. SMITH BOOKS A FLEXIBLE RATE ON BRAND.COM, BUT IT IS A NO-SHOW

According to a VISA study, the hotel industry average no-show rate is "one-to-two percent of all reservations," meaning, "an estimated expense to the hotel industry of \$50 to \$100 million per year". Under PSD2, you will not be able to process guests' credit cards if they're not physically at the hotel (card-present), or if they do not double-authenticate the transaction (card not present). It is improbable that a guest will agree to pay for something they did not use, so the hotel is caught in a bind. Make sure to use the MIT workaround: (see Scenario 03) unless the no-show penalty has been charged during the booking process (which is rare), then it is unlikely that the no-show guest will double authorize it.



Scenario 02

## New Credit Card Regulations

### for the Hospitality Industry

#### THE NEW PSD2 REGULATIONS FOR HOTELS

We have assembled some examples of what the implications of PSD2 regulations are for hotels, these examples are not comprehensive as the regulations have many exceptions, however they should serve as a practical guide for hoteliers and hospitality professionals in adapting to the new regulations.

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### MR. SMITH BOOKS A 4-MONTH-EARLY-BIRD FLEXIBLE RATE ON BRAND.COM

Even though travelers' booking window gets shorter every year, early bookings are still frequent in specific cases (beach resorts, MICE hotels...). These reservations usually come with great perks for the guests, such as heavily discounted rates but, under PSD2, processing the payment can be challenging, as SCA comes with an expiration date: double authentication only lasts for 90 days, so hotels will have to acquire multiple ones for the same reservation. A workaround is to utilize Merchant Initiated Transactions (MIT), as long as the terms and conditions are clear on the booking engine because the guest's payment information will have to be already present (and authorized) in the hotel's PMS, booking engine, or CRS. Even though every initial purchase WILL need to be authenticated via SCA, future transactions with the same card could be considered MIT, thus exempted from SCA requirements. This is a particularly favorable scenario for loyalty programs' members, for example.

Scenario 03

### MR. SMITH BOOKS A NON- REFUNDABLE RATE ON AN OTA

When it comes to non-refundable reservations received through an OTA with the agency model, your hotel will have to (quite drastically) change its internal processes and systems to ensure the payment is validated: make sure to process the payment via an online payment gateway that is PSD2-Compliant. The alternative is for hotels not to process any part of the card and hope that the guests will eventually come. If and when the guest arrives, then the payment can be treated as "card-present," skipping SCA.



Scenario 04

Based on the article:

## PSD2 IN REAL LIFE:

How The New Payment Service Directive Works for Hotels and Online Bookings

[www.mycheck.io](http://www.mycheck.io)