# Fraudulent chargebacks could cost merchants $15 billion by 2025 amid rising first-party fraud



Fraudulent chargebacks are emerging as a significant issue for businesses worldwide, with new research indicating that this financial strain could escalate dramatically in the coming years. According to a Mastercard-sponsored study by Datos Insights, the total volume of chargebacks is expected to reach approximately $33.79 billion in 2023 and climb to $41.69 billion by 2028 if current trends continue. The estimated losses for merchants due to fraudulent chargebacks could hit $15 billion by 2025.

The surge in digital transactions has coincided with an increase in chargeback claims, particularly in the realm of e-commerce, where the ease of claiming refunds can lead to misuse. Notably, 45% of chargebacks arise from "first-party" fraud, a situation where legitimate customers inaccurately deny transactions, facilitated by the accessible nature of banking apps. Mastercard projects that, without swift intervention, the number of chargebacks could swell to 324 million by 2028, up from 261 million in 2025.

These chargebacks pose far more than mere financial setbacks for merchants; they present substantial operational challenges as well. Industries affected report an average chargeback value exceeding $120 per dispute. Faced with mounting claims, many businesses, particularly small and medium-sized enterprises (SMEs), often choose to disregard low-value claims to save time, leading to cumulative losses that can quickly escalate.

The implications of these trends are severe. Mastercard's data reveals that 46% of SMEs have endured cyberattacks, with grave consequences: 18% have filed for bankruptcy, and 17% have gone out of business entirely. In light of this, cybersecurity has become a pressing concern, with 62% of SMEs prioritising it in their budgets, while around 80% classify it as critical to their day-to-day operations.

Amidst these challenges, experts advocate for the integration of advanced artificial intelligence tools to enhance dispute management. Solutions such as automated alerts, more precise transaction labels, and exhaustive digital receipts can bolster the odds of successfully contesting chargebacks. Mastercard highlights that businesses adopting these technologies have seen a success rate of over 50% in representation cases where they contest chargebacks.

Furthermore, collaboration with reliable merchant service and payment gateway providers is deemed essential to combating this growing threat. Without proactive measures, the burden of increased costs linked to fraudulent chargebacks is likely to be passed on to consumers, resulting in heightened prices and diminished service quality in the retail environment.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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6. <https://chargebacks911.com/chargeback-facts/> - This source mentions that chargebacks cost merchants more than 3.5 times their initial loss, considering lost merchandise, added fees, and other costs.
7. <https://www.techradar.com/pro/businesses-globally-set-to-lose-usd15-billion-in-2025-because-of-fraudulent-chargebacks-says-mastercard-heres-how-it-impacts-you-me-and-everyone> - Please view link - unable to able to access data