
Your Bottom Line

By Dr. Henry J. Oles, Cr.Photog.

Beware of plastic that bites

Most professional photographers regard credit cards as wonderful conveniences. On the surface, the credit system seems simple and foolproof—just record a few numbers, make sure the cards are valid, and bingo—customers' money moves from their bank accounts to yours. Also, photo buyers are inclined to make larger purchases with credit—they never have to dig into their pockets and hand over green money.

A growing number of merchants, however, has discovered that credit extended to customers can come back and "bite." Credit card company contracts often allow customers to return even personalized items at any time for a full refund, leaving no recourse to professional photographers and other business owners who do not read the "fine print" before signing their credit contracts.

Imagine creating a \$3,500 wedding album for a couple after spending an entire day taking 300 pictures at their ceremony and reception. Filling out the credit card invoice for such a large sale might prompt you to start planning a ski vacation, but unfortunately, such profits can be snatched away on a moment's notice. Suppose you take the vacation, but the couple returns the album while you are away. Your receptionist protests, but the newlyweds claim they are splitting up and simply walk out of the studio, leaving the album on the counter. Upon returning, you are troubled by the incident but comforted in thinking the album was already paid for. However, when it's time to make a withdrawal from the bank to pay the rent and other bills, that \$3,500 is missing.

Suddenly, you are saddled with an expensive wedding album that cannot be sold to anyone else, regretting many hours of wasted time and effort, and if sales have been slow and no excess cash is available, your business could be in serious financial trouble.

Sadly, this nightmare can happen to any professional photographer who signs a contract with a credit card company.

The details in many of these agreements give credit card users a virtually unlimited amount of time to return products for full refunds.

In my credit card contract, the company reserves the right to take money from my account on behalf of a customer under any of the following conditions:

- The cardholder disputes the sale, quality, or delivery of merchandise or the performance or quality of services purchased.
- Merchandise is returned—whether or not a credit voucher is delivered to bank of agent.
- Any sales transaction exceeds the floor limit which has not otherwise been specifically authorized by the bank.
- The sales draft is alleged to have been drawn, accepted, or signed improperly or without authority.
- The sales draft is illegible or incomplete.
- The extension of credit is a violation of law.
- The card was expired at time of sale, even if authorization was obtained.
- The card used is counterfeit, invalid, voided or revoked.
- The sales transaction constitutes a breach of the merchant agreement.

Essentially, these conditions mean that merchants, not the credit card company, take full responsibility for the credit issued with every card. I learned this lesson recently when one of my customers bought a product, used it for one month to complete several jobs, and returned it without my authorization. He filed for a refund with his credit card company, stating vaguely that the product was not what he expected. The credit company immediately extracted a full refund from my account—without notifying me they had taken the money. In this case, the company never even asked me if the product had indeed been returned!

Look closely at your credit company contract. When a customer demands a refund, the company can legally make a withdrawal from your account. If you do not have sufficient funds, the company will bill your participating bank for the

balance—and the bank will fight to get the money back from you.

To protect themselves, professionals should immediately recognize that accepting credit card payments does not guarantee receiving customers' money. I expect that the return of unwanted, used merchandise will become much more common in the near future as the public becomes more aware of its rights. After all, what can stop a feuding couple from returning their wedding album six months or even a year after their marriage ceremony? If they are separating and short on money, such a return could secure them a cash bonus.

Second, limit the amount of credit allowed to each customer. You may wish to demand a portion of each payment in cash—at least enough to cover the cost of materials and processing. Finally, take the time to read the fine print in every future credit card contract before signing.

A bottom-line profit is only valuable if it lasts. If payment is withdrawn, a studio owner fares worse than if the sale was never made at all. Portrait photographers are perhaps most vulnerable because portrait albums are completely personalized products that cannot be resold if returned. Also, if a credit card customer is granted a refund, do not be surprised if the credit company extracts more than you originally charged for the product. It will probably deduct an extra service charge from your account.

For better or worse, credit cards are here to stay. Customers enjoy the convenience of not carrying cash, and many will not make purchases from merchants who do not honor "plastic money". For a successful coexistence, professionals must be fully cognizant of the potential pitfalls of a credit card agreement. Protect your earnings diligently—the bank certainly won't do it for you. ■