

The Ins and Outs of Provisional Credits

When you dispute a transaction on your account, your bank starts an investigation. During this process, your bank may issue a temporary credit to your account—known as provisional credit—while it continues to review the issue. But what does this mean, and why hasn't the case been closed?

Under Regulation E, part of the 1978 Electronic Funds Transfer Act (EFTA), banks must follow specific rules to protect consumers in disputes involving electronic funds transfers, such as debit card transactions, checking account payments, and ATM withdrawals. One key requirement is the issuance of provisional credit in certain circumstances.

Defining Provisional Credit

As part of Regulation E's consumer protections, banks are required to protect accountholders during a dispute investigation. To ensure you're not left without the disputed funds, they may issue a provisional credit. This temporary credit allows you to access the money while the investigation continues. Depending on the outcome, the credit may either be reversed or made permanent. Provisional credits ensure you're able to access funds without disruption while the bank reviews your claim.



Provisional Credit Scenarios

Banks issue provisional credits for various reasons, typically as part of the dispute resolution process. In many cases, they provide this temporary credit while investigating the claim to ensure the accountholder isn't left without access to the disputed funds.

If the bank determines that a chargeback, a reversal of the disputed transaction, is the best resolution, they may issue a provisional credit before initiating the chargeback process.

While these are some typical examples, there are other circumstances that could lead to provisional credit issuance.

Even so, there are some situations where Reg E doesn't apply, so if you haven't received a provisional credit within 10 business days of filing your dispute, it's a good idea to contact your bank or check the status of your claim.

Here are some common scenarios where a provisional credit may be issued:

- The transaction was unauthorized, such as in cases of fraud.
- The transaction amount differed from the agreed upon cost at the time of purchase.
- The transaction was the result of a scam; the merchant using deception to mislead the accountholder.
- The transaction was a duplicate charge or otherwise incorrect.
- The merchant billed a canceled subscription.

The Provisional Credit Process

Provisional credits serve as a temporary financial safety net, giving you access to funds while your bank investigates a disputed transaction. Although not a final resolution, this safeguard is a critical consumer protection mandated by Regulation E. By providing a financial buffer, provisional credits help protect you from potential hardships in the complex world of electronic payments.

Here's an overview of the typical process for provisional credit issuance:



Accountholder Submits the Dispute

After noticing fraudulent activity or another issue with a transaction, you contact your bank to dispute the charge. In some instances, your bank may require a written confirmation of your dispute to qualify for provisional credit. You'll be notified of this requirement when you submit your dispute. When the written confirmation is required, it's important to provide it within 10 business days of notifying your bank of the error.



Bank Reviews the Claim

The bank begins investigating the dispute and has up to 10 business days to review the claim. If an error is confirmed and the merchant has not corrected it, the bank must resolve the issue within one business day.



Provisional Credit Issuance

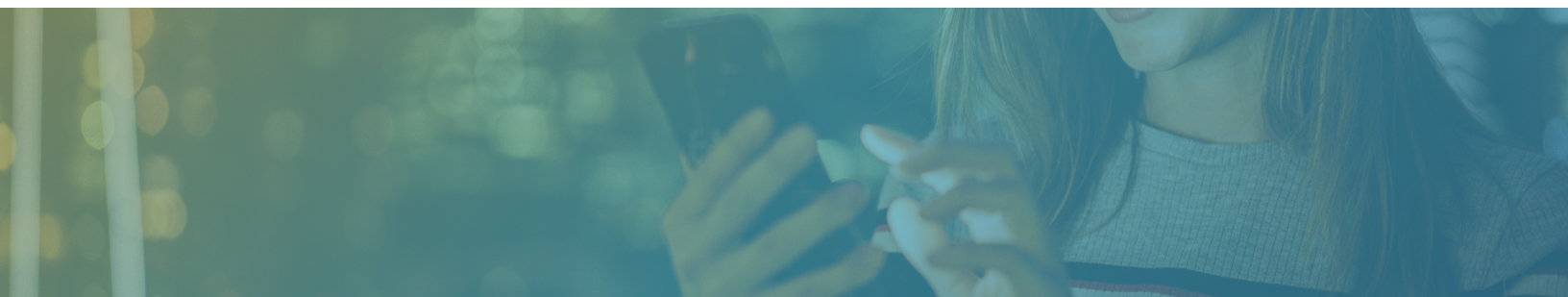
If the bank needs more time to investigate, it will issue a provisional credit. This temporary credit ensures access to funds but does not indicate that the dispute has been resolved.



Bank Continues the Investigation

With the provisional credit in place, the bank continues its investigation. This may involve filing a chargeback, contacting the merchant, or seeking additional documentation to resolve the dispute.

This structured process ensures fairness for both consumers and businesses while protecting accountholders from financial disruption during the investigation.



Common Questions

How will I know I received a provisional credit?

Your bank will notify you within two business days of issuing the provisional credit. Keep in mind that it may take a few business days for the credit to post to your account.

How much is the provisional credit?

The provisional credit matches the disputed transaction amount. For example, if you dispute a \$50 transaction, the provisional credit will be in the amount of \$50.

How long does a provisional credit last?

The provisional credit remains in place throughout the bank's investigation of the dispute. The provisional credit will become permanent if the bank confirms an error or finds the disputed activity was unauthorized.

Can I spend the provisional credit?

Yes, you can use the provisional credit during the investigation. However, it's important to remember that if the investigation concludes against your claim, the provisional credit will be reversed.

Can a provisional credit be reversed?

Yes, the bank can reverse a provisional credit if the investigation finds the dispute to be unfounded. To avoid potential overdraft fees, some accountholders choose to wait until the credit is finalized before spending it. In most cases, the bank will notify you at least five business days in advance if the provisional credit is to be reversed.



Wrap Up

Provisional credit plays a vital role in protecting accountholders during a dispute investigation. It ensures that while the bank investigates the reported issue, accountholders can continue to spend money and managing their daily lives without the stress of missing funds. In short, provisional credit acts as a financial safety net, offering peace of mind during uncertain times.

While provisional credit is temporary, it becomes permanent if the bank confirms an error or determines the disputed transactions were fraudulent. However, if the investigation doesn't favor the accountholder, the credit may be reversed.

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