

## Issues with using Credit Card Pre-Auth

In 2005, the banking industry changed it's procedures on 'holding' funds on credit and debit cards. As the number of credit cards in use skyrocketed to more than 1.2 BILLION (consider some people 10 credit cards & many have even more.) the time required to process transactions, receive payments, etc increased considerably.

For that reason, the **credit card companies now put a hold of anywhere from 10 to 21 days on funds any time an authorization is requested, reducing the amount of credit available to the cardholder!**

In Restaurant Manager POS there is a setting to specify the amount to pre-authorize each time a credit card tab is started.

When the credit card tab feature was first implemented many bars would pre-auth for an amount slightly larger than their average tab, for example \$75.00. By doing so, the system is putting a 'hold' on that \$75, and any charges on that tab would be guaranteed up to that amount.

The problem however occurs with the amount of time the bank HOLDS those funds, EVEN IF THE ENTIRE AMOUNT IS NOT USED.

So, lets say that I am a customer who comes to Fat Harolds & I want to run a Cctab, & it is pre-auth'd at \$75.00 Lets also say that I only have 2 beers & pay my tab. In this case, EVEN THOUGH my bill was only \$6.00, my available credit has been reduced by the entire \$75.00 for as long as 21 days by my BANK.

Let's take it a step further & say it's SOS. I come into Fat Harold at 2pm & run a tab, have a few drinks, pay my tab & leave. Come back a few hours later & do it again and, maybe again that night, and a couple of more times over the weekend.

While my total purchases on those six visits might have been say only \$60 in total (lets just say \$10 per visit, six times) my credit/debit card availability has been reduced by a total of \$450! Next ting I know, I'm at Cagneys Saturday night for dinner & my card is declined.

To make matters even worse, with all of the online banking sites, it LOOKS like the Auth amount is really a charge. The banks do not have enough detail in their systems to show that it is NOT a charge & it appears that Fat Harolds has overcharged them six times for a total of \$450 when it should only have been \$60. AND worse STILL, the money is held for as much as 3 weeks, and try as you might to explain it to them, they will swear you have overcharged them.

It has caused endless conflicts at every site where this is practiced and for that reason, we have moved to the \$1.00 that simply verifies the card is valid. One option is to use the VOICE auth and put in the original auth # & force it through.

Or, you may wish to have the pre-auth amount increased to a much larger number, as long as you are aware of the consequences of doing so. If so, please let an Infinity technician know & they can change it for you. If you do this, there is another step where the bartender can request a secondary Auth IF the bill starts to approach the pre-auth amount. (1<sup>st</sup> auth is for \$50. When the bill gets to \$40, it starts to flash & they 'Repeat Pre-Auth' for an additional \$50, and so on.)