

Top 7 Industries that Require High-Risk Credit Card Processing

Credit card processing allows businesses to accept debit and credit card payments from customers. In most cases, this entails using both point-of-sale hardware and software in combination with a credit card processing company's payment system.

Many processors allow you to set up payment portals to accept debit and credit cards over the internet. Receiving payments when a physical credit card isn't present, whether through a portal or over the phone, comes with a higher rate because the risk is larger. In the credit card processing industry, risk is a major factor. Certain firms or entire industries may be classified as "high-risk," resulting in higher rates, charges, and terms and conditions than the credit card processor's other clientele. Let's start by deciphering what "[high-risk credit card processing](#)" means.

What is High-Risk?

Although the word "high-risk" may appear obnoxious at first, don't be put off by it. There are various reasons why firms are labeled as high risk, and the majority of them aren't as "evil" as the phrase suggests. We all know that credit card firms (VISA, MC, and so on) want to safeguard their consumers (i.e., those who use credit cards) since they make a lot of money from them. As a result, these card firms provide their consumers with the option to dispute fraudulent transactions, issue charge-backs on goods they no longer want, and provide whatever peace of mind they require when using this small piece of plastic.

So, where does the element of risk come into play?

What happens if a customer is dissatisfied with her purchase and wants to register a chargeback? The bill falls to the business owner (or merchant). However, if that business goes bust or ceases to exist, the merchant services provider (MSP) is responsible for covering the loss. On the MSP side, this is where “risk” comes into play.

Who is a High-Risk Merchant?

Some [digital business models](#) and industries are classified as risky by payment processing card associations. Several variables can put your company in a high-risk category, but the most common ones include chargebacks, refunds, and payment processing history.

Companies classified as high-risk run operations are more prone to chargebacks than typical merchants, necessitating in-depth examinations of their activities and transaction patterns. Before deciding whether to cooperate with a company, a payment platform calculates the likelihood of chargebacks and the source of those chargebacks. Payment processors frequently apply a rolling reserve to merchant accounts. The acquiring bank may be able to use the rolling reserve to settle chargebacks. Reserve is an extra layer of safety for the bank against unanticipated merchant actions.



Via: [Pixibay](#)

Credit card processing in high-risk industries

While most credit card processors keep a similar list of high-risk companies and industries, the terms and conditions associated with a high-risk label can vary greatly depending on the provider. A high-risk label usually means that a company will face higher credit card processing rates and different rolling reserve targets, tiered pricing plans, and a liquidated damages clause.

High-risk industries and businesses expect the following impacts to their transaction rates, fees, and merchant accounts:

i. Fees

Configuration fees, payment portal fees, [chargeback fees](#), and other fees are likely higher when you have been labeled high

risk, possibly eroding your profit margin.

ii. Rolling reserve

For high-risk merchants, a rolling reserve may be maintained. This is a percentage of your everyday transactions that the credit card processor retains and then releases. It serves as an assurance to the processor if your company fails or a significant advancement harms your business. Credit card processors frequently hold 10% of your transactions for 90 days before transferring them to you.

iii. Minimum reserve

Like a rolling reserve, a minimum reserve is a chunk of your transactions that the credit card processor requires you to keep in your balance at all times. It is a fixed amount that should be met in either one lump sum or a percentage of transactions over time.

Industries that require high-risk credit card processing

1. Adult entertainment

One industry that most banks regard to be a reputational risk is adult entertainment. The majority of conventional financial firms and bank sponsors refuse to do business with the adult entertainment industry. Although most adult merchants deal in large amounts of money and run a profitable business, this is the case.

2. Firearms

Firearms are purchased for a variety of purposes. Some do it for hunting, leisure, and target practice, while some do it for security and defense. Most banks are cautious of the

contentious firearm rules that frequently go against them. Firearms retailers who want to sell their wares online will need to use a gun-friendly payment processor. The credit card and shipping limits that apply to this business type are two of the most significant obstacles.

3. Liquor/Hard Alcohol

Balancing sales and customer satisfaction while adhering to all current laws and regulations is one of the most challenging aspects of having an alcohol business. After all, the legal drinking age varies from country to country. If you sell alcohol online or in countries like the United States, you cannot afford to overlook the possibility of underage sales. Because of the nature of your business, bank sponsors are less likely to accept credit card payments on your behalf.

4. Tobacco, e-cigarettes, and vaping

[Tobacco merchants](#) are considered one of the most dangerous industries. In addition to its rigorous taxation and age requirements, they have a history of deception. Many tobacco businesses have a history of higher-than-average credit card chargebacks.

5. Auction websites

Scammers operating unlawful enterprises have tarnished the reputation of those operating respectable digital auction businesses. As a result, honest businesses have had difficulty finding a credit card payment processor.

6. Services for memberships and subscriptions

Before accepting the credit card payment processing for businesses, bank sponsors are always concerned about financial and reputational hazards. Undoubtedly so, any form of

unethical behavior might tarnish the brand's image.

7. Ticket brokers

Purchasing tickets to a live show has never been easier. Event attendees no longer need to queue; instead, they can use digitized mobile ticketing. The ticket sales sector grew as a result of this convenience. Traditional financial institutions, on the other hand, consider ticket brokers to be high-risk businesses.

Conclusion

High-risk businesses are not simply limited to the most prevalent profitable but bad-reputation industries. Businesses classified as high-risk businesses will need to select a reputable high-risk payment processor. A proficient high-risk processor will connect you with banks on demand and give you all of the risk management tools you will need.