



The Cost of Making It Right

Resolving fraud and disputes is expensive and may be costing you even more than you know.

QUAVO[®]

Contents

3	<u>Executive Summary</u>
3	<u>Introduction: The Hidden Crisis in Fraud Management</u>
4	<u>The Hidden Costs of Poor Fraud Resolution</u> <ul style="list-style-type: none">• <u>Revenue Loss Through Customer Churn</u>• <u>Direct Fraud Losses and Failed Recovery</u>• <u>The Employee Productivity Drain</u>• <u>Broken Trust Is the Silent Killer</u>• <u>Compliance Risk and Regulatory Exposure</u>
8	<u>How Financial Institutions Can Make It Right</u> <ul style="list-style-type: none">• <u>End-to-End Automation Platforms</u>• <u>Strategic Partnership Models</u>• <u>AI and Machine Learning</u>• <u>Streamlined Workflows and Process Optimization</u>
11	<u>The Business Case for Investment</u>
12	<u>Conclusion and Strategic Recommendations</u>
14	<u>The Path Forward</u>
15	<u>About Quavo</u>
15	<u>Sources and Research</u>

Executive Summary

Financial institutions face a critical paradox: fraud and dispute resolution processes designed to protect customers are instead eroding the trust and loyalty that drive long-term profitability. The true cost of making it right extends beyond immediate fraud losses, but increasingly, so do the returns. Institutions that invest in faster, fairer dispute resolution reduce churn, improve recovery, lower operating costs, and protect long-term trust. In today's environment, making it right is no longer a cost of doing business. It's a source of competitive advantage.

[Recent research conducted by Quavo reveals: 62% of consumers report their trust is more influenced by how fraud resolution is handled than the fraud discovery itself.](#) Additionally, 66% would be highly or extremely likely to switch banks due to long, tedious dispute processes.

This white paper presents evidence-based strategies powered by advanced technology that transform challenges into competitive opportunities, examining the multifaceted costs financial institutions incur when fraud management falls short. Through real-world case studies, we show you how to achieve measurable improvements in resolution times, recovery rates, customer satisfaction, and operational efficiency.

Introduction: The Hidden Crisis in Fraud Management

Fraud is inevitable in modern banking. With escalating fraudster sophistication and digital channel proliferation, no institution is immune. What separates leaders from laggards is not whether fraud occurs, but how institutions respond and whether they recognize that making it right for customers also protects the bottom line.

Traditional approaches focus narrowly on immediate financial impacts: fraudulent transaction values, chargeback costs, and investigation expenses. This myopic view obscures a dangerous reality: the invisible costs that compound over time and fundamentally undermine competitive position.

[A Cornerstone Advisors study, surveying over 2,000 fraud victims, reveals that consumer perceptions of fraud handling directly influence card usage, relationship expansion, and loyalty.](#) Among customers who rated their fraud experience as excellent (grade "A"), 83% reported strengthened relationships. Conversely, those giving failing grades showed 47% weakened relationships and 43% reduced likelihood of obtaining additional products.

Identifying the Villains

Ineffective fraud management costs extend beyond the obvious. While direct fraud losses grab headlines, more insidious long-term costs often go unnoticed until they reach crisis proportions. This section examines five critical cost categories—**the villains**—representing the full burden when fraud resolution falls short.



Villain #1: Revenue Loss Through Customer Churn

[Customer acquisition costs range from \\$200-\\$1,500 depending on product and channel.](#) When customers leave due to poor fraud experiences, institutions lose years of potential revenue, cross-sell opportunities, and referrals.

The Churn Trigger

[Cornerstone research found 73% of consumers indicated that loyalty was heavily impacted by fraud handling.](#) Critically, 66% would be highly or extremely likely to switch banks due to long, tedious dispute processes.

Among those rating experiences “C” or lower:

- 11% use cards less frequently post-fraud
- 5% stopped card use entirely
- 5% closed cards or accounts

Consider a regional bank with 500,000 cardholders, 5% fraud rate (25,000 annual incidents). If just 5% close accounts due to poor resolution, the bank loses 1,250 customers yearly, solely from fraud handling failures.

Lifetime Value Impact

Loss impacts more than just immediate card relationships. Customers with multiple products are exponentially more valuable. A checking account holder generates modest revenue, but with a credit card, auto loan, and investments, they may generate 10-20x more lifetime value.

Cornerstone data reveals poor fraud experiences create customer value ceilings. Among “D” or “F” raters, only 26% and 6% respectively indicated improved likelihood of additional products. Institutions aren’t just losing customers. They’re capping the growth potential of those who remain. Failing to make it right doesn’t just cost revenue today; it limits what each relationship can become tomorrow.

Confidence Spillover

[Quavo’s research shows that 70% of consumers say their confidence in other financial services is impacted by how fraud is resolved.](#) A negative credit card experience undermines mortgage, investment, or commercial banking confidence. The ripple transforms single incidents into institutional doubt that permeates entire relationships.



Villain #2: Direct Fraud Losses and Failed Recovery

While churn represents future revenue lost, direct fraud losses hit immediately: unrecovered fraudulent transactions, chargebacks lost to inadequate evidence or missed deadlines, and failed merchant refunds from poor collaboration.

The Recovery Rate Gap

[Industry average recovery rates hover around 64%, meaning institutions absorb over one-third of disputed dollars as losses.](#) Leaders achieve 80%+ recovery while laggards struggle to recover half, a gap that translates directly into millions of dollars annually. In recovery performance, making it right is measurable, repeatable, and financially material.

[Altura Credit Union recaptures 84% of disputed amounts, 20 points above average.](#) On \$10M annual disputes, the 20-point improvement translates to \$2M additional recovery. For 200,000 members, that's \$10 per member in returned value.

Chargeback Win Rates

When disputes escalate to chargebacks, win rates become critical. [First National Bank of Omaha \(FNBO\) achieved an 87% win rate, significantly outperforming the typical 60% industry benchmark.](#) Stronger investigations are proof that making it right directly improves financial outcomes.

On 10,000 annual chargebacks with an average value of \$250, a 70% win rate recovers \$1.75M, while FNBO's 87% performance would recover \$2.175M — delivering \$425,000 in additional annual recovery through stronger investigation and execution.

70%

of consumers say their confidence in other financial services is impacted by how fraud is resolved.



Villain #3: The Employee Productivity Drain

Traditional manual processes trap skilled investigators in repetitive, low-value tasks draining morale and wasting expertise. The drain manifests in reduced throughput, burnout, high turnover, and scaling inability.

Before automation, investigators spent the majority of their time on tasks technology now performs instantly:

- Manually keying data across multiple systems
- Generating letters and emails
- Processing accounting adjustments
- Completing repetitive chargeback forms
- Searching disparate systems for transaction details

These tasks consumed 70-80% of time, leaving only 20-30% for analytical work. This reduced highly skilled investigators to data entry clerks rather than fraud prevention experts, an expensive misuse of talent. When institutions fail to make it right operationally, they pay twice: in lost productivity and burned-out teams.

Productivity Gains

Altura demonstrates dramatic improvements: 1,603 disputes monthly per FTE versus 938 industry average, a 71% productivity increase. For 10-investigator teams, this enables 16,030 monthly cases versus 9,380, representing 6,650 additional cases without headcount. [At an industry average salary of \\$75K per investigator](#), matching throughput manually requires 7 additional employees, representing \$525K annual cost avoidance. Productivity gains of this magnitude demonstrate a clear truth: when work is done right the first time, efficiency follows and so does ROI.



“Automation reduced claim touch time dramatically, taking pressure off teams, enhancing work-life balance, and improving morale.”

Barbara Valona
First Hawaiian Bank



Villain #4: Broken Trust is The Silent Killer

Trust erosion from poor fraud handling creates consequences that silently devastate customer relationships, market position, and long-term profitability.

Resolution Matters More Than Fraud

[Quavo research revealed 62% of consumers indicated trust was more influenced by resolution process than fraud discovery.](#) Customers don't primarily blame banks for fraud occurring, but they cannot forgive an inadequate response. Fraud incidents present rare opportunities to demonstrate competence, empathy, and reliability. Handled well, they become moments that strengthen trust. Handled poorly, they become moments customers never forget. This is where making it right matters most, and where it pays the longest.



Villain #5: Compliance Risk and Regulatory Exposure

Compliance under Regulation E, Regulation Z, and card network rules is non-optional; failures can lead to regulatory enforcement, required remediation, and increased legal risk.

Regulation E generally requires financial institutions to complete investigations within 10 business days of a consumer error notice, extendable to 45 days (and up to 90 days in specific circumstances) when provisional credit and notification requirements are met. Missing these deadlines can result in violations, lawsuits, and fractured brand reputation.

Speed Destroys Trust When Delayed

71% of consumers would lose trust in their card issuer if resolution timelines are lengthy. Consumer expectations, influenced by real-time digital experiences, have narrowed tolerance for delays — making even a two-week dispute resolution feel prolonged.

Leaders engineer for speed: [Altura achieves 1-day provisional credit, Veridian 2 days.](#) Both achieve 10-day complete resolution versus 30+ day industry averages.



Manual processes create constant compliance risk. Investigators lose deadline tracking, miss required correspondence, and fail adequate documentation. Each violation exposes institutions to regulatory action.

Visa and Mastercard update chargeback rules biannually, modifying reason codes, evidence requirements, and timelines. Without automated systems that update in real time, institutions are forced to manually revise procedures, retrain staff, and modify templates — increasing the likelihood of errors, creating compliance gaps, reducing recovery, all while elevating risk.

The Heroes: How Financial Institutions Defeat the Villain to Make It Right

Having examined ineffective fraud management costs, we turn to solutions. Leading institutions have discovered that the same fraud challenges that destroy value for some can create competitive advantages for others. The difference: strategic technology adoption, process optimization, customer-centric operations commitment.



Hero #1: End-to-End Automation Platform

Comprehensive, end-to-end fraud and dispute management means automating the entire lifecycle—from intake through resolution—while seamlessly integrating with core banking, card networks, and merchant platforms. Unlike point solutions that address only pieces of the workflow, best-in-class dispute management platforms connect every stage of the process in one unified system

Comprehensive Automation

AI-driven automation is capable of processing hundreds of repetitive tasks traditionally consuming investigator time:

- Automated intake questionnaires capturing critical recovery information upfront
- Instant provisional credit issuance based on configurable rules
- Automated compliance-required correspondence generated and sent
- Accounting adjustments processed automatically through core integration
- Chargeback form completion and network submission
- Merchant collaboration through Ethoca and Verifi integrations
- Deadline tracking and case escalation

[Veridian's platform of choice completes 115,000+ monthly tasks, enabling analytical focus over administrative processing.](#) Task automation reaches 95% efficiency, so 95 of every 100 required tasks happen automatically.



Hero #2: Strategic Partnership Model

For institutions seeking to offload investigation work while maintaining quality and control, back-office service providers offer expert-led investigation teams that work seamlessly with modern dispute management platforms. This managed service combines technology automation with human expertise, delivering superior outcomes without building large internal teams.

Veridian's partnership illustrates that effectiveness. With its back-office vendor partnership, the credit union achieved: 15% loss rate (significantly below the industry's +50%), 1,770+ monthly chargebacks processed consistently, \$575K+ monthly recovery, 10-day average resolution.



Hero #3: AI and Machine Learning

AI and machine learning elevate fraud management from reactive processing to predictive, intelligent resolution. AI agents are designed to work alongside investigators, trained on your unique dataset. They can execute tasks, apply regulatory intelligence, and drive outcomes across the dispute lifecycle.

Using pre-defined logic, pattern recognition, and analysis-driven decisioning, the AI agent can autonomously progress cases when appropriate, dramatically increasing straight-through processing while maintaining accuracy and compliance. This allows institutions to make it right consistently, even as volume and complexity grow.

The impact is measurable. [Galileo achieved significant STP gains, including an 11% increase at the dispute level, a 7% increase at the claim level, and an 18% combined STP improvement. Altura now resolves 34% of disputes autonomously, with 89% of total casework automated.](#) Only 11% of casework requires human decision-making, freeing investigators to focus on complex, high-value work where judgment matters most.



Hero #4: Streamlined Workflows and Process Optimization

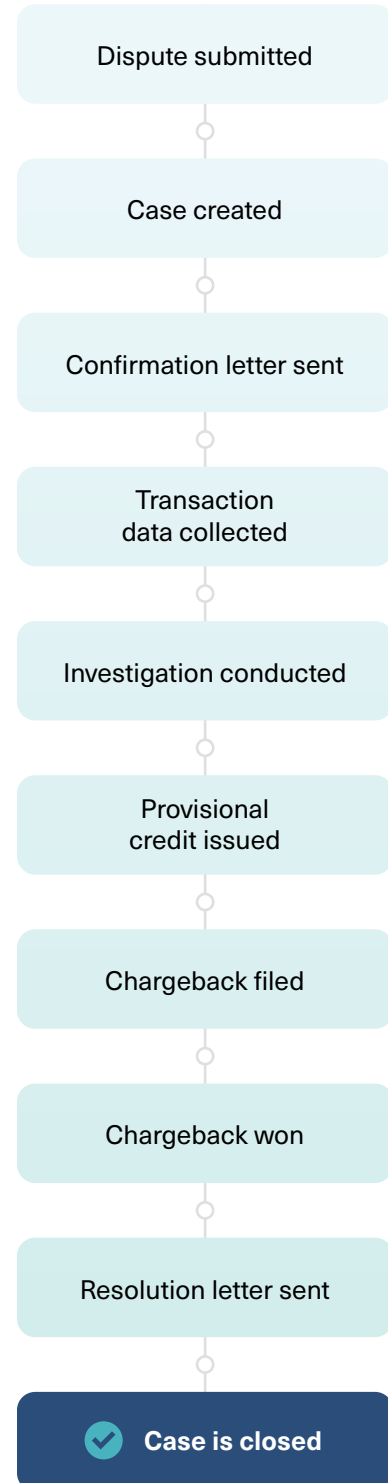
Technology alone cannot transform fraud management. It must pair with optimized processes eliminating waste, reducing friction, and maximizing value at every step.

Modern customers expect digital channel dispute management on their schedule. Veridian Credit Union exemplifies this: members manage finances effortlessly, including submitting disputes, reporting fraud, and following existing cases digitally, whenever and wherever it is convenient.

A digital-first approach delivers multiple benefits:

- Reduced call center volume through self-service claim submission and status checks
- 24/7 availability matching customer expectations for always-on service
- Better data capture through structured intake forms gathering necessary information upfront
- Electronic document upload capabilities enabling customer evidence provision

Galileo demonstrates balancing speed and thoroughness: 28% faster resolution while simultaneously increasing chargebacks won by 14% and recovering \$1M+ additional funds. Speed didn't compromise quality—automation enabled both.



The Business Case for Investment

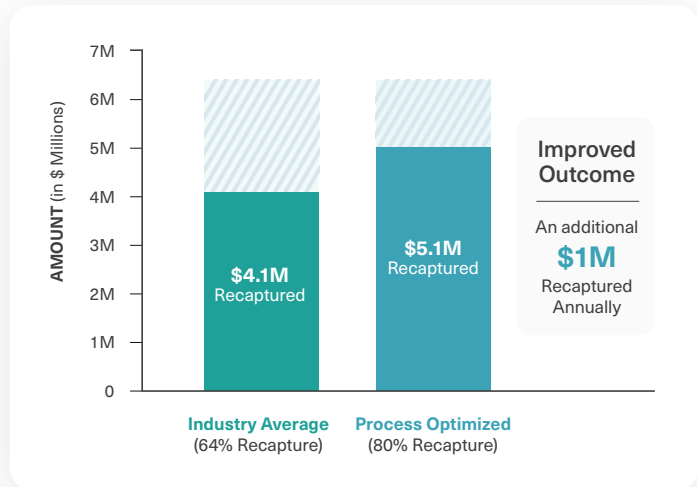
Real institutional performance shows substantial operational improvements, but what do those gains translate to financially? This section builds a comprehensive business case quantifying the return on investment from fraud management transformation, demonstrating why, today, it pays to make it right.

Calculating Direct Financial Returns

Consider a mid-sized institution with:

- 225,000 cardholders
- 45,000 annual disputes
- \$6.4M annual disputed dollars

At the industry average 64% recapture rate, the institution recovers \$4.1M and absorbs \$2.3M losses. Implementing best-in-class technology and optimizing processes that improve recapture to 80% (below Altura’s 84%, but achievable), recoveries increase to \$5.1M—an additional \$1M recaptured annually.



Benefit Category	Annual Value	Notes
Improved Recapture Rate	\$1,000,000	64% to 80% recovery improvement
Chargeback Win Rate	\$384,000	70% to 85% win rate improvement
Operational Efficiency	\$945,000	Cost avoidance from productivity gains
Reduced Churn	\$280,000	Preventing 5% fraud-driven defection
Cross-Sell Uplift	\$140,000	Year 1, compounds subsequently
TOTAL ANNUAL BENEFIT	\$2,776,000	Conservative estimate

This \$2.8M annual benefit excludes additional value from compliance risk reduction, reputational enhancement, employee retention, and compounding customer lifetime value effects. Against typical costs ranging \$200K-\$500K depending on institution size and complexity, ROI clearly justifies investment with payback periods under 6 months.

Conclusion and Recommendations

The evidence presented leads to an inescapable conclusion: financial institutions can no longer afford to view fraud and dispute management as operational necessities. These processes represent critical touchpoints that fundamentally shape customer relationships, drive loyalty, and determine competitive positioning in an increasingly commoditized industry.

The Transformation Imperative

Ineffective fraud resolution costs encompass:

- [Revenue leakage through customer churn \(66% willing to switch\)](#)
- [Failed recovery leaving millions on table \(20+ point recovery rate gaps\)](#)
- [Productivity drain trapping investigators in manual work \(71% throughput differences\)](#)
- [Trust erosion poisoning entire relationships \(70% confidence spillover\)](#)
- Compliance risk exposing institutions to regulatory action
- Reputational damage compounding over time

Conversely, institutions that modernize fraud management realize measurable gains in financial performance, efficiency, and customer loyalty.

Proven Solutions Delivering Results

Transformation is achievable for all institution sizes and types:

- [Galileo: 16% YoY growth, 28% faster resolution, \\$1M+ additional recovery](#)
- [Veridian: 95% automation, 10-day resolution, \\$575K+ monthly recovery](#)
- [First Hawaiian: 100% manual to 90% automated, dramatically improved morale](#)
- [Altura: 84% recaptured dollars, 99% customer satisfaction, 71% productivity gains](#)
- [Rogue: 89% automation, extended benefits across seven product types](#)

Fraud and dispute management are no longer operational necessities —they are strategic drivers of customer loyalty, efficiency, and growth.

Strategic Recommendations

Financial institutions should take these actions:

1. Measure Trust as a KPI

Start measuring trust alongside traditional financial metrics. Survey fraud victims about the quality of their resolution experience, track how it affects confidence in other services, and correlate fraud-handling scores with retention, cross-sell, and lifetime value.

2. Conduct Process Assessments

Audit current processes to identify automation opportunities, bottlenecks, and customer pain points. Map the entire journey from fraud detection through final resolution, documenting manual touchpoints, system handoffs, communication gaps, and deadline management. Quantify time spent on administrative versus analytical work to establish baseline productivity metrics.

3. Prioritize Communication and Transparency

Implement real-time status visibility, proactive milestone updates, and clear investigation step explanations. Even before full automation, enhanced communication dramatically improves customer perceptions. [Cornerstone research shows customers with self-service portals and real-time updates report substantially higher satisfaction despite similar resolution timelines.](#)

4. Invest in End-to-End Automation

Adopt comprehensive platforms that automate entire dispute lifecycle rather than implementing point solutions which create new silos. Full-lifecycle automation delivers compounding benefits: faster resolution, fewer errors, better compliance, improved employee satisfaction, and superior customer experience. Case studies demonstrate 80-95% task automation is achievable.

5. Consider Strategic Partnerships

Evaluate managed service options when seeking to offload investigation work while maintaining oversight and quality control. The partnership model provides expert investigation capabilities, economies of scale, flexibility to adjust capacity based on volume fluctuations, all while preserving customer relationship and brand standards.

6. Leverage AI and Machine Learning

Deploy intelligent decision-making capabilities to autonomously resolve routine cases while routing complex disputes to human experts. Altura's 34% autonomous resolution demonstrates AI potential. Start with rule-based automation for straightforward cases, progressively introduce machine learning for pattern recognition, fraud detection, and predictive analytics.

7. Optimize for Speed Without Sacrificing Quality

Engineer processes so that provisional credit is issued within 1-2 days, with a complete resolution within 10 days where possible. Speed matters enormously to customers, directly impacting trust. Automation enables speed with improved accuracy rather than rushed errors. Galileo demonstrated 28% faster resolution while simultaneously improving recovery rates and chargeback wins.

8. Build Comprehensive Integration Ecosystems

Connect dispute platforms seamlessly with core banking, card networks, merchant collaboration tools (Ethoca, Verifi), fraud detection platforms, and customer communication channels. Unified data flow eliminates manual transfers, reduces errors, and importantly for investigations, enables holistic customer views. As Rogue discovered, making necessary tools and data accessible from single interface transforms investigator effectiveness.

The Path Forward

Financial institutions stand at a crossroads. Manual approaches create mounting cost pressure and undermine both customer experience and competitive strength. Proven transformation shows a far more compelling financial path forward.

The profiled institutions demonstrate comprehensive automation, intelligent technology, and strategic partnerships that transform fraud challenges into competitive advantages. **They've achieved:**

- ✓ Resolution times 60-70% faster than industry averages
- ✓ Recovery rates 20+ percentage points above peers
- ✓ Productivity improvements exceeding 70%
- ✓ Customer satisfaction ratings approaching 99%
- ✓ Task automation rates of 80-95%
- ✓ Employee morale transformations from burnout to engagement

Most importantly, they've discovered doing right by customers and protecting bottom line aren't opposing objectives—they're mutually reinforcing goals. Faster, fairer, more transparent dispute resolution builds trust, strengthens loyalty, and drives sustainable competitive advantage.

The true cost of making it right isn't investment in technology and process transformation. Real cost is opportunity loss from maintaining status quo: millions in unrecovered funds, thousands of departed customers, hundreds of thousands in productivity waste, and immeasurable damage to trust and reputation.

The choice is clear. The path is proven.

Now it pays to make it right.™

Learn how Quavo helps financial institutions turn insights into action.

quavo.com

About Quavo

Quavo is a leading technology partner and strategic advisor, helping financial institutions (FIs) build trust-driven customer relationships through faster, more transparent dispute resolutions. Our mission is to restore financial trust by simplifying fraud and disputes. Quavo's award-winning technology automates the entire dispute lifecycle, from intake to resolution. FIs can pair this end-to-end solution with our expert-led back-office investigation team in one turnkey managed service. Scalable for institutions of all sizes, Quavo's solutions reduce losses, ensure compliance, and enhance customer loyalty.

Learn more at www.quavo.com or contact our team at Experts@quavo.com.



Trust in Banking Awards

Quavo created the Trust in Banking awards to honor financial institutions demonstrating superior performance in most critical trust-building dispute areas: Speed, transparency, customer satisfaction, convenience, efficiency, accuracy, and flexibility.

"Trust is the cornerstone of every strong relationship and is a financial institution's most valuable asset. These winners embody the essence of trust in banking by prioritizing customer needs and raising the standard for fast and fair dispute resolution."



Joseph McLean
Quavo CEO & Co-Founder

Sources and Research

Quavo Trust in Banking Consumer Study

Survey of 1,000 credit card fraud victims examining how financial institutions' fraud response affects customer trust, loyalty, and long-term value. Key findings include 62% of consumers reporting resolution process matters more than fraud discovery, and 71% who would lose trust from lengthy resolution timelines.

Cornerstone Advisors: The Fraud Experience

Research by Ron Shevlin, Chief Research Officer, based on comprehensive survey of 2,127 U.S. consumers who experienced fraudulent activity on payment cards since 2020. This research established the Fraud Experience Index ranking major card issuers and quantified fraud resolution quality impact on customer behaviors, attitudes, and relationships.

Financial Institution Case Studies

Detailed performance data and operational insights from Galileo Financial Technologies, Veridian Credit Union, First Hawaiian Bank, Altura Credit Union, and Rogue Credit Union, documenting measurable improvements achieved through implementation of Quavo's QFD platform and DRE services.



Now it Pays to Make it Right.™

www.quavo.com