Automations in Dispute Resolutions

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Automations have profoundly transformed the process of **dispute resolution**, particularly in the financial services and e-commerce industries, where managing high volumes of payment disputes (chargebacks) and customer claims is a major operational challenge.

The goal of automation is to drastically reduce resolution time, minimize human error, ensure regulatory compliance, and significantly lower operational costs.

Here is a breakdown of how automation, including AI, is used in dispute resolution:

Key Areas of Automation in Dispute Resolution

1. Intake and Case Creation

- **Self-Service Portals:** Customers can initiate a dispute through a mobile app or online banking portal, automatically filling in necessary details. This eliminates manual data entry by bank or company staff.
- **Multi-Channel Capture:** Systems automatically ingest dispute requests from various channels (email, call center notes, chat transcripts) and create a structured case file instantly.
- **Intelligent Classification (AI/ML):** AI analyzes the dispute narrative, transaction details, and reason codes to automatically:
  - Categorize the dispute (e.g., fraud, merchant error, duplicate charge).
  - Prioritize cases based on urgency or regulatory deadlines.

2. Data Aggregation and Evidence Collection

- **Automated Data Retrieval (RPA):** Robotic Process Automation (RPA) and API integrations instantly pull all relevant data from disparate internal systems:
  - Core banking systems for customer history and account status.
  - Payment gateways for transaction records (time, location, device).
  - Merchant systems for proof of delivery or service.
- **Evidence Compilation:** The system automatically compiles the necessary documentation—often formatting it according to the strict rules of payment networks like Visa or Mastercard—to create a complete, submission-ready chargeback package.

3. Case Analysis and Decision-Making

- **Rule-Based Decisioning:** Simple, non-complex disputes (e.g., small-value transactions that fit a clear pattern) can be resolved automatically using pre-defined business rules, often leading to immediate provisional credit for the customer.
- **Risk Scoring (Machine Learning):** AI models analyze thousands of data points to assign a probability score for winning the dispute. This allows human analysts to focus only on high-risk or complex "edge cases," improving overall throughput.
- **Automated Compliance:** Systems are pre-built with regulatory deadlines (like Reg E in the US) and card network rules, automatically tracking timelines and ensuring every action is documented for audit purposes.

4. Communication and Closure

- **Auto-Drafted Correspondence (Generative AI):** The system generates and sends personalized, legally compliant emails and letters to the customer (e.g., acknowledgment of the claim, request for more information, final resolution notice).
- **Real-Time Status Updates:** Automated alerts or a self-service dashboard keep the customer informed of the status of their claim, drastically improving transparency and reducing calls to the contact center.
- **System Synchronization:** Upon resolution, the system automatically processes the final credit/debit, updates the general ledger, and closes the case across all integrated platforms.

Strategic Benefits for Financial Institutions

Benefit Category	Impact of Automation
Operational Efficiency	Reduces resolution time from weeks to hours or even minutes. A high percentage of tasks (e.g., up to 90% in some cases) can be automated, leading to significant **cost savings** and increased staff productivity.
Customer Experience (CX)	Faster resolutions, proactive communication, and self-service options transform a negative event (a dispute) into a **trust-building opportunity**, enhancing customer loyalty.
Compliance & Risk	Consistent, rule-based processing ensures compliance with complex regulations, eliminating the risk of human error, fines, and costly audits. Every action is tracked for a complete **audit trail**.
Loss Mitigation	Advanced AI analysis helps financial institutions build stronger cases for invalid claims, improving the **net recovery rate** and reducing overall losses from write-offs.

Below are the few steps that need to be taken care while building the dispute automations:

Use automation to improve communication

Effective communication is critical to successfully resolving complex disputes. Automation helps accounts receivable teams enhance communication, ensuring all parties stay informed and engaged throughout the resolution journey.

A crucial first step is implementing a centralized collections platform that tracks customer data and activities—like account statuses, open invoices, and payment details—which offers a single source of truth for all stakeholders. Elena offers an example of how she uses this type of automation solution to ease communication.

"In our Collaborative AR platform, you're able to have both internal and external conversations on the same issue," she says. "You can post an answer just to internal teams and you can also post updates that face the customer."

This centralized system is augmented with automated features like payment reminders and invoice status notifications. "The automated payment reminders are very helpful, and I think they address the majority of the issue," she says. "But when they keep going and they're not answered, the system can tell you when something was delivered and if your reminder has been opened or not."

This data can help accounts receivable teams tailor customer communications. Wholesale distributor, Gulf Coast Panama Jack, is an example of the impact automated payment reminders can have on days sales outstanding (DSO), a core metric directly influenced by dispute resolution times. The company saves 20 hours every week and reduced DSO by 67% after introducing automation to its invoice processing and cash application workflows.

And these tangible improvements don't account for better internal communication. A centralized platform automatically brings relevant internal teams, like sales, into the loop. This collaborative approach, enabled by automation, is essential for addressing complex disputes that need input from multiple departments.

Lean on self-service to offer transparency
Self-service capabilities are a powerful tool that can significantly speed up dispute resolution while freeing up valuable time for your AR team. By offering customers the ability to access information and resolve issues at their own pace, you not only enhance transparency but also automatically prioritize the most critical issues for human intervention.
"You want to empower your clients to self-serve and resolve issues when they need it," Elena says. "We could be working in different time zones where perhaps when I need an answer, the other party is not available at those hours."
Effective self-service tools can include detailed account statements, invoice history, payment history, and comprehensive knowledge bases that address common questions. "I think the availability of reporting is critical," Elena says. "A lot of the time you get the question about an invoice like 'what is this charge?' or 'why am I charged this much?' Empowering your customers to have the reporting so that there is transparency solves these issues."
These self-service features create a win-win situation, Elena notes. Customers resolve simple issues quickly while your AR team has more time to focus on resolving complicated ones. "They're [your AR team] able to address it with a lot more attention and with a lot more focus on the customer."
TireHub followed this advice and empowered its customers to self-serve. Not only did its customers experience and enjoy the increased transparency, but TireHub recovered 200 hours for its accounts receivable team while decreasing AR contractor headcount.

Use analytics to preempt lengthy dispute timelines

Centralizing accounts receivable data creates compounding positive effects that can be hard to comprehend, at first. For instance, North Atlantic International automated its AR processes (including collections) and unlocked $10 million in additional revenue.
While a lot of that new revenue appeared due to installing advanced prepayment functionality, a good portion emerged from the ability to analyze customer credit, revise credit policies, and gain visibility over different billing processes.
"We're able to open up our view of who we can give business to," says Anthony Mestroni, CEO, North Atlantic International. "And we've been able to open our doors to a lot, especially to transport companies."
Elena notes that tracking standard collections metrics like DSO and CEI is important—but mapping them to the type of customer accounts before initiating manual intervention is critical. "For high dollar value accounts, you would want to introduce a human a little bit earlier on versus a low dollar value one," she says. "You can allow it to age a bit more before it becomes a concern."

Additionally, monitoring recurring dispute types helps you identify whether issues are simple, like incorrect quantities, or complex, such as line-item level disputes with discount values. Ultimately, giving customers transparency into their account statuses does more to reduce overdue payments than anything else.
"If your client understands what they're being invoiced for and how and why, that in itself largely eliminates the need for a dispute," Elena says. Transparency backed with the right accounts receivable analytics further reduces disputes, helping you preempt issues.

Best practice 4: Map human escalation workflows

Complex disputes often require human intervention. Mapping out effective escalation workflows ensures that the right people are involved at the right time, leading to faster and more satisfactory resolutions.

Elena offers an example of human intervention. "If your payment reminders are not producing results, you have to introduce a human touch to make sure there aren't any customer concerns present with other teams that are preventing this invoice from getting paid," she says.

One way of figuring out the right points for human intervention is to observe historical dispute types. Another is to implement triggered internal communication alerts for certain types of disputes.

For example, automatically alerting sales when a customer disputes contract terms ensures that all relevant parties are informed and can contribute to the resolution. Over time, these alerts and escalation workflows can be refined based on gathered dispute-related data, continuously improving the efficiency and effectiveness of your dispute resolution process.

Emphasize the human touch with your AR team

Automation, when taken to an excess, can make your accounts receivable team seem faceless. Balancing automation with personalized communication ensures that customers feel valued and understood.

"The empathetic approach is important," Elena says. "It's important to keep in mind that both sides of the dispute are working towards the same goal. We both want to get this invoice paid, we both want to make sure that the services keep flowing uninterrupted."

To prevent your AR team from seeming faceless, remind your staff to communicate effectively. "Just staying in touch and I think providing reassurance that a customer is not forgotten [is crucial]," Elena says. "Somebody's working on that issue and we are going to get them answers."

Transparency about which portions of your collections process are automated and which are not can enhance customer trust, she adds. "If there is a need for a dispute, just make it easy for them to reach out to a human, and then you make sure that the human who's working with them stays on top of updates," Elena says.

By being open about your dispute resolution processes, you demonstrate that you're mindful of the customer experience, even as you use automation to improve collection efficiency.