

What is credit card laundering? What are the risks associated with this?

In this answer, we will learn about credit card laundering and at what times this happens. There are also some risks involved with the same which are also be discussed below.

Credit Card Laundering

Credit card laundering is allowing a person' a business entity, or a corporation to use your own merchant account. This happens when the other person is engaged in a business and wants to accept credit card payments but has no merchant account of his own. He, therefore, requests to use the merchant account that belongs to somebody to process the purchase orders.

It is illegal and strictly prohibited. It is moreover known as credit card factoring, can be present in a lot of forms. The major crucial type of factoring would be a business dealing out transactions for a different business. One more general case of factoring is while a business unlocks a division or sub-business and tries to route during the middle company's trader account. This case is frequently observed while a business creates a website, and attempts to process credit card dealings without creating a different seller account for their website.

Risks associated with this:

- The surge of increased sales in your merchant account could jeopardize your account. Under such circumstances, your merchant bank can unilaterally freeze or terminate it without any notice.
- In addition, processing orders that do not belong to you could open your account to potential chargebacks. And as you know, the more chargeback you incur, the greater the chances of your merchant bank closing your account.
- Lastly, your face civil and criminal liability if you engage in this.