Your source for payments education

How Banks Decide Which Payments Get Approved:

The Signals, Thresholds, and Data Gaps That Cost You Revenue

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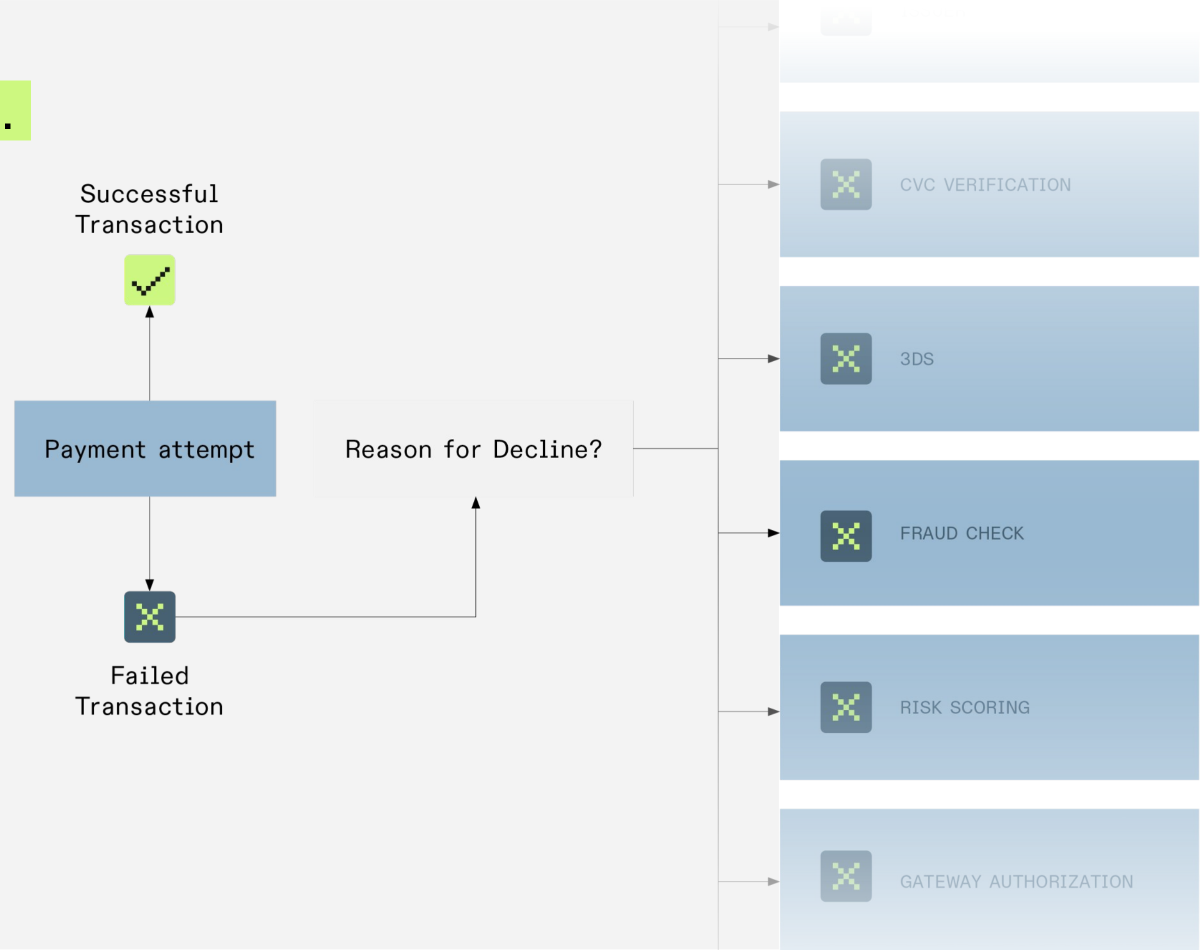
Key takeaways

1. Understand why banks decline good payments - and what signals trigger those decisions.
2. Identify the three data gaps in billing that create unnecessary revenue loss.
3. Walk away with actionable levers to improve approval rates and reduce involuntary churn.

“Good customers, bad outcomes”

The pattern behind unnecessary declines.

Banks decide in milliseconds using risk models designed to be cautious. When data is missing or signals don't align, banks default to no.



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This is a revenue problem

Example: $50M merchant at 95% approval = $2.5M lost annually

For recurring…a customer who churns from a failed payment does not cost you one month - you lose their entire remaining LTV.

65%
of declines are soft (retriable)

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How banks actually decide

The bank's job is to avoid risk — not to approve you.

Customer's History

How does this cardholder normally spend? Have they purchased from this merchant before?

Merchant's Reputation

Chargeback rates, dispute history. Problematic patterns = tighter thresholds.

Data Quality

When transaction data is incomplete or inconsistent, issuers are forced to guess, and guessing defaults to no — especially in a system where trust is cumulative and easily eroded.

MOST COMMON DECLINE REASON CODES

- **[NSF]** – Not enough available funds.
- **[Bank Decline]** – Didn't clear issuer risk thresholds.
- **[Suspected Fraud]** – Risk flagged, not confirmed fraud.
- **[Do not Honor]** – Issuer couldn't confidently approve.

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Where the gaps hide

The billing blind spots

Stale Data

Cards expire, get reissued, customers move. Your database drifts out of sync with what the bank has on file.

[Mismatches look risky]

Inconsistent Indicators

Flags for "recurring" vs. "one-time" get applied inconsistently across systems and platform changes.

[Inconsistency is a red flag]

Lost Context

Even a customer's 60th payment may be evaluated as a standalone charge — the relationship doesn't carry through.

[Tenure doesn't help automatically]

This is a communication problem.

Every payment you submit sends a message to the bank.

The **question** is whether that **message is complete, clear,** and **credible**.

Three levers you control

LEVER 1

Be intentional about what reaches the bank

Your CRM, gateway, and billing platform abstract this away. Abstraction doesn't mean optimization.

Which gateway are you routing through? How is the transaction categorized? What fields are actually being sent?

LEVER 2

Keep payment credentials current

Are you proactively managing card updates — or waiting for payments to fail?

Customers don't churn because they want to leave. They churn because updating their card was one more thing they didn't get to.

LEVER 3

Handle declines strategically

Not all declines are equal. Are you distinguishing recoverable vs. non-recoverable? Retrying strategically?

Give up too soon = revenue left on the table.

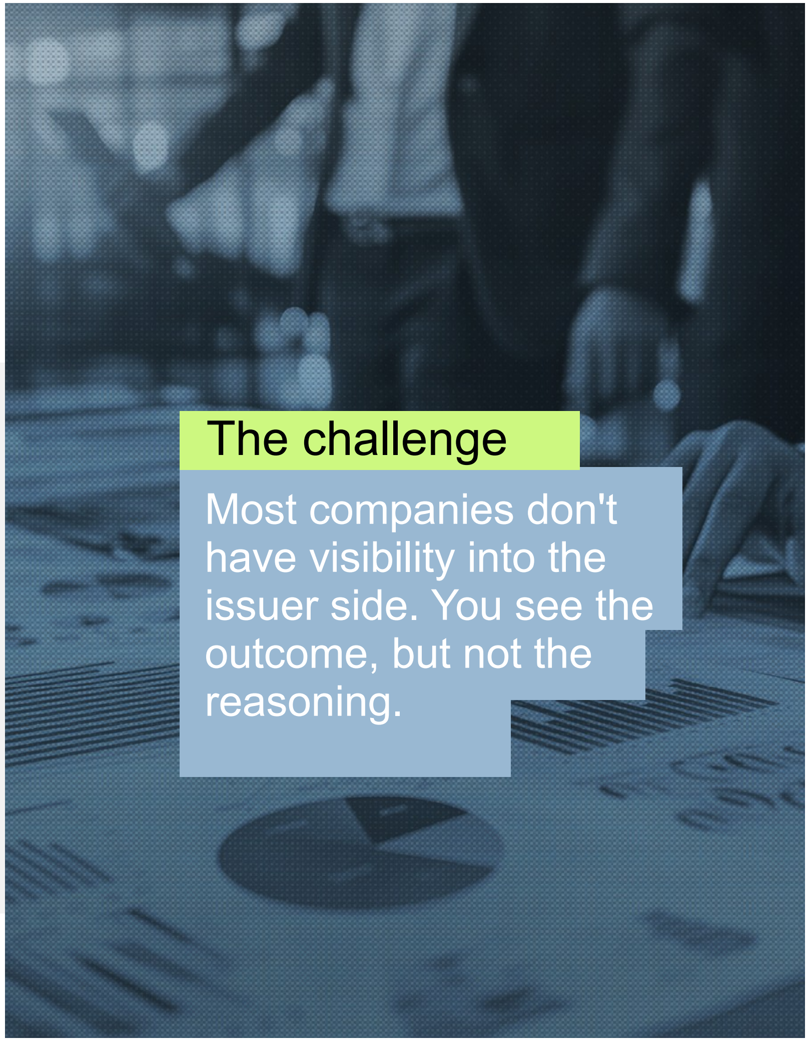
Too aggressive = risk hurting your reputation.

Where do you start?

Start with the diagnosis.
Not every business has the same problem.

SIGNALS IN YOUR DATA

- Distribution of response codes
- Recovery rate on soft declines
- Percentage of involuntary churn
- Upfront approval rate trend



The challenge

Most companies don't have visibility into the issuer side. You see the outcome, but not the reasoning.

What’s shifting in 2026

Fraud data is getting noisier

Banks can't distinguish real fraud from friendly fraud. Their models train on both. Garbage in, garbage out leads to more false declines.

Authentication matters

PSD2 ripple effects. Expectation of periodic re-verification growing. Dated practices will show in approval rates.

Network changes

Network standards shift constantly. Build the muscle to track updates — or partner with someone who does.

Competitive pressure

Approval rates becoming a differentiator. 2-3% gap compounds over time. Strategic priority = pull ahead.

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Summary & key takeaways

1. **The bank isn't rejecting your customer. It's rejecting the data it received.**
   That's a different problem and one you can actually influence.

2. **58% of hard declines trace back to stale credentials.**
   That's not a cost of doing business — it's a fixable problem.

3. **Your gateway shows you the outcome. It doesn't show you the reasoning.**
   Until you see the issuer side, you're optimizing blind.

Q&A

- Don’t forget to submit your session evaluation!

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