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CREDIT + OPERATIONS IN A PAYMENT SERVICE PROVIDER

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Credit and Operations Must Work the Same Risk

A practical case for turning merchant approval into daily operating decisions

Peter Weitl | Founder and CEO, Weitl Enterprises LLC | September 24, 2026 | Opinion

A merchant is not “approved” once and for all. In a payment service provider (PSP), the exposure changes each time volume, fulfillment, refunds, disputes, or payout timing changes. Credit should set the terms under which the PSP can accept that exposure; Operations should observe whether the merchant is still operating within those terms. At Weitl Enterprises LLC, we believe both teams need the same facts and a clear path to act.

Make the credit decision usable on day one

An underwriting memo can explain a judgment, but it does not instruct a settlement operator what to do when a merchant doubles volume on Friday. The approval should become a versioned merchant operating profile: expected and peak volume, ticket size, sales and delivery timing, refund and dispute behavior, geographic reach, funding schedule, reserve, processing cap, negative-balance tolerance, and the events that trigger review. The teams should agree on which items are forecasts, which are contractual terms, and which are hard system controls.

Credit owns the exposure assessment, conditions, and authority to change risk limits. Operations owns accurate settlement execution, reconciliations, exceptions, and the first report of actual behavior. Product and engineering implement approved controls; Compliance, Fraud, Legal, and the sponsor bank retain their respective responsibilities. The PSP should name an owner for every handoff and test the controls before a merchant goes live. Banking guidance on third-party relationships supports risk-based lifecycle oversight; the exact obligations depend on the PSP’s role and contracts. [1]

Put the handoff on a clock

The best joint workflow uses a daily exception queue and a short, scheduled review of material changes. Operations should flag a volume or ticket-size spike, a change in product mix, delayed delivery, rising refunds or chargebacks, a reserve shortfall, persistent negative balances, unusual payout adjustments, or repeated reconciliation breaks. Each signal should have a severity, an owner, a response time, and a documented disposition. Otherwise, alert volume simply creates another unowned inbox.



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When a trigger fires, Operations records what happened and what funds are still under the PSP's control. Credit recalculates plausible peak exposure and chooses among a documented set of measures: continued monitoring, a staged ramp, an increased reserve, a revised payout schedule, or a processing restriction, subject to the agreement and delegated authority. Material holds or exceptions should have a named approver, an expiration or review date, and coordinated merchant communication. A real emergency needs a fast escalation route; routine seasonality should not become an emergency.

A practical test: the postponed event

Consider an illustrative ticketing merchant that doubles processing before an event is postponed. Operations sees the higher transaction count and the change in fulfillment date first. Credit sees the resulting extension of refund and chargeback exposure. Together they reconcile funds already paid out, outstanding sales, expected refunds, and available reserve, then decide whether the current terms still cover the obligation. Any change in remittance follows the contract, policy, and required approvals. The merchant hears one explanation and receives a specific path back to normal terms.

Use automation where it improves a decision

Rules-based automation is often enough for deterministic controls such as a cap or a reconciliation check. AI can be valuable when information is scattered, patterns change, or staff must review many cases. Its output still needs source evidence and decision rights proportionate to the consequence.

[2]

Candidate use	Benefit	Pitfall	Required control
Document intake and policy lookup	Faster case preparation; fewer repeated requests.	Extraction errors, stale policy text, or unsupported citations.	Link each finding to its source; verify key fields and use current approved policy.
Merchant anomaly signals	Earlier notice of volume, refund, payout, or dispute changes.	Seasonality can cause false alarms; model drift can miss a real change.	Back-test by merchant cohort; monitor misses and false positives; route alerts to an owner.
Exposure forecasts	Recalculate likely exposure as sales and fulfillment timing move.	Bad joins or stale settlement data create precise-looking but wrong limits.	Reconcile inputs to transaction and ledger data; log assumptions and overrides.
Case summaries and draft notices	Cleaner handoffs and quicker, consistent merchant explanations.	Hallucinated facts, confidentiality leaks, or unauthorized promises.	Use approved data access, redact sensitive fields, and require human approval before sending.



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Start with read-only assistance and shadow tests. Before permitting automated action, define the permitted decision, test against historical and live cases, set a rollback path, and require human approval for material reserve, limit, suspension, or payout changes. Protect payment and personal data, review vendor retention and access terms, and determine the PCI DSS scope of any service that could affect payment account data. [2, 3]

Measure what the partnership changes

A PSP should track time from trigger to decision, uncollected exposure, reconciliation breaks, avoidable merchant disruption, false-positive alerts, missed events, and the share of exceptions resolved within policy. Review these measures together. Faster onboarding is not a success if losses migrate into settlement; fewer holds are not a success if the reserve no longer covers obligations.

Credit defines the boundaries. Operations tests them against reality. The two teams work best when they can change the terms as the facts change, explain why, and leave a clear record of who decided.

About the author

Peter Weitl is the Founder and CEO of Weitl Enterprises LLC and a payments and credit risk leader with more than 20 years of experience across commercial credit, merchant acquiring, underwriting, and portfolio risk. This commentary expresses the company's perspective.

Selected references

[1] Office of the Comptroller of the Currency, Third-Party Relationships: Interagency Guidance on Risk Management (2023). Guidance is directed to banks; this article draws on its general lifecycle principles.

<https://www OCC.gov/news-issuances/bulletins/2023/bulletin-2023-17.html>

[2] National Institute of Standards and Technology, AI Risk Management Framework: Generative AI Profile (2024). Voluntary cross-sectoral framework. <https://doi.org/10.6028/NIST.AI.600-1>

[3] PCI Security Standards Council, FAQ 1580, service-provider assessment scope. <https://www.pcisecuritystandards.org/faqs/1580/>