

Fact Sheet: More Must Be Done to Protect American Consumers from Peer-to-Peer Financial Fraud

Among the many issues facing American consumers in the marketplace, one of the biggest is the continuous risk of fraudulent and otherwise unauthorized financial transactions. These potential dangers range from stolen debit cards and hacked personal information to more common nuisances such as subscription services that continue to charge their customers after they have already canceled.

Moreover, new advancements in technology have ultimately bred new risks of fraud that must be addressed by our nation's leaders One glaring example of this harmful trend is the increased utilization of peer-to-peer (P2P) payment apps such as Zelle or Venmo to commit fraud. In fact, a recent [New York Times article](#) reported that **nearly 18 million** Americans were defrauded through scams and frauds involving digital wallets and peer to peer payment apps in the last year. And as these scams and frauds continue to increase, numerous banks and financial institutions are making it more difficult for consumers to recoup these stolen funds by flatly refusing to reimburse their customers. These types of scams continue to be [well documented](#) throughout the [media](#).

Currently, the [Electronic Fund Transfer Act of 1978](#) puts in place a variety of safeguards to protect consumers who engage in electronic financial transactions. But while the Electronic Fund Transfer Act contains provisions meant to protect consumers from fraud involving bank-issued cards, it clearly needs a modernization to address the new rise of mobile application-based money transfers. When it comes to services like Zelle that are heavily integrated within the online banking systems themselves, [banks and financial institutions repeatedly deny liability](#) and argue that the Electronic Fund Transfer Act does not require them to reimburse customers who are the victims of fraudulent banking transfers using mobile apps.

Fortunately, this issue hasn't gone completely unnoticed by our legislators. Just this last March, a group of eight senators [sent a letter](#) to Early Warning Services LLC (the fintech parent company that operates Zelle), demanding that it implement more safeguards from frauds and scam. With an estimated 440 million dollars lost to fraud through Zelle in 2021 alone, it is imperative that the service better serve its user base. And given that Zelle is directly [owned by seven of the nation's largest banks](#) (**Bank of America, Truist, Capital One, JPMorgan Chase, PNC Bank, U.S. Bank and Wells Fargo**), the company's inadequacy becomes even more inexcusable.

In 2021, the Federal Trade Commission (FTC) reported that elderly adults lost over **10 million dollars in 2020** as a result of these scams. In response, on September 1, Senators [sent a letter](#) to the Consumer Financial Protection Bureau urging that agency to implement more safeguards to protect elderly Americans who fall victim to fraudulent schemes. However, all Americans are at risk from this financial fraud. Between 2019 and 2020, the amount of P2P- related complaints to the FTC tripled, and that upward trend has only continued.

Given the holes in our current regulatory system in regard to P2P scams, it is critical that Congress pass legislation amending the Electronic Fund Transfer Act. A discussion draft of the bill, currently referred to as the "[Protecting Consumers From Payment Scams Act](#)," takes significant strides towards addressing these issues. While the bill is still in draft form, there are hopes that the legislation will be introduced within the next few weeks.

As currently drafted, this bill would:

- Add specific language that details "unauthorized transfers" under the Electronic Fund Transfer Act to include monetary transfers that were **fraudulently induced**.
 - The bill does this by striking every mention of "unauthorized electronic fund transfers" within the current law and replacing it with "unauthorized or fraudulently induced electronic fund transfers"
- Explicitly detailing if a consumer defrauded, **the fraudster's financial institution that received the ill-gotten funds is liable to the consumer's financial institution for the harm.**

It is imperative that Congress act to protect American consumers by amending the Electronic Fund Transfer Act. Additionally, the Consumer Financial Protection Bureau must take a leadership role and release new enforcement policies and engage in more oversight over these P2P financial applications.