

Zelle's fraud problem continues with CFPB lawsuit

Article

The news: The Consumer Financial Protection Bureau (CFPB) sued Early Warning Services (EWS) and three of its owner banks, claiming they failed to protect consumers from fraud on Zelle, per a press release.

- The CFPB claims that **Bank of America, JPMorgan Chase, and Wells Fargo** customers have collectively lost more than \$870 million over Zelle's seven-year existence due to the banks' inaction.
- The agency also argued that Zelle's limited identity verification made it easy for bad actors to create accounts; that banks didn't share information with each other about fraudulent transactions; that they failed to investigate fraud; and that they didn't properly reimburse consumers for fraud and errors.

The bigger picture: This is not the first time Zelle has been under fire for its fraud prevention practices.

- The **Securities and Exchange Commission (SEC)** looked into JPMorgan's Zelle complaint process in February and Wells Fargo's in May.
- And in 2023, Democratic senators [asked regulators](#) to strengthen consumer protections against Zelle.

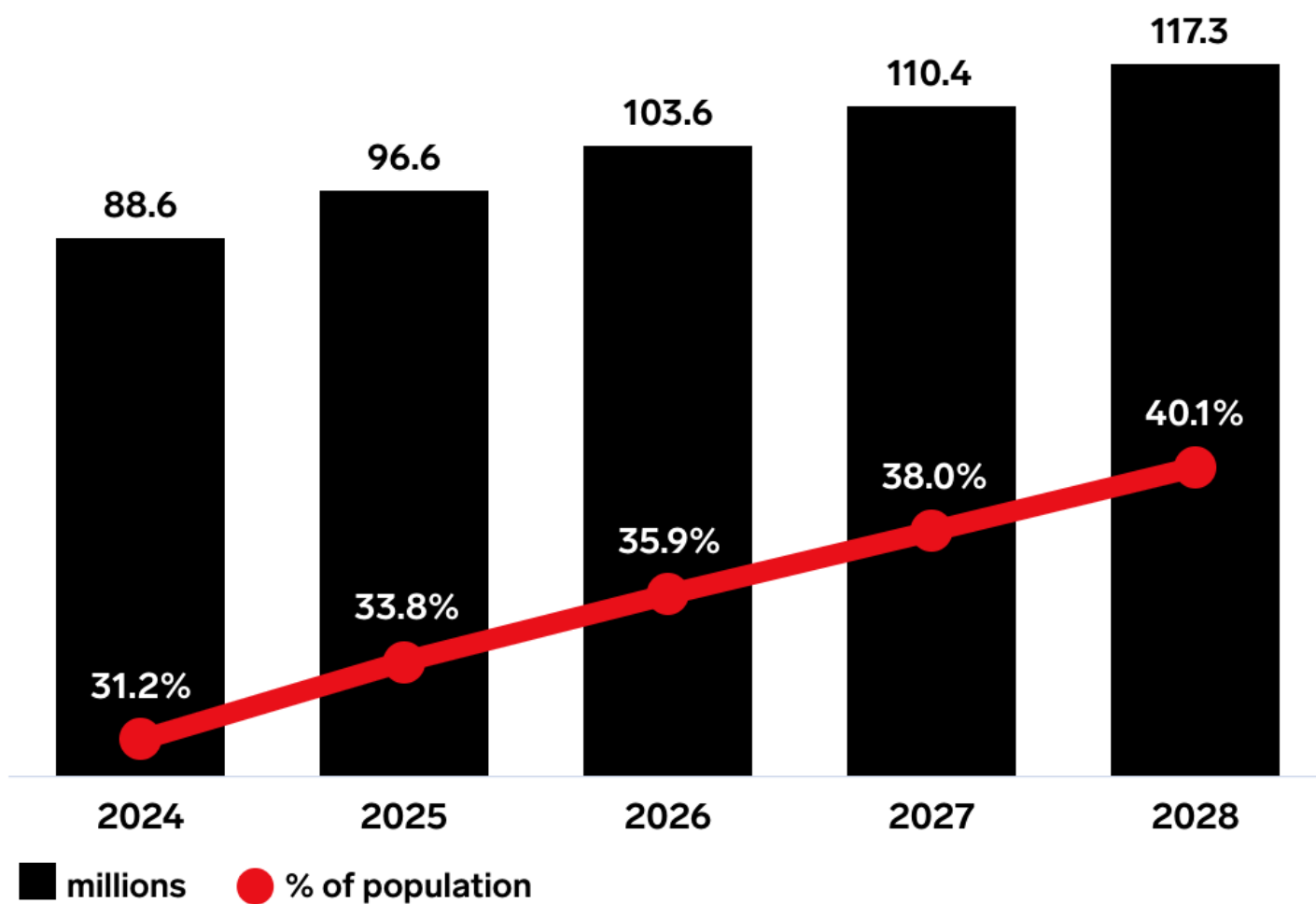
Despite these concerns, the peer-to-peer (P2P) platform's fraud and scam accusations may overstate the issue. Zelle reports that **fraud makes up only about 0.1% of all transactions made on the platform.**

Our take: The CFPB has been pushing forward its agenda ahead of President-elect Donald Trump's inauguration, unlike other financial regulators that [paused rulemaking](#) during the transition. It is unlikely the [CFPB under Trump](#) will pursue this lawsuit, focusing on a new agenda instead.

But regardless of what happens with this lawsuit, Zelle's continual fraud concerns may lead to longer-term reputational issues—pushing users to competitors like **Cash App** or **Venmo**. We expect the number of [Zelle users to total 96.6 million](#) in 2025, per our forecasts.

Zelle Users and Penetration

US, 2024-2028



Note: ages 14+; mobile phone users who make a peer-to-peer (P2P) payment transaction using Zelle via mobile phone at least once per month

Source: EMARKETER Forecast, March 2024

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