Adriana Nunez

Senate's Zelle crusade continues with P2P payments fraud report

Article

The news: **Consumers lost an estimated $440 million** in 2021 from peer-to-peer (P2P) payments fraud and scams on **Zelle**—and in most cases, banks failed to reimburse victims, according to a report by the office of Sen. Elizabeth Warren (D-MA).

Zelle owner **Early Warning Services** countered in a statement that while Zelle use has increased, the proportion of fraud and scams has steadily decreased in recent years.

Report highlights:

- **Bank of America**, **PNC Bank**, **Truist**, and **U.S. Bank** provided data for the report in response to an information request from earlier this year; all but Bank of America provided complete data sets. The report claims that other banks, including **JPMorgan Chase**, refused to make their Zelle fraud public.
- The four banks reported 192,878 cases of fraud and scams worth more than $213.8 million in 2021 and the first half of 2022. PNC Bank, Truist, and U.S. Bank reported reimbursing **just $2.9 million across 3,473 cases**.
- Bank of America is on track to report nearly 161,000 Zelle fraud cases this year. PNC Bank expects to surpass 12,300. U.S. Bank expects its caseload will nearly double to 45,500 this year. Only Truist is on track to report fewer cases this year than in 2021, at 20,000.
- The report said the increase in Zelle fraud and scams—and banks' "abdication of responsibility" concerning refunds—warrants new regulation to protect Zelle users. It called on the **Consumer Financial Protection Bureau** to strengthen Regulation E, the Federal Reserve's implementation of the Electronic Fund Transfers Act, to increase banks' responsibility to make Zelle users whole.

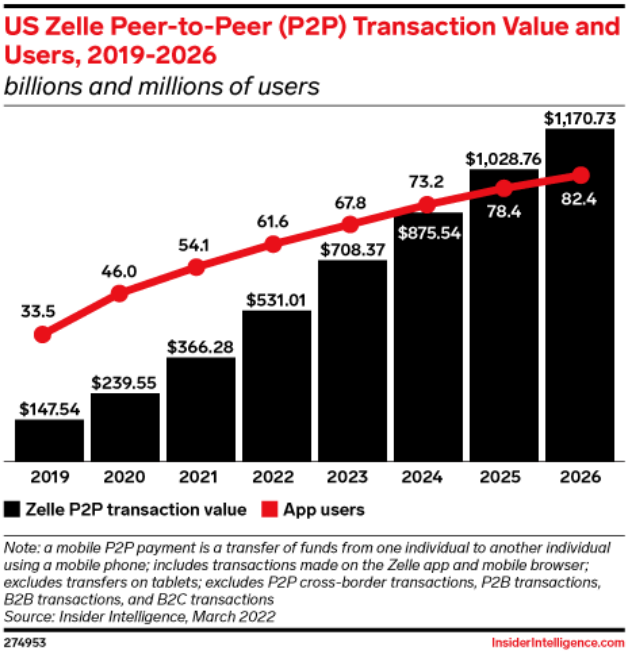
Key context: Early Warning Services, which is owned by seven of the largest US banks, classifies fraudulent activity into two buckets: fraud and scams. Fraud is when someone gains unauthorized access to a user's account to send money to themselves, and scams are when users are tricked into sending money to a bad actor—otherwise known as authorized push payments (APP) fraud.

Zelle has a "zero liability policy" for fraud cases, or unauthorized payments, and will reimburse customers for this. But the P2P payments provider has no such policy in place in cases of scams or APP fraud, which Sen. Warren claims is an issue that will only grow as Zelle becomes more popular.

Zelle's US user base is expected to jump nearly 14% year over year (YoY) in 2022 and reach 61.6 million customers, per Insider Intelligence forecasts. Meanwhile, Zelle's US P2P payments volume is slated to increase 45% YoY, hitting a whopping $531.01 billion.

The big takeaway: While the value of fraud cases and scams may be just a drop in the bucket of Zelle's entire ecosystem, these multimillion-dollar losses have a human toll for consumers using the platform—and could deter potential users.

And while Warren's report focused on Zelle, P2P payments fraud is an industry-wide issue that affects other platforms, including **PayPal's Venmo** and **Block's Cash App**. As consumers adopt faster and more convenient payment methods, regulators will want to ensure that proper protections are in place to help mitigate consumer losses.



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