

CFPB warns banks about AI chatbot risks as it steps up oversight of the space

Article

The news: US regulator the Consumer Financial Protection Bureau (CFPB) has warned banks about the limitations of AI chatbots and says when the technology is poorly deployed, it risks

harming customer trust and breaking the law.

- The **CFPB cautioned** that it had **received numerous complaints** from frustrated customers trying to ask their bank questions or to raise concerns.
- The bureau also flagged that chatbots sometimes provide inaccurate information and can **fail to protect customers' privacy and data**.
- Offending banks could be on the receiving end of an **“assessment of fees or other penalties,”** should consumers receive inaccurate information about making payments, the CFPB added.

AI chatbot use will only increase:

- The CFPB acknowledged the popularity of bank chatbots. About 37% of the US population used them in 2022, and that number is expected to grow.
- That's being driven by a **raft of potential benefits** that AI virtual assistants can bring, including improved efficiency and personalized financial advice.
- And major investments by banks including **Truist** and **Bank of America** will likely make the technology more sophisticated, better able to boost customer satisfaction and, if marketed correctly, attract new users.

Regulatory scrutiny looms large: The CFPB's warning is symptomatic of growing calls for more regulation of AI across multiple sectors. The technology's increasing use in banking and finance is forcing regulators to take note and step up action in the face of lagging lawmakers.

Before new rules are created, expect watchdogs to take a more proactive stance in overseeing the space. The CFPB stated that it's "actively monitoring the market" and is prepared to punish firms for misusing AI chatbots. Banks that embrace the tech need to be vigilant about its risks while preparing for new regulations.

US Banks' Deployment of Emerging Technologies, 2018-2022

% of respondents

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------------|------|------|------|------|------|
| Cloud computing | - | - | 32% | 40% | 47% |
| APIs | - | - | 21% | 30% | 36% |
| Robotic process automation (RPA) | 4% | 6% | 6% | 14% | 24% |
| Chatbots | 3% | 2% | 3% | 8% | 15% |
| Machine learning | - | 2% | 7% | 7% | 11% |

Note: banks that deployed technology going into 2018 to 2022

Source: Cornerstone Advisors, "What's Going On in Banking 2022," Jan 25, 2022

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