

# Zelle reportedly looking to tackle fraud issue with new reimbursement plan

Article

**The news:** The seven banks that own Zelle-operator Early Warning Services—which include JPMorgan and Bank of America—are reportedly in advanced discussions of a plan that would reimburse Zelle fraud victims, people familiar with the matter told the Wall Street Journal.

**Here's how the plan would work:** Banks would determine if their customer's fraud claim was legitimate. If it is, the bank that holds the deposit account where the funds were sent will return the money to the victim's bank. That bank will then issue a refund to the victim. Banks in the Zelle network would have to agree to the new rules—which are expected to go into effect in 2023—or risk being removed, the Journal's sources said.

- The process would apply to customers who were tricked into sending Zelle payments to fraudsters. In a common scenario, fraudsters pose as bank representatives and convince victims to send money to what appears to be their own bank accounts—but actually, it's the fraudster's account.
- The rules wouldn't apply to bank customers who seek refunds for goods or services that they say they never received or for those who seek refunds in instances where they made a typo during the payment process.

**How we got here:** In the last few months, Early Warning Services has faced growing pressure to improve its response to customer fraud claims.

- Sen. Elizabeth Warren (D-MA) has been a vocal advocate for Zelle fraud victims: A [report released by her office](#) in October found that **consumers lost an estimated \$440 million in 2021** from peer-to-peer (P2P) payments fraud and scams on Zelle.
- Warren called on the **Consumer Financial Protection Bureau (CFPB)** to strengthen regulation that would increase banks' responsibility to make Zelle fraud victims whole.
- CFPB director Rohit Chopra later told Bloomberg that the bureau is currently weighing [how to address](#) P2P payments fraud.

**What this means for Zelle:** The rule would boost customers' trust in Zelle, which might've been shaken by recent negative press surrounding fraud on the platform. Zelle's bank relationships have helped turn trust into one of its biggest assets—which makes maintaining it extremely important.

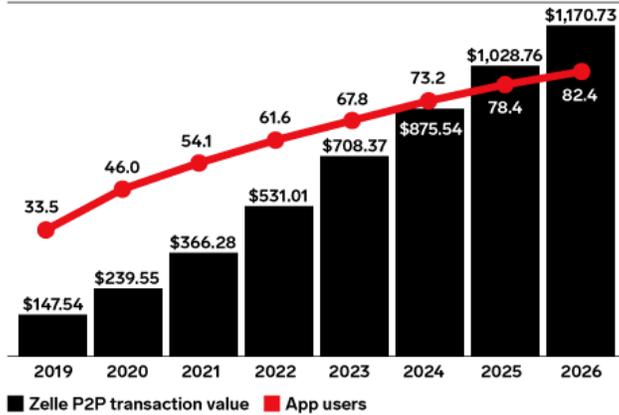
- Although Zelle has stated that users send [more than 99.9% of payments](#) on its platform without any reports of fraud, the new reimbursement measures could give Zelle users more confidence to transact.
- These measures could help the provider sustain its growth trajectory: Zelle, which is the most popular P2P payment platform by volume, is **on track to hit \$531.01 billion in US transaction**

volume by the end of 2022, [per](#) Insider Intelligence forecasts. By next year, that number is expected to reach \$708.37 billion.

**The bigger picture:** Fraud is an industrywide issue in the P2P payment space. As an industry leader, Zelle's potential plans might push other P2P providers to implement stronger fraud prevention and reimbursement measures to stay competitive.

### US Zelle Peer-to-Peer (P2P) Transaction Value and Users, 2019-2026

billions and millions of users



Note: a mobile P2P payment is a transfer of funds from one individual to another individual using a mobile phone; includes transactions made on the Zelle app and mobile browser; excludes transfers on tablets; excludes P2P cross-border transactions, P2B transactions, B2B transactions, and B2C transactions  
Source: Insider Intelligence, March 2022

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