

Chime's anti-fraud effort hits snag as some users report frozen accounts

Article

The news: Chime's effort to fight fraud has yielded collateral damage: Some users have reported that their accounts were abruptly frozen or closed, [per](#) ProPublica. The US neobank's initiative—geared toward stemming fraudulent receipt of federal stimulus checks and unemployment insurance—comes even as it also capitalizes on the checks to woo new customers, including with a **\$1,200** “Stimulus Sweepstakes” prize.

More on this: Chime has taken a **three-pronged** approach in its anti-fraud effort, ProPublica reported. Its fraud investigations have concluded in three different outcomes:

- In cases of what the neobank deems “conclusive” fraud, stemming from accounts opened with a government-issued check, it usually shutsters the accounts and returns the money to the government.
- In instances where Chime flags suspicious activity but is unable to prove “conclusive” fraud, it closes accounts but returns funds to users.
- If the neobank flags an account as suspicious, but later clears the user, it unfreezes the account.

Chime acknowledged to ProPublica—which interviewed **13** current and former users for anecdotes—that it made mistakes involving some of the interviewees. But it also said that it acted correctly in other instances within the sampled group. The neobank defended the broader impact of its initiative, telling ProPublica that it recouped **hundreds of millions of dollars** for federal and state agencies.

The big takeaway: The report of frozen accounts could deal a blow to Chime’s reputation, sending prospective customers to rival neobanks or incumbents. Fear of frozen funds may also deter some of Chime’s existing customers from using the neobank as their primary bank, which would deprive the company of opportunities for building loyalty and engagement.

ProPublica’s investigative article marks the second public relations black eye that Chime received this year. Earlier in the year, the neobank [agreed](#) to accede to the **California Department of Financial Protection and Innovation’s** demand that it stop marketing itself as a bank. The regulator had pursued action against Chime because it lacks a banking license.

Neobank Account Holders, by Company

US, 2021, millions

Aspiration



Chime



Current



Varo



Other Neobank Account Holders



Total



Source: eMarketer, May 2021

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