

# PayPal introduces fraud management tools as digital fraud escalates

Article

PayPal just launched [Fraud Protection Advanced](#), a suite of fraud management tools designed to protect mid-size and enterprise customers from the rise of digital fraud, [per](#) PYMNTS. Digital fraud involves scammers using online channels to steal personal information, which they use to their own advantage. According to PayPal, the service includes payment

authentication via fingerprints gathered from users' mobile devices, machine learning, and analytics to help businesses identify, investigate, and mitigate fraud transactions.

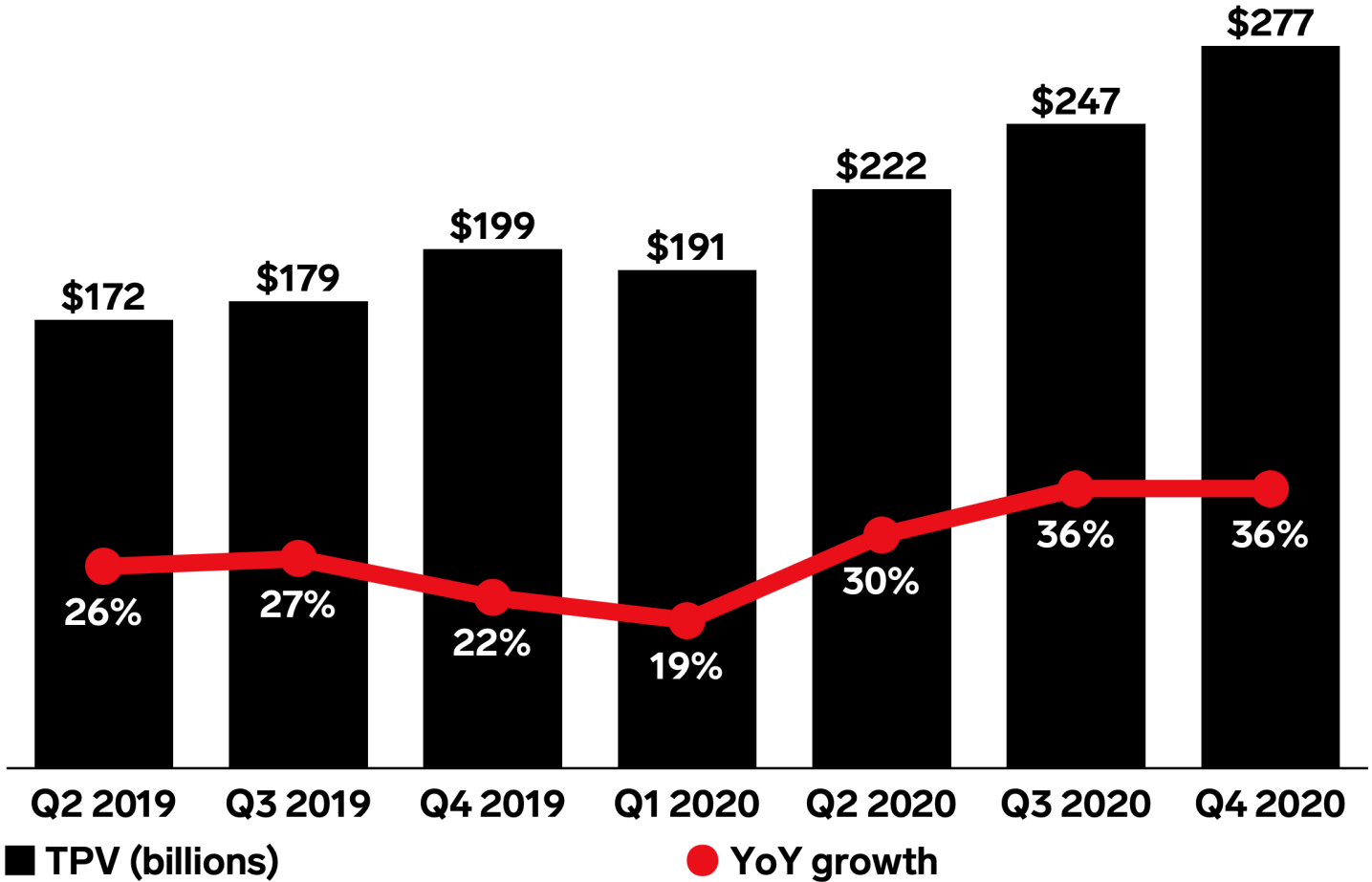
### **PayPal's launch comes as digital fraud surges in light of the coronavirus pandemic**

- **The pandemic has exacerbated fraud losses, which already cost merchants billions of dollars per year.** In 2020, online security firm Signal Sciences estimated that merchants would lose approximately \$12 billion from digital fraud. But digital fraud losses may have been much higher considering that total fraud losses skyrocketed to \$56 billion—up from \$16.9 billion in 2019, according to Javelin Strategy & Research. It's likely that a large portion of overall fraud losses were from digital fraud, considering the pandemic-driven surge in ecommerce. These losses come as 38% of US consumers in March 2021 reported being targeted by digital fraud in the past year—a 73% increase from March 2020, according to TransUnion. Of consumers who reported being targeted by digital fraud, 7% fell victim.
- **The losses partially stem from fraudsters using PayPal and other payment providers as access points.** PayPal introduced Fraud Protection Advanced to help minimize the growing risk of fraud for both consumers and businesses: Last summer, PayPal customers reported a rise in digital scams and email phishing schemes as fraudsters implemented unique ways to target consumers online. However, digital fraud has also affected other digital payment channels: Venmo, PayPal's peer-to-peer (P2P) payment service; Zelle; and Square's Cash App have struggled with digital fraud as consumers fall victim to elaborate schemes that are difficult for providers to pick up on.

**PayPal's fraud management tools can help maintain merchant relationships by minimizing their financial risk.** Ecommerce is expected to continue its growth trajectory from 2020: Online sales are expected to grow 13.7% year over year (YoY) in 2021, according to eMarketer forecasts from Insider Intelligence. PayPal can use its new tools to help merchants get in on the action—building PayPal's total payment volume, which grew 36% YoY in Q4. PayPal's offerings incorporate next-generation technology solutions like biometrics and machine learning, which lets merchants more accurately authenticate transactions and minimizes the risk of chargebacks, which can be costly and time-consuming to settle. Implementing these new fraud management tools can help merchants protect consumers' personal information—letting them to maintain good relationships with their customers, which, in turn, helps PayPal strengthen its own relationship with merchants.

# PayPal Total Payment Volume (TPV)

global



Note: Values are reported on an FX-neutral basis.

Source: PayPal, 2021

Methodology: This data is from PayPal's Q4 earnings report released on February 3, 2021.

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