

Fed Must Do More to Protect Consumers From Fraud and Mistakes in New P2P Payment System

FedNow System Must Not Launch Until it is Safe

Washington — The Federal Reserve Board must do more to protect consumers, small businesses and other users from fraud and mistakes in the new “FedNow” instant person-to-person (P2P) system that it is developing, according to comments submitted today by consumer, small business, community and legal services groups.

One set of comments was submitted by a coalition of 43 consumer, small business, civil rights, community and legal services organizations. Another, more detailed set was filed by the National Consumer Law Center (on behalf of its low income clients), the National Community Reinvestment Coalition and the National Consumers League.

“Scammers have found that faster payments mean faster fraud, and the Fed must not launch the FedNow system until consumers and small businesses are protected. Scams, particularly those targeting communities of color, and mistakes are all too common in today’s faster payment apps,” **said Lauren Saunders, Associate Director of the National Consumer Law Center.** “Including protection from scams and mistakes will give banks and fintech payment apps the incentive to design systems to prevent problems in the first place, just like consumer fraud protection works well in the credit card market to spur innovative means to prevent and detect fraud.”

“Consumers have come to expect the right to correct errors when they use their bank accounts. The prospect that the Fed’s proposed faster payments system would leave them without equivalent protections should alarm anyone who worries about the financial safety of consumers, and particularly for the millions of low-wealth households that might be unable to pay rent or buy groceries with a single unauthorized expense,” **said Adam Rust, Senior Policy Advisor at the National Community Reinvestment Coalition.**

“The rapid adoption of peer-to-peer payment apps by consumers has been mirrored by the embrace of this new technology by scammers,” **said John Breyault, Vice President of Public Policy, Telecommunications and Fraud for the National Consumers League.** “Speed and convenience of payments must not come at the expense of safety and security. The Federal Reserve Board must ensure that the FedNow system does not become the next payment method of choice for fraudsters.”

The Federal Reserve Board has been developing the FedNow P2P service as a competitor and alternative to The Clearing House’s RTP (Real Time Payments) service, which facilitates instant payments through the Zelle service offered by banks and credit unions. Recent reports have found that complaints about Zelle and other P2P apps have skyrocketed, and fraud is also significant in faster payment systems in other countries, such as the United Kingdom.

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The nonprofit National Consumer Law Center® (NCLC®) works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training.

The National Community Reinvestment Coalition and its grassroots member organizations create opportunities for people to build wealth. We work with community leaders, policymakers and financial institutions to champion fairness in banking, housing and business. NCRC was formed in 1990 by national, regional and local organizations to increase the flow of private capital into traditionally underserved communities. NCRC has grown into an association of more than 600 community-based organizations in 42 states that promote access to basic banking services, affordable housing, entrepreneurship, job creation and vibrant communities for America's working families.

The National Consumers League is America's pioneering consumer advocacy organization, representing consumers and workers on marketplace and workplace issues since our founding in 1899. Headquartered in Washington, DC, today NCL provides government, businesses, and other organizations with the consumer's perspective on concerns including fraud prevention, child labor, privacy, food safety, and medication information. NCL operates Fraud.org, which provides and collects information about consumer fraud.