CFPB Must Protect Consumers From Fraud in Payment Systems

December 21, 2021

Today, 65 consumer, civil rights, faith, legal services, and community groups submitted comments to the Consumer Financial Protection Bureau (CFPB) in response to its inquiry into certain business practices of six large technology companies operating payments systems in the United States. The groups urged the CFPB to require person-to-person (p2p) payment providers to protect consumers from fraud and errors, and to work with the Federal Reserve Board to ensure protections are in place before the Fed launches its new FedNow p2p service.

“Tech companies must take responsibility when their payment apps allow fraud and errors and they give scammers a way to receive money. In today’s world of fintech and innovation, it is ironic that the primary response to fraud and errors in p2p systems is to use old-fashioned disclosures and warnings to consumers to ‘be careful,’” said Lauren Saunders, associate director of the National Consumer Law Center.

The groups’ comment letter explained:

“The existing p2p payment systems of large technology companies and financial institutions simply are not safe for consumers to use. Scams often take the last dollar from those least able to afford it, and often target older adults, immigrants and other communities of color. These communities, already denied or stripped of wealth through discrimination over the centuries to the present day, can least afford to lose money to scams and errors.”

The letter explained that the lack of protection in p2p systems plagues not only the payment systems of large technology companies but also p2p payment systems that operate through banks, like the FedNow system that the Fed is about to launch. “The FedNow system should not be launched unless and until consumers (and small businesses) are protected from fraud and errors,” the groups said. The groups urged the CFPB to:

- Make clear that the existing obligation under the Electronic Fund Transfer Act (EFTA) to investigate and resolve errors applies in the case of consumer errors in p2p systems.

- Ensure that consumers using p2p services have protection from scammers, using the Bureau’s EFTA rulemaking authority to define additional “errors.”

- Work with the Federal Reserve Board to improve the proposed rules governing the FedNow system to add in protection against consumer errors and fraud.

- Clarify the rules and protections when accounts are frozen.

- With respect to data sharing issues, make clear the application of existing federal data governance laws, including the Gramm-Leach-Bliley Act and the Fair Credit Reporting Act.
“Fast p2p payment systems, if properly designed, can provide broad benefits to consumers,” Saunders added. “But those benefits will only be realized if the systems are safe to use.”

Related Materials:

- Press release: Fed Must Do More to Protect Consumers From Fraud and Mistakes in New P2P Payment System, Sept. 9, 2021