

Person-to-Person (P2P) Payment Fraud Conversation

Consumer Credit, Payments, and Deposits Markets | November 2022



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Person-to-Person (P2P) Payment Fraud

Leslie Parrish, Deputy Assistant Director Consumer Credit, Payments,
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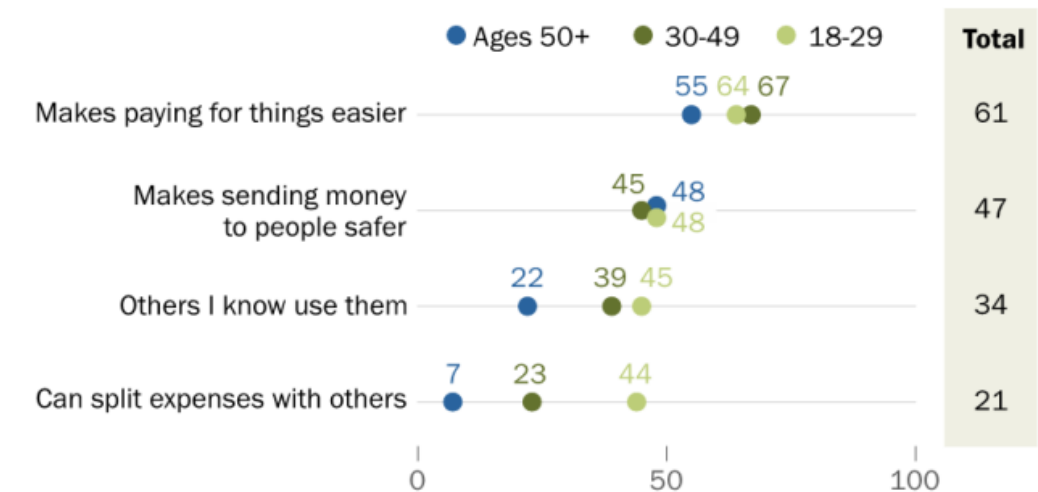
Amy Zirkle, Senior Program Manager for Payments and Deposits

What are Person-to-Person (P2P) payments?

- Person-to-person or “P2P” payments allow a consumer to send money to another person without needing to write a check, swipe a physical card, or exchange cash
- Depending on the payment provider, a P2P payment can be initiated from a consumer’s online bank account portal, prepaid account portal, or mobile application
- Major providers in the space include Cash App, PayPal, Venmo, and Zelle

A majority of payment app or site users cite it being an easier way of paying as major reason for using; younger users stand out for citing splitting expenses

Among U.S. adults who say they have ever used PayPal, Venmo, Zelle or Cash App, % who say each of the following is a **major reason** they use these payment apps or sites



Note: Those who did not give an answer or who gave other responses are not shown.

Source: Survey of U.S. adults conducted July 5-17, 2022.

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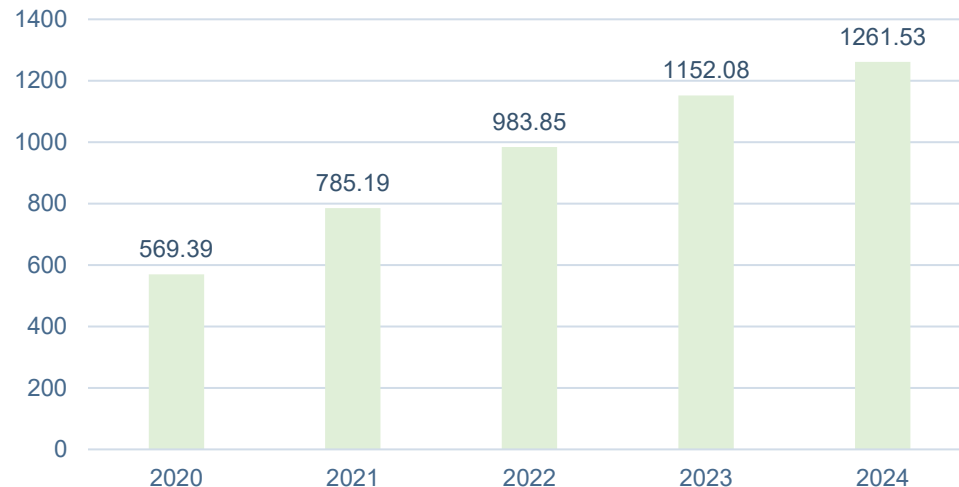


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The pandemic accelerated P2P payment usage

- Boosted by pandemic-related adoption of P2P in 2020, P2P mobile payment users are forecasted to reach 159.3 million in 2023

P2P Payment Transaction Value 2020-2024
(\$ Billions)



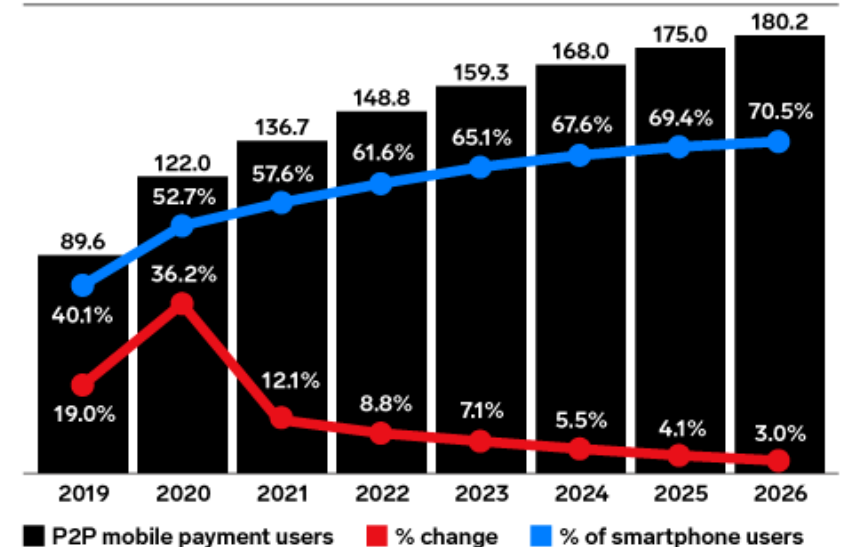
Data from eMarketer, August 2021



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US Peer-to-Peer (P2P) Mobile Payment Users and Penetration, 2019-2026

millions, % change, and % of smartphone users



Note: ages 14+; mobile phone users who have made at least one P2P transaction via a mobile phone in the past month

Source: Insider Intelligence, March 2022

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InsiderIntelligence.com

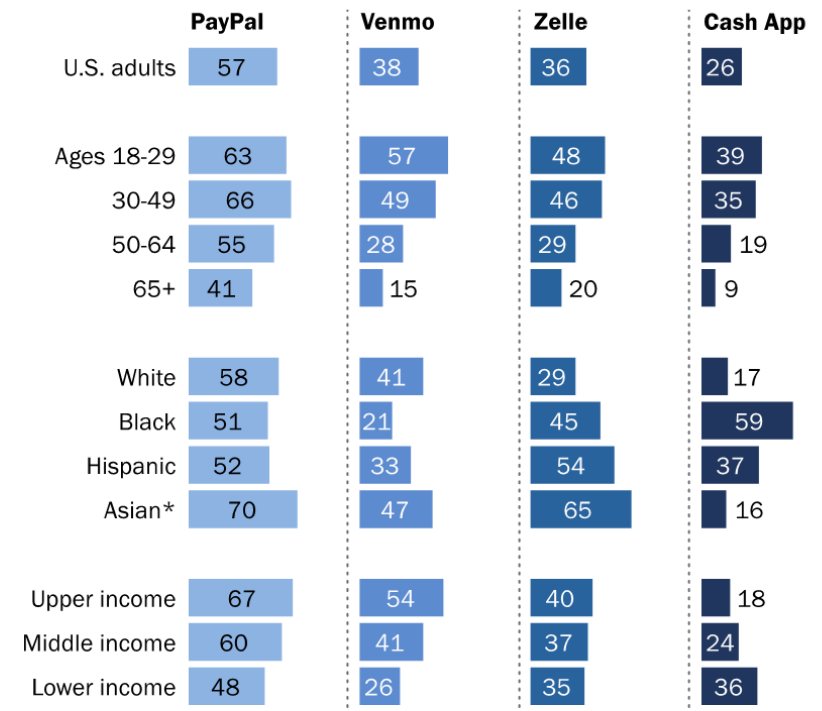
76% of U.S. consumers have used at least one P2P product

- Rates of use vary by P2P product as well as a consumer's age, race, and income
- Consumers expect real-time payment; 70 percent of consumers expect their funds to be received within an hour for a P2P transaction
 - Do frictionless, seemingly real-time payments increase the ease of fraud?

Data from Fiserv Quarterly Trends Research – February 2021

Black Americans more likely than other racial, ethnic groups to say they use Cash App; Venmo use varies widely by age, household income

% of U.S. adults who say they ever use the following



*Estimates for Asian adults are representative of English speakers only.

Note: Family income tiers are based on adjusted 2020 earnings. White, Black and Asian adults include those who report being only one race and are not Hispanic. Hispanic adults are of any race. Those who did not give an answer are not shown.

Source: Survey of U.S. adults conducted July 5-17, 2022.

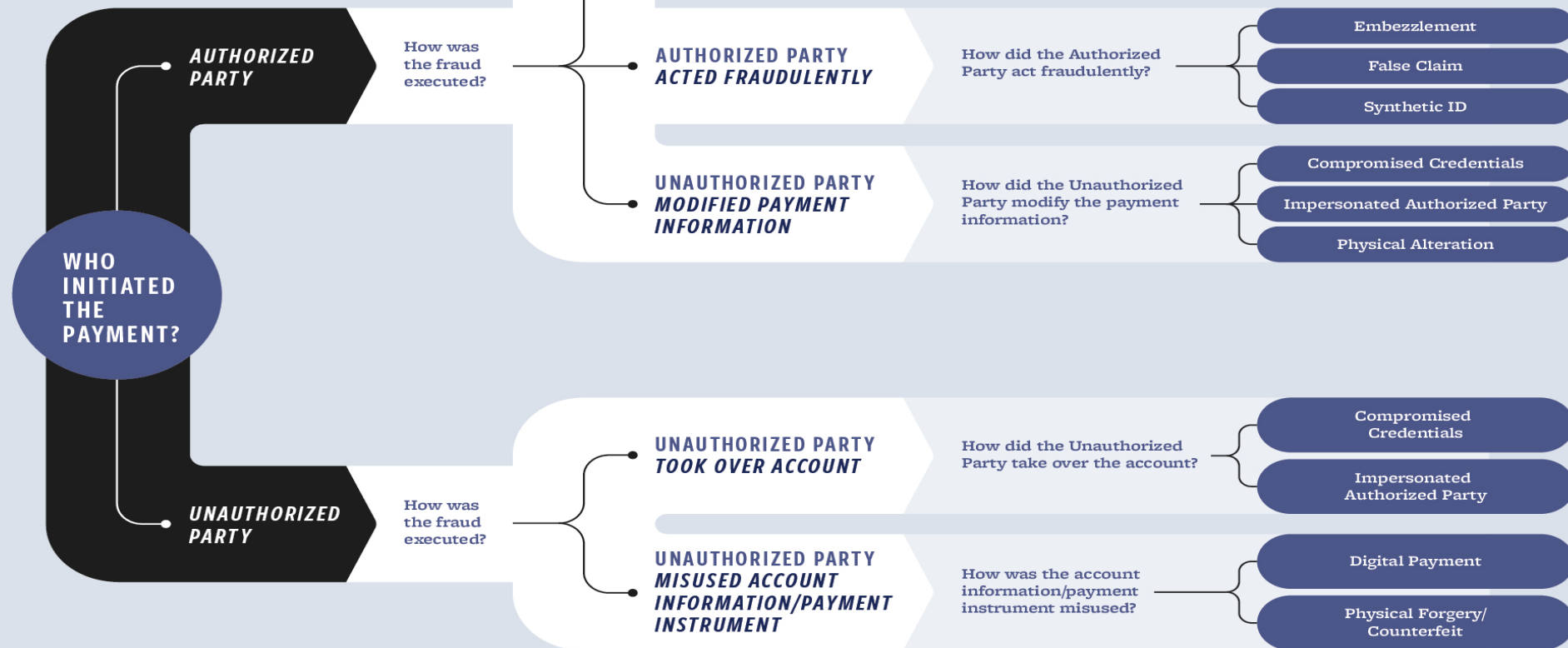
P2P payment fraud is affecting trust in the systems

- In 2019, only 25% of consumers believed financial organization P2P channels were “very secure”¹
- In 2020, 50 percent of complaints to the CFPB regarding P2P were fraud related
- In 2021, the Federal Trade Commission received nearly 70,000 complaints from consumers who sent money to fraudsters via payment apps or similar services totaling \$130 million in losses

¹ Data from Fiserv 2020 Expectations & Experiences: Consumer Payments Report

FRAUD CLASSIFIER

Better Fraud Data. Better Defense.



The FraudClassifierSM model was developed by a cross-industry work group to provide a consistent way to classify and understand how fraud occurs across the payments industry. The FraudClassifier model is not intended to result in mandates or regulations, and does not give any legal status, rights or responsibilities, nor is it intended to define or imply liabilities for fraud loss or create legal definitions, regulatory or reporting requirements. While sharing and use of the FraudClassifier model throughout the industry is encouraged, any adoption of the FraudClassifier model is voluntary at the discretion of each individual entity. Absent written consent, the FraudClassifier model may not be used in a manner that suggests the Federal Reserve endorses a third-party product or service.

Illustrative example: The Fraud Classifier model provides one conceptualization of payments fraud, but the CFPB does not necessarily endorse this or any other particular framework

The CFPB is concerned about P2P payment fraud

"A lot of smaller institutions feel they can't even get answers from the P2P app or can't figure out what they should do in this situation, and they bear the reputational harm with the customer. We're looking at a whole host of things and it's going to take some time to really work through this." -- CFPB Director Rohit Chopra to the American Bankers Association, Sept. 2022

- In December 2021, the CFPB updated its Electronic Funds Transfers [Compliance Aid](#) to address error resolutions stemming from P2P fraud
- The CFPB has been meeting with and continues to solicit feedback from industry and consumer advocacy groups to learn about causes of fraud and possible mitigations

Helpful resources

- CFPB Consumer Complaint [Database](#)
- Learn More: [CFPB resources on fraud and scams](#)

Submit complaints:

- [Consumerfinance.gov/complaint](https://consumerfinance.gov/complaint)
- [Reportfraud.ftc.gov](https://reportfraud.ftc.gov)

Thank You

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Back Up Slides

Demographics of Fraud Victims

Black and Hispanic payment app or site users are more likely than those who are White to say they've been scammed, had account hacked

Among U.S. adults who say they have ever used PayPal, Venmo, Zelle or Cash App, % who say they have ever had the following experiences on these payment apps or sites



Note: Family income tiers are based on adjusted 2020 earnings. White and Black adults include those who report being only one race and are not Hispanic. Hispanic adults are of any race. Those who did not give an answer are not shown.

Source: Survey of U.S. adults conducted July 5-17, 2022.

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