

Fighting Payment Fraud

**Utah Elder Abuse Awareness Day
June 15, 2022**



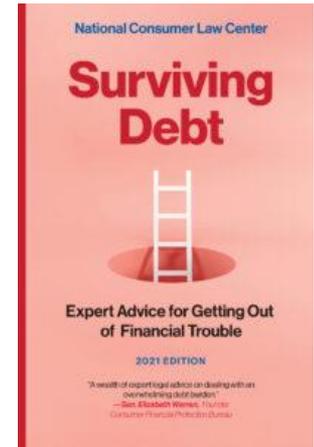
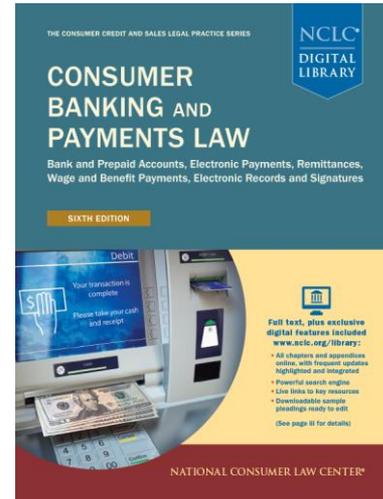
National
Consumer Law
Center

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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
- Training and technical assistance

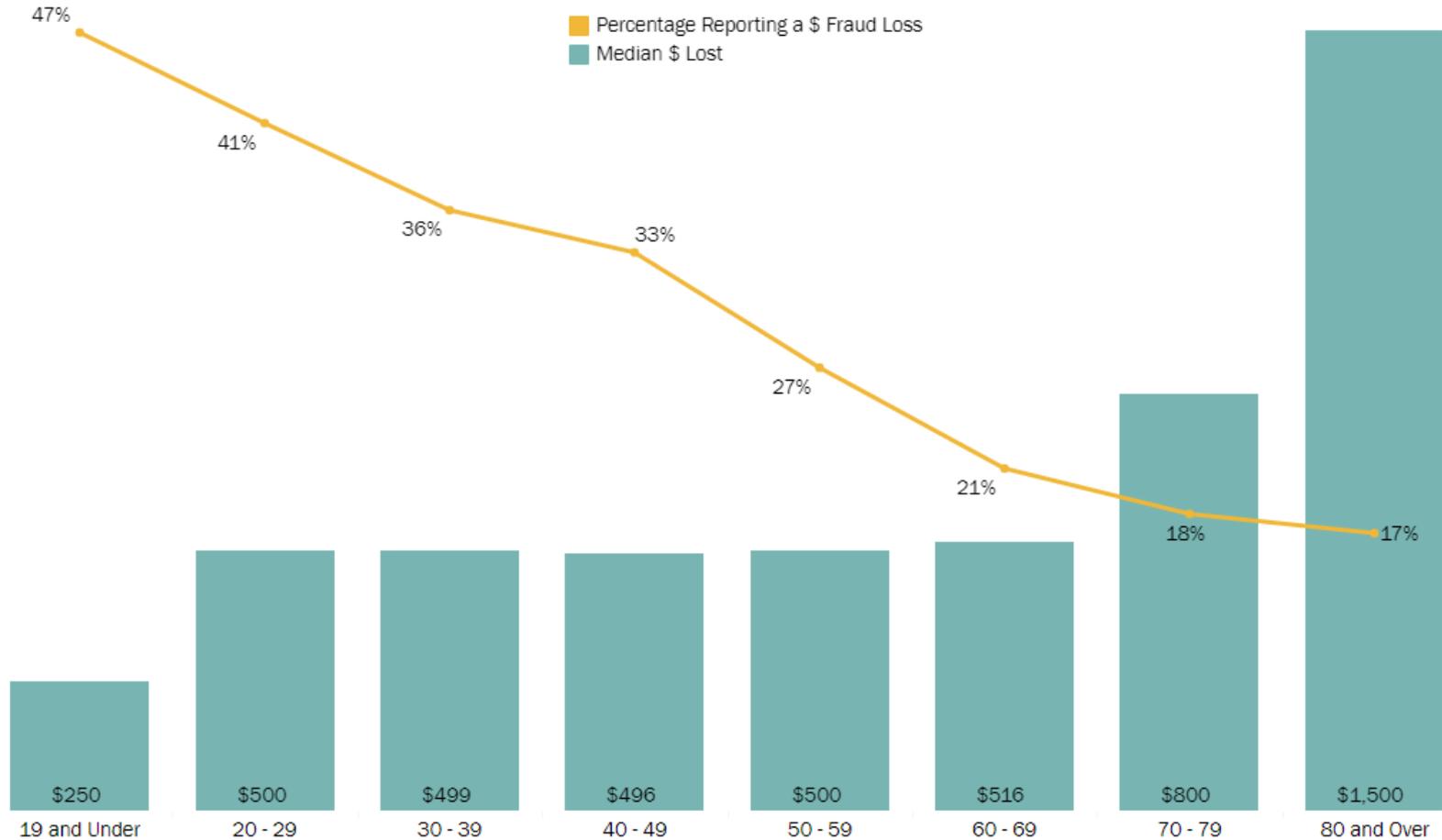


Scams are exploding

- 2021: 2.9 million complaints to FTC, \$6 billion in losses (understatement)
 - Nearly double the losses in 2020
 - 2022 Q1 is 30% higher than 2021 Q1
- Utah in 2021: 19,721 reports, \$39m in losses



Age and Fraud

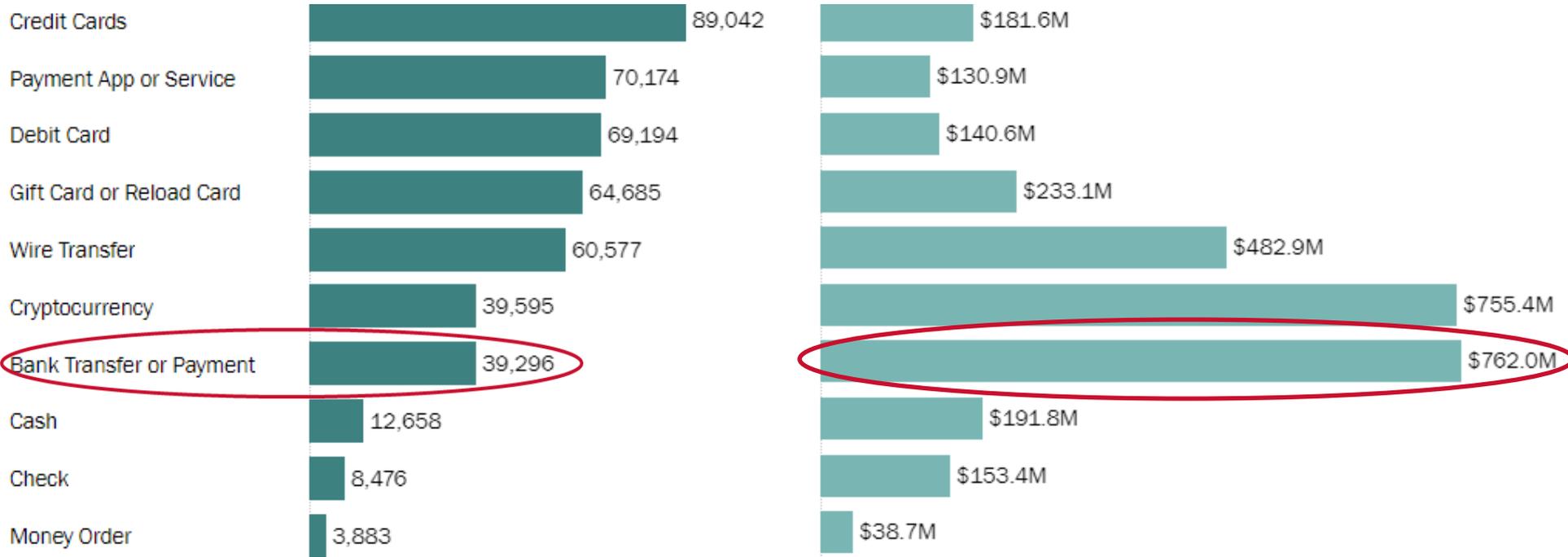


To fight fraud:



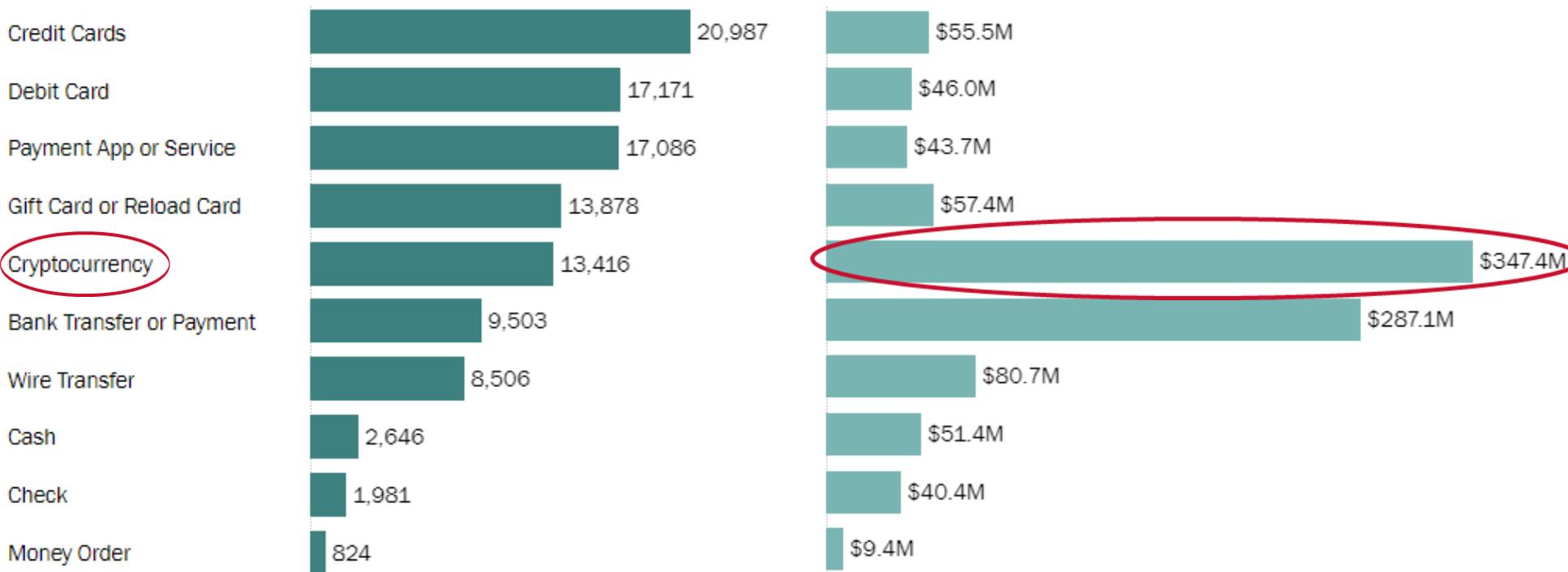
- **Educate** consumers to avoid scams
- Push banks, payment companies, others to adopt measures to **prevent scams**
- **Get consumers help when victimized**
- **Enforce the law** when it protects consumers
- **Improve the law** to protect consumers better and give companies more incentive to prevent scams

Fraud by Payment Method (2021)



Source: FTC

Fraud by Payment Method (2022 Q1)



Source: FTC

Key advice for getting help

Complain to everyone (as quickly as you can!)

- First stop: ReportFraud.FTC.gov
- FBI's Internet Crime Complaint Center, ic3.gov
- State attorney general
- File police report
- Consumer Financial Protection Bureau
- Bank, payment processor (i.e., PayPal, Venmo)
- Gift card company



Government recoveries may only go to those on record of having been scammed.

Legal Rights Depend on Payment Method

- **Credit cards:** Strongest rights
- **Bank/payment app debits** (debit card, electronic debit, person-to-person payments, bank wire transfers): protection against unauthorized charges, not fraudulently induced ones
- **Gift cards, crypto, cash, money transfer (i.e., Western Union):** Few protections, but still some options

For more detail on legal rights and advice by payment method

NCLC, “Getting Money Back for Scammed Consumers” (Dec. 2020, updated Feb.2022)

<https://library.nclc.org/getting-money-back-scammed-consumers>

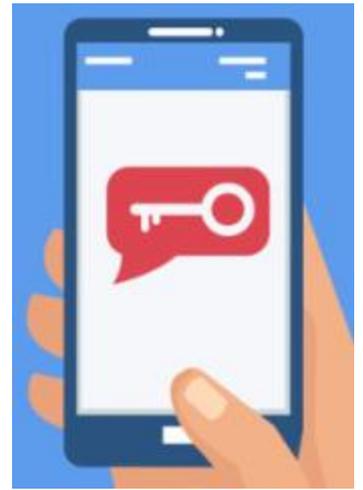
Scam example 1



- Scammer gives consumer check or sends money, tells consumer to keep part, send the rest back (by Zelle, gift card, etc.)
- Check bounces/payment reversed, bank reverses the credit
- Generally no protection unless the bank misrepresented that the check had cleared

Scam example 2

- Scammer tricks you into turning over the dual-factor authentication code, then hacks into your bank account
- CFPB recently clarified: This is unauthorized, you have protection under the Electronic Fund Transfer Act (EFTA)
- Violations of EFTA by banks are common



Scam example 3



- Scammer tricks you into sending money by Zelle, Venmo or wire transfer
- This is “fraudulent inducement,” not “unauthorized,” not protected by EFTA
 - But we are trying to change that

Scam example 4



- Scammer tells you to send “yourself” money by Zelle to your cell phone number
 - Arguably this is an “error” protected by the EFTA. (The other bank made a mistake by allowing the scammer to link their account to your number). But banks will resist.

Scam example 5



- Scammer hacks into your bank account, takes money out by wire transfer
- Bank wire transfers are exempt from the EFTA, and instead by state law (UCC 4A), which has some, but weaker, protections against unauthorized transfers
 - Seek legal advice
 - We are trying to expand EFTA protections

Advocacy Efforts

- Testimony to Congress, letters to regulators
- “Protecting Consumers from Payment Scams Act” – discussion draft of House Financial Services Committee – covers:
 - Fraud in inducement
 - Wire transfers
 - Consumer errors
- Urge industry to improve protections, reimburse consumers

What you can do

- Send complaints to Consumer Financial Protection Bureau
- Tell your senators and representatives to support protections against payment fraud
- Sign up for NCLC news, webinars at [NCLC.org](https://www.nclc.org)
- Nonprofits, gov't can join our banking listserv

Questions?

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