

Opening Statement of Ranking Member Ron Johnson
Permanent Subcommittee on Investigations
July 23, 2024

As submitted to the record:

For over a year, the Permanent Subcommittee on Investigations (“PSI” or “the Subcommittee”) has been examining cases of fraud and scams involving the peer-to-peer payment service called Zelle, which is operated by Early Warning Services and owned by seven of the largest U.S. banks including JPMorgan Chase, Bank of America, and Wells Fargo. Since its introduction in 2017, Zelle has become a popular tool for people to almost instantaneously transfer money with other Zelle users. In 2023, Zelle had a total of \$806 billion in transactions and 120 million consumer and small business accounts using Zelle services through their financial institutions.¹

In May 2024, when the Subcommittee held its first hearing on this topic, I noted that Zelle does make reimbursements for unauthorized transactions. Zelle’s website clearly states that if “someone gained access to your bank account without your permission and you never authorized or were involved in the transaction . . . you are typically able to get your money back[.]”² This policy is consistent with Zelle’s legal obligations under the Electronic Fund Transfer Act and Regulation E, which require financial institutions to reimburse unauthorized transactions.³

I also pointed out at the previous hearing that it is more difficult to receive reimbursements for authorized payments on Zelle. For those types of transactions, Zelle’s website warns users that “because you authorized the payment, you may not be able to get your money back.”⁴ However, in June 2023, Zelle implemented a policy that exceeds the regulatory requirements by reimbursing customers for certain authorized transactions, or scams.⁵

Additionally, I discussed how Zelle does not have fees associated with its transactions, unlike credit card transactions. According to the Federal Reserve Bank of St. Louis, in 2022 the total revenue for all credit card issuers was over \$160 billion.⁶ Whereas credit card issuers charge fees that can generate revenue to offset the costs associated with transactions protections, Zelle’s current business model does not include transaction fees.

¹ Press Release, Early Warning Services, Zelle Soars With \$806 Billion Transaction Volume, Up 28% From Prior Year, Mar. 4, 2024, <https://www.zellepay.com/press-releases/zelle-soars-806-billion-transaction-volume-28-prior-year#:~:text=2023%20highlights%3A,their%20financial%20institution%20in%202023>.

² *Report a Fraud or Scam*, Zelle, <https://www.zellepay.com/support/report-scam>; *Fraud & Scams Overview*, Zelle, <https://www.zellepay.com/safety-education/fraud-scams-overview>.

³ Consumer Financial Protection Bureau, Electronic Fund Transfers FAQ, last updated Dec. 13, 2021, <https://www.consumerfinance.gov/compliance/compliance-resources/deposit-accounts-resources/electronic-fund-transfers/electronic-fund-transfers-faqs/#coverage-transactions-1>.

⁴ *E.g., Id.*

⁵ Hannah Lang, Payments app Zelle begins refunds for imposter scams after Washington pressure, Reuters, Nov. 13, 2023, <https://www.reuters.com/technology/cybersecurity/payments-app-zelle-begins-refunds-imposter-scams-after-washington-pressure-2023-11-13/>.

⁶ *Total Revenue for Credit Card Issuing, All Establishments, Employer Firms*, Federal Reserve Bank of St. Louis, updated Jan. 31, 2024, <https://fred.stlouisfed.org/series/REVEF52221ALLEST>.

It's important to note that, according to Zelle, in 2023, out of approximately 2.9 billion transactions, "less than one-tenth of one percent of transactions [were] reported as fraud or scams."⁷ In fact, based on data from 2022 that the Subcommittee received from JP Morgan Chase, Bank of America, and Wells Fargo, the rate of fraud reports for Zelle transactions was about half of the rates of fraud reports for credit and debit transactions.

Although the amount of fraudulent transactions on Zelle is extremely low, that fact brings little solace to those who have fallen victim to scams that trick them into sending money to another user. During the hearing in May, the Subcommittee heard from two victims who lost thousands of dollars through Zelle transactions after being scammed. Because these individuals authorized the transactions, they were not covered by Electronic Fund Transfer Act and Regulation E protections.

All scams, including those involving Zelle, are unacceptable and the perpetrators must be held fully accountable. However, it does appear that Zelle and the banks represented here have taken steps to mitigate fraudulent transactions. Zelle's website instructs individuals to "only send money to friends, family and others [they] trust."⁸ Additionally, before a Zelle user can complete a transfer, they must first navigate through multiple verification steps.

Consumers expect Zelle to be a safe and reliable financial service. I look forward to hearing the extent to which today's witnesses are committed to meeting that expectation.

⁷ Press Release, Early Warning Services, Zelle Soars With \$806 Billion Transaction Volume, Up 28% From Prior Year, Mar. 4, 2024, <https://www.zellepay.com/press-releases/zelle-soars-806-billion-transaction-volume-28-prior-year#:~:text=2023%20highlights%3A,their%20financial%20institution%20in%202023>.

⁸ *Only Send Money to Friends, Family and Others You Trust*, Zelle, <https://www.zellepay.com/security>.