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## U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES – RANKING MEMBER MAXINE WATERS – PROTECTING CONSUMERS FROM PAYMENT SCAMS ACT

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**Bill Summary:** The Protecting Consumers from Payment Scams Act, sponsored by Rep. Maxine Waters (D-CA), would update the Electronic Fund Transfer Act (EFTA) to better protect consumers who are defrauded when they make payments. The bill would, among other things, protect consumers when they are defrauded into initiating a transfer to a bad actor, when they lose funds through fraudulent bank wire transfers, and when their accounts are inexplicably frozen or closed. Sen. Richard Blumenthal (D-CT) and Sen. Elizabeth Warren (D-MA) are leading the companion bill in the Senate.

**The Need for Legislation:** Payment fraud is on the rise, with fraudsters using scams to steal money from consumers through a variety of payment systems, including mobile wallets, payment apps, and wire transfers. The FTC received 2.6 million fraud complaints in 2023 totaling [\\$10 billion](#) in reported losses, though experts [warn](#) the losses are likely much higher since fraud is underreported. Even still, the amount consumers [reportedly lost](#) through fraud when using payment apps and services increased by more than 62% last year compared to 2021, and surged nearly 150% when using a bank transfer or payment over the same period. Some of these scams include tricking people into sending money to bad actors, which banks claim they are not liable for. The *New York Times* [reported](#) a variety of instances where consumers were harmed by these schemes, such as one consumer who sent \$500 through Zelle to someone impersonating to be an employee of Wells Fargo, where the consumer banked. The bank declined the consumer reimbursement, effectively arguing that the law did not require them to since the transaction was authorized, albeit under false pretenses. Experts have [warned](#) these scams target older Americans, immigrants, and other vulnerable populations.

Congress has thoroughly examined these payment scam trends. In 2022, the House Financial Services Committee under then Chairwoman Maxine Waters leadership held hearings that explored rising [payment fraud](#), including one with [megabank CEOs](#), and considered [draft legislation](#) to address these issues. The Senate's Permanent Subcommittee of Investigations, led by Chairman Blumenthal held two recent hearings and issued a [report](#) following its own investigation. Others, like [Senator Elizabeth Warren](#) and the [Senate Banking Committee](#), have also investigated payment fraud. Moreover, the United Kingdom has recently [expanded protections](#) for consumers defrauded through payment scams, and OCC Acting Comptroller Michael Hsu has [encouraged](#) the U.S. to explore a similar approach to incentivize stronger fraud prevention.

**The Solution:** EFTA provides important protection against unauthorized transfers and errors, but it has gaps or ambiguities when consumers are defrauded into sending money to bad actors and when payment apps make mistakes easy. Also, financial institutions contend that EFTA does not apply to wire transfers, which can be used to steal consumers' entire life's savings. This bill would close loopholes and clarify the law by:

- Protecting consumers from liability when they are defrauded into initiating a transfer to a bad actor;
- Requiring shared liability for unauthorized or fraudulent payments between a consumer's financial institution and the financial institution that receives the funds, with discretion to include other firms that materially help facilitate the payments, incentivizing them to strengthen fraud prevention efforts;
- Clarifying that consumers are protected when they use bank wire transfers and electronic transfers authorized by telephone call;
- Ensuring that error resolution duties apply if the consumer's account is frozen or closed, unless access has been denied due to a court order, law enforcement, or the consumer obtained the funds through unlawful or fraudulent means; and
- Protecting consumers when they make a mistake, such as in amount or recipient, or if they don't receive goods or services purchased.