



THE CFPB PAYMENT APP RULE

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The Consumer Financial Protection Bureau (CFPB) has finalized a rule allowing it to supervise larger nonbank companies that offer services like digital wallets and payment apps, such as Paypal, Venmo, Cash App.

Supervision of these companies will make sure they comply with the law and do not facilitate fraud.

Banks are already supervised for these same reasons, and this rule will level the playing field to make sure all payments are safe, whether offered by a bank or a nonbank company.

Americans use of these products has increased, so have complaints of fraud, unauthorized charges, and other issues.

“Payment app or service” is now the second most common payment fraud vehicle (after credit cards) reported to the Federal Trade Commission.

The CFPB recently ordered Cash App to pay \$175 million for allowing fraud to proliferate.

The payment app oversight brings regulatory parity that will improve consumer protections in key areas.

The rule only applies to companies that handle more than 50 million digital payment transactions per year, not counting those using crypto-assets or not in dollars. Areas of oversight will include:

- **Privacy and Surveillance:** Large technology companies collect vast quantities of data about an individual’s transactions. Federal law allows consumers to opt-out of certain data collection and sharing practices and prohibits misrepresentations about data protection practices.
- **Errors and Fraud:** Consumers have the right to dispute transactions that are incorrect or fraudulent and companies must investigate. Payment apps cannot advertise their services as safe if they ignore signs of fraud and allow criminals to use the apps to steal money.
- **Debanking:** Consumers can face serious harm when their account is frozen or closed without notice or reason. Banks have faced enforcement actions when they froze money for weeks on end, depriving people of funds needed for necessities, and nonbank apps pose the same risks. Consumers have reported concerns to the CFPB about disruptions to their lives due to closures or freezes.