

**Opening Statement of Ranking Member Ron Johnson**  
**Permanent Subcommittee on Investigations**  
**“Fraud Alert!: Shedding Light on Zelle”**  
**May 21, 2024**

*As submitted to the record:*

For nearly one year, the Permanent Subcommittee on Investigations has examined how certain financial institutions handle reports of fraud and unauthorized transactions on the payment network, Zelle. Introduced publicly in 2017 by its parent company, Early Warning Services, Zelle is a “peer-to-peer” payment service that allows individuals to instantaneously transfer money with other Zelle users. Zelle is primarily offered through the online platforms of banks and credit unions that have partnered with the service.<sup>1</sup> Since its introduction, the Zelle network has grown substantially and is now utilized by more than 2,000 banks and credit unions and, in 2023, had a total of \$806 billion in transactions.

Zelle is a different type of payment method compared to credit and debit transactions. Whereas credit and debit cards are most often used for consumer transactions with a business, Zelle is advertised as a “safe and easy way to send and receive money with friends, family and others you trust.”<sup>2</sup> Credit cards have certain protections in place if a business does not deliver a purchased good. Zelle does not offer this because it is meant to be used with people you know and trust. Credit card transactions may take days to clear, but Zelle transactions occur instantly because it simply moves money from one bank account to another. Also, unlike the fees associated with credit or debit card transactions, Zelle has no fees.

Any financial transaction comes with a certain level of risk to the customer, but it appears that Zelle has taken steps to help mitigate fraudulent and accidental money transfers. For example, before a user can transfer money on Zelle, they must first navigate through multiple steps that are meant to help the user verify how much money they intend to transfer and the recipient of the funds. As a result, Zelle appears to have a very low level of fraud when compared to the large number of transactions that occur each year on the platform. 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.”<sup>3</sup> In fact, based on data the Subcommittee received from one large financial institution, in 2022 the rate of fraud reports per Zelle transactions was less than half of the rate of fraud reports per credit and debit transactions.

According to data the Subcommittee received from Bank of America, JP Morgan Chase, and Wells Fargo—which collectively hosted approximately 73 percent of all Zelle transactions in 2023—the banks do make reimbursements for certain fraudulent Zelle transactions. Current law protects Zelle users from unauthorized transactions. Indeed, Zelle’s website clearly states that if

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<sup>1</sup> EARLY WARNING SERVICES, LLC, ZELLE NETWORK, <https://chicagopaymentssymposium.org/wp-content/uploads/2018/10/zelle-network-lou-alexander.pdf>.

<sup>2</sup> *Only Send Money to Friends, Family and Others You Trust*, ZELLE, <https://www.zellepay.com/security>.

<sup>3</sup> 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>.

“someone gain[s] 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.”<sup>4</sup>

However, more may need to be done to assist individuals who have fallen victim to a scam that tricks them into sending money to another user. Reimbursements for *authorized* payments on Zelle are much more difficult to receive than reimbursements for *unauthorized* payments. Zelle’s website informs users that “because you authorized the payment, you may not be able to get your money back.”<sup>5</sup> As one of the today’s witnesses will point out, the banks need more incentives to invest in more secure systems for peer-to-peer payments. Indeed, according to the Federal Reserve Bank of St. Louis, in 2022 the total revenue for all credit card issuers was over \$160 billion.<sup>6</sup> So, in addition to the regulatory requirements, each bank has financial incentives to ensure fraudulent credit card transactions are properly addressed. Those same financial incentives do not appear to exist for Zelle since the banks do not collect fees or charge interest on those transactions.

To reiterate, the amount of reports of scams and fraudulent transactions on Zelle do not appear to be prevalent compared to the total amount of transactions on the service. I hope that today’s discussion on Zelle will not lose sight of that fact.

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<sup>4</sup> *Fraud & Scams Overview*, ZELLE, <https://www.zellepay.com/safety-education/fraud-scams-overview>.

<sup>5</sup> *E.g., Id.*

<sup>6</sup> *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>.