



April 12, 2021

Hon. Timothy S. Grayson, Chair  
Assembly Banking and Finance Committee  
State Capitol, Room 6031  
Sacramento, CA 95814

**RE: AB 1320 (Bauer-Kahan) - SUPPORT**

Dear Chair Grayson,

Consumer Reports writes in support of [AB 1320](#), which requires licensed money services businesses (MSBs) to provide a telephone number on their website and share it in written communications with customers. CR research shows that consumers using payments services expect to be able to access help. Providers should be required to live up to consumer expectations of accessible help. Moreover, in requiring a point of telephone contact, AB 1320 strips scammers of an avenue of exploitation. MSBs frequently lack a point of telephone contact, leaving a gap scammers are happy to fill, posting phone numbers and abusing people who contact them by inducing callers to share sensitive information, and ultimately, resulting in lost consumer funds. AB 1320's telephone requirement can help thwart fraud.

Consumer Reports (CR) has a long history of working to improve payments protections for consumers, and has conducted deep dives into a number of digital financial services. In 2018, Consumer Reports rated peer-to-peer payment services, including Square's Cash app and Venmo.<sup>1</sup> Users in CR focus groups of peer-to-peer service told CR that they expected the company with whom they interacted — such as Square or PayPal — to fix problems and make them whole. CR research into provider practices showed this is not necessarily the case.<sup>2</sup> Consumers can often be left struggling to resolve issues,<sup>3</sup> and people may have difficulty in finding help tools in mobile payments wallets or apps.<sup>4</sup> Moreover, our research found that few service providers make telephone contact numbers publicly available, leaving consumers frustrated. Social media is littered with pleas from users such as these: “@VenmoSupport why

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<sup>1</sup> <https://www.consumerreports.org/digital-payments/mobile-p2p-payment-services-review/>

<sup>2</sup> Why Apple Pay Is the Highest-Rated Mobile P2P Payment Service,  
<https://www.consumerreports.org/digital-payments/mobile-p2p-payment-services-review/>.

<sup>3</sup> Pew, Are Americans Embracing Mobile Payments? Survey of consumer experiences finds greater trust in credit, debit cards,  
<https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/10/are-americans-embracing-mobile-payments>.

<sup>4</sup> Consumer Reports, Peer-to-Peer Payments Are Generally Safe, But Consumers Must Be Aware of Risks,  
<https://www.consumerreports.org/digital-payments/peer-to-peer-payments-are-generally-safe-but-consumers-must-be-aware-of-risks/>.

can't I talk to a real person."<sup>5</sup> @VenmoSupport's response to that particular tweet was to provide an email address.<sup>6</sup> (Venmo does have a customer service telephone number; a review of consumer complaints posted on Twitter indicate that response times lag.)

The gap between consumer expectations and provider practices would not be worrying if problems were extremely rare, or payments protections particularly robust, but they are not. The type of consumer protections a payment type has depends on the laws and regulations that apply to it. Payments protections applied to mobile payments made with stored value, such as when consumers send money stored in their account to another user's, are similar to debit cards thanks to the Consumer Financial Protection Bureau's Prepaid rule. (These protections are under threat: PayPal, who owns Venmo, has sued to invalidate the Rule.<sup>7</sup>) Remittances have more limited error resolution rights.<sup>8</sup>

Currently, the rules that give basic payments protections to stored value and remittances, common payments made via MSBs, do not protect users from losing money due to fraud in the inducement. Fraud in the inducement is when a scammer tricks a person into sending money. For example, recent media reports show that scammers are posting fake telephone numbers for licensed MSBs, and using these fake phone contacts to gather user data and thereby steal user funds.<sup>9</sup> It is often only after sending money to a scammer that victims learn these transactions have essentially the same level of protection as cash.<sup>10</sup> The Cash app has 36 million monthly users,<sup>11</sup> and these users transacted \$2.9 billion in 2020.<sup>12</sup> Given the dollars moving, it is easy to

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<sup>5</sup> <https://twitter.com/BigPapp14864531/status/1378073097639620608?s=20> and these from 2020: <https://twitter.com/VictorMavika/status/1218295784405266432?s=20> and <https://twitter.com/Kittieb3/status/1217931828071366657?s=20>.

<sup>6</sup> <https://twitter.com/VenmoSupport/status/1379225431556157441?s=20>

<sup>7</sup> <https://www.wsj.com/articles/paypal-sues-u-s-regulator-over-prepaid-card-rule-11576182364>

<sup>8</sup> 12 CFR § 1005.33(a)(1)

<sup>9</sup> See eg

<https://finance.yahoo.com/news/squares-cash-app-vulnerable-to-hackers-customers-claim-113556593.html>, <https://fox40.com/news/business/scammers-using-cashapp-to-steal-money-from-victims-warns-bbb/>, and <https://www.freep.com/story/money/personal-finance/susan-tompor/2019/05/08/payment-apps-scams-venmo-paypal/3661254002/>.

<sup>10</sup> These scams vary, and occur with many different payment apps. See for example, Consumer Reports, Peer-to-Peer Payments Are Generally Safe, But Consumers Must Be Aware of Risks, , <https://www.consumerreports.org/scams-fraud/how-to-protect-yourself-from-p2p-payment-scams/>; Venmo texting scam: Here's what you need to know about the new con, <https://www.foxbusiness.com/technology/venmo-texting-scam-what-to-know>; Scammers are targeting Cash App users hoping for free money, <https://www.zdnet.com/article/scammers-are-targeting-cash-app-users-hoping-for-free-money/>; How cyber crooks target bank accounts via payment apps like PayPal, <https://www.freep.com/story/money/personal-finance/susan-tompor/2019/05/08/payment-apps-scams-venmo-paypal/3661254002/>; Instant fraud: Consumers see funds disappear in Zelle account scam The digital payment service embedded in banking apps has made it easier for thieves to access funds in personal checking and savings accounts, experts say, <https://www.nbcnews.com/business/consumer/instant-fraud-consumers-see-funds-disappear-zelle-account-scam-n1015736>.

<sup>11</sup> <https://www.sec.gov/Archives/edgar/data/1512673/000119312521052320/d128971dex991.htm>

<sup>12</sup> <https://www.sec.gov/Archives/edgar/data/1512673/000119312520286821/d201688dex991.htm>

see how app users would be an inviting target for scammers. Unfortunately, there is little that consumers can do on their own to ensure their safety.

Requiring MSBs to make a phone number available to users would be a great improvement over things as they exist. There is more to be done. We therefore offer the following suggestions for strengthening this bill:

- **In addition to requiring a licensed MSB to post a telephone contact on its website and share it in written communications, licensed MSBs should be required to make their phone number available and feature it prominently in any mobile application they offer;**
- **Licensed MSBs should be required to reply to consumer contacts within 24 hours; and**
- **Licensed MSBs should be required to display consumer remedies on their websites and in their apps in the event of error or fraud, and warn consumers against the risk of fraud in the inducement.**

Since the pandemic, consumers are increasingly reliant on digital financial tools to manage household funds. Loss of funds can be catastrophic to families experiencing financial hardship. People reliant on MSBs to move money should not have to search for help, and providers should be required to do more to prevent people from falling victim to scammers when seeking assistance. AB 1320 is a step towards ensuring that providers live up to consumer expectations to provide assistance in the event that users encounter difficulties. Consumer Reports urges an AYE vote on AB 1320.

Sincerely,



Christina Tetreault  
Manager of Financial Policy  
Consumer Reports

Cc: Members, Assembly Banking & Finance Committee  
Michael Burdick, Chief Consultant, Assembly Banking & Finance Committee