

November 7, 2022

Al Ko  
Early Warning Services, LLC  
16552 N 90th Street  
Scottsdale, AZ 85260

Dear Mr. Ko,

I am writing regarding comments made by Early Warning Services, LLC (EWS) in response to a new set of investigative findings by my staff regarding the extent to which fraud and scams are affecting users of Zelle, the money transfer platform owned and operated by your company.<sup>1</sup>

On October 3, 2022, I released a report with three key findings about the Zelle platform.<sup>2</sup> The report found that:

- **Fraud and theft are rampant on Zelle – and are increasing.** Your company, and the big banks that own it, market the product by telling customers that the platform is safe and secure. But the four banks that provided data to me indicated that they received scam and fraud claims in excess of \$90 million in 2020, and are on pace to receive scam and fraud claims in excess of \$255 million in 2022 – a rapid increase.
- **Banks are not repaying the vast majority of cases where customers were fraudulently induced into making payments on Zelle.** Overall, four banks reported 192,878 cases of scams – cases where customers reported being fraudulently induced into making payments on Zelle – involving over \$213.8 million of payments in 2021 and the first half of 2022 – but repaid less than 10 percent of these claims.
- **Banks are not repaying customers who contest “unauthorized” Zelle payments – potentially violating federal law and CFPB rules.** *The Electronic Fund Transfer Act* (EFTA) and the Consumer Financial Protection Bureau’s (CFPB) Regulation E require that the banks repay customers when funds are illegally taken out of their account without authorization. But the data provided by the banks revealed that they reimbursed consumers for less than half of the dollar amount of cases in which customers reported unauthorized payments on Zelle.

<sup>1</sup> Early Warning Services, “Our Story,” 2022, <https://www.earlywarning.com/about>.

<sup>2</sup> Office of Sen. Elizabeth Warren, “New Report by Senator Warren: Zelle Facilitating Fraud, Based on Internal Data from Big Banks,” October 3, 2022 <https://www.warren.senate.gov/oversight/reports/new-report-by-senator-warren-zelle-facilitating-fraud-based-on-internal-data-from-big-banks>.

On October 6, I sent a letter to Wells Fargo, in which I outlined my office's finding that the bank has a uniquely poor record when it comes to fraud and scams affecting its customers on Zelle.<sup>3</sup> My analysis of the data found that the frequency of Zelle fraud and scams reported by Wells Fargo customers was more than twice as high for Wells Fargo customers than it was for comparable banks for which we had data, and that the frequency of fraud and scams reported by Wells Fargo customers had increased significantly in recent years.<sup>4</sup>

EWS responded to the release of this information, stating that:

Any external analysis done is incomplete and does not reflect the efforts and data reported by more than 1,700 financial institutions on the Zelle Network...Based on data reported to the Zelle Network, recent statements regarding Wells Fargo's fraud and scam rates are inaccurate. Wells Fargo's rates of reported fraud and scams are extraordinarily low and comparable to the Zelle Network as a whole, where rates of reported fraud and scams represent less than 0.1% of all transactions.<sup>5</sup>

Your criticism is inaccurate, and is not consistent with the data provided to me by Wells Fargo and other banks that are part of the Zelle network. However, I was pleased to see that EWS is now prepared to engage in a public manner regarding concerns about rampant fraud on the Zelle network. When I previously wrote to you, you refused to provide me with information on the extent to which Zelle is used to defraud and scam users, and the degree to which Zelle was providing reimbursements to affected customers.<sup>6</sup>

Given your newfound interest in publicly engaging on this matter and setting the record straight on the extent of fraud and scams on Zelle, I ask that you provide me with the following information by November 21, 2022:

1. How many reports of unauthorized electronic fund transfers (i.e., fraud) from Zelle customers have Early Warning Services and participating banks received for each of the last five full calendar years, and from January 1, 2022, to the present? For each year, and for the period from January 1, 2022, to the present, please provide:
  - a. The total number of reported cases of fraud from Zelle customers.
  - b. The total dollar value of reported fraud.
  - c. The number of these cases where Zelle provided refunds to customers.

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<sup>3</sup> Letter from Sen. Elizabeth Warren to Charles Scharf, Chief Executive Officer and President, Wells Fargo, October 6, 2022, <https://www.warren.senate.gov/imo/media/doc/Wells%20Fargo%20October%20Letter1.pdf>.

<sup>4</sup> Letter from Sen. Elizabeth Warren to Charles Scharf, Chief Executive Officer and President, Wells Fargo, October 6, 2022, <https://www.warren.senate.gov/imo/media/doc/Wells%20Fargo%20October%20Letter1.pdf>.

<sup>5</sup> Early Warning Services LLC, "Early Warning Releases Statement Regarding Recent Reports of Fraud and Scam Rates," press release, October 13, 2022, <https://www.earlywarning.com/press-release/early-warning-releases-statement-regarding-recent-reports-fraud-and-scam-rates>.

<sup>6</sup> Letter from Early Warning Services, LLC to Senators Warren, Menendez, and Reed, May 13, 2022, [On file with the Office of U.S. Senator Elizabeth Warren]

- d. The total value of these refunds.
  - e. The number of cases where Zelle referred fraud to law enforcement or to federal or state bank regulators.
2. How many reports of transactions initiated by a consumers that were induced through deception (i.e., scams) from Zelle customers have Early Warning Services and participating banks received for each of the last five full calendar years, and from January 1, 2022, to the present? For each year, and for the period from January 1, 2022, to the present, please provide:
- a. The total number of reported cases of scams from Zelle customers.
  - b. The total dollar value of reported scams.
  - c. The number of these cases where Zelle provided refunds to customers.
  - d. The total value of these refunds.
  - e. The number of cases where Zelle referred scams to law enforcement or to federal or state bank regulators.

Thank you for your attention to this matter.

Sincerely,



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Elizabeth Warren  
United States Senator