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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

LAURA SWANSON, STAFF DIRECTOR
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December 14, 2023

Mr. Brian Grassadonia
CEO
Cash App
1955 Broadway Suite 600
Oakland, CA 94612

Dear Mr. Grassadonia:

We write to ask you to adopt new policies to reimburse consumers who are victims of scams and fraud on Cash App.

We previously wrote you on June 15, 2023, raising concerns about fraud and scams on your platform. According to press reports, at least one other very large instant payment platform has taken an important step to reimburse customers who are the victims of imposter scams – in which someone impersonates a representative at a financial institution, a business, utility, or a governmental entity to trick a consumer into sending money. Though the competitor has not fully released details on the new policy, or provided any public information about how effective it has been at reimbursing customers, its policy changes could represent an improvement in consumer protections. But according to Cash App’s response to our June 15 letter, Cash App does not appear to reimburse customers who have been victims of these—or any other—kinds of scams. Customers remain on the hook and unprotected. It is past time for Cash App to follow industry trends by providing similar reimbursements to wronged consumers.

Additionally, we are concerned that Cash App’s refunds for unauthorized payments significantly lag behind its competitors. For example, in 2022, Cash App refunded approximately 16% of transactions reported as unauthorized and 19% of the associated dollar amount, but other instant payment platforms refund transactions reported as unauthorized in the high double digits. At a minimum, we urge Cash App to revise its approach to categorizing when a transaction is authorized versus unauthorized to better align with industry standards and practices. Further, Regulation E requires Cash App to reimburse consumers for unauthorized transactions. It is difficult to square Cash App’s paltry reimbursement rate with this longstanding regulatory requirement designed to limit consumer liability in cases where they are hacked or their account is taken over and they did not initiate a transaction.

Furthermore, Cash App is in a unique position to track and prevent scams. Cash App is a closed system, in which both the sender and receiver are Cash App customers. As a result, Cash App has full visibility into accounts that send and receive all payments—whether legitimate or fraudulent. Further, Cash App can both identify and block account holders who commit acts of deception and can take the crucial additional step to unwind these transactions. We strongly

encourage Cash App to consider these measures to actively address and prevent the proliferation of fraudulently induced and unauthorized payments.

We are extremely concerned that instant payment platforms are not taking reasonable, commonsense, and proactive steps to protect their customers. Cash App must provide a safe platform for American consumers – who deserve a payments system that provides them with speed and convenience, but above all, that keeps their money safe.

We would appreciate responses to the following by January 31, 2024.

1. Will Cash App follow other big instant payment platforms and commit to reimbursing customers who are victims to scams, including imposter scams?
2. Describe Cash App’s current practices and policies aimed at detecting and eliminating fraud committed through Cash App, specifically the measures Cash App is taking to detect and eliminate any attempts by account holders to induce fraudulent payments from other account holders.
 - a. How is Cash App taking steps to specifically protect Black and Hispanic Americans, who are experiencing significantly more fraud on instant payment platforms than other demographics and to whom Cash App is marketed as an “uncomplicated” alternative to “intimidating and unrelatable” traditional financial services?
 - b. How is Cash App taking steps to specifically protect servicemembers, who are experiencing significantly more scams and fraud on instant payment platforms than the general population?
3. In a previous response letter, Cash App describes blocking or denylisting accounts which have been determined to have engaged in illicit content. Why is Cash App blocking or denylisting accounts, and not users (who may open another account)? How many users has Cash App blocked?
4. Cash App requires arbitration in its user agreement, which notably prevents consumers from participating in class action lawsuits. We are concerned about the inclusion of this clause in Cash App’s user agreement, and, moreover, the limited opt-out period and the onerous requirement for consumers to physically mail an opt-out request. Pursuant to these concerns:
 - a. How many arbitration processes have been initiated?
 - b. What have the outcomes of these arbitration claims been?
 - c. What monetary distributions have resulted because of any arbitration actions?
 - d. How many consumers completed the mail-in opt-out process for the arbitration clause?

Thank you for your consideration and your timely response.

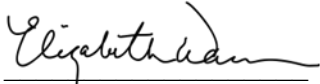
Sincerely,



Sherrod Brown
Chair
Senate Committee on Banking,
Housing, and Urban Affairs



Jack Reed
United States Senator



Elizabeth Warren
United States Senator