

# RISK Alert

ACTIONABLE INSIGHTS FOR BOND POLICYHOLDERS.



Alert Type

Awareness

Watch

Warning

## Zelle Scams Incorporate Utility Bill Payments

Fraudsters continue to evolve scams associated with Zelle by introducing urgency to pay supposed delinquent utility bills to avoid service being discontinued. Numerous reports of scammers calling or texting individuals claiming to be from their utility company and stating they did not receive payment for their utility bill and their service will be turned off. However, if they “Zelle” funds to the company immediately, their services will continue.

### Details

There are numerous reports of scammers calling, emailing, and/or texting individuals claiming to be from their utility company – using look-alike phone numbers. The scammer states that they did not receive payment for their utility bill and their service will be turned off. However, if they “Zelle” funds to the company immediately their services will continue.

Faced with urgency of service disconnection from utility companies (e.g., electricity, water, etc.), the individuals agree to make the Zelle payment, before thinking of the potential ramifications. In some cases, the fraudster’s even have Spanish speaking “utility employees” to assist with those that do not speak English.

The use of Zelle and other P2P services has increased in the last several years. Zelle happens to be one of the most popular P2P platforms used by credit unions, but other P2P applications are not immune to fraud.

### Regulation E Consideration

Credit unions may have members that have fallen for the delinquent utility bill scam and filed a Reg E dispute expecting to be recredited. It does not appear that members victimized in this scam are entitled to Reg E protection. Nevertheless, credit unions must promptly investigate these claims in accordance with Reg E’s error resolution requirements. The delinquent utility bill scam is different than the traditional Zelle scam where the fraudsters initiate the Zelle transfers after successfully resetting members’ online banking passwords.

Consumers being victimized in a variety of Zelle-related scams is a hot topic. A group of U.S. Senators are pushing the CFPB to use its rulemaking authority under Reg E and the Electronic Fund Transfer Act (EFTA) to provide more protection to consumers victimized in Zelle-related scams. Reg E provides protection to consumers for “unauthorized EFTs” but not when they’re scammed into initiating the Zelle transfers themselves, with the exception of a “token error” that occurs in the new version of the Zelle / P2P scam (referred to as the “Zelle yourself scam”).

In fact, U.S. Senator Elizabeth Warren, a member of the Senate Banking, Housing, and Urban Affairs Committee, issued a [report](#) on rampant Zelle fraud.

**Date:** November 8, 2022

**Risk Category:** Consumer Payments; Scams; Fraud; Compliance

**States:** All

**Share with:**

- Compliance
- Executive Management
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- Marketing
- Risk Manager
- Transaction Services



### Facing risk challenges?

[Schedule](#) a free personalized discussion with a Risk Consultant to learn more about managing risk.

## Risk Mitigation

- Although members victimized in the delinquent utility bill scam may not be entitled to be recredited under Reg E, credit unions must still promptly investigate their disputes
- When promoting this service on your online banking platform, remind members to only use Zelle to send funds to friends and family members
- Encourage your members who are victims to P2P fraud to report it to the FBI IC3.gov or call their fraud hotline at 833-FRAUD-11
- Be sure to use pop up warnings such as “do not send money to someone you do not know” or “do not provide your login credentials or one time passcode to anyone” or “Your credit union will never ask for this information”, when the credit union provides the one-time passcodes
- Continually provide member education about scams on your website, mailers, social media, email and other ways you communicate with your members

## Risk Prevention Resources

Access CUNA Mutual Group’s [Protection Resource Center](#) for exclusive risk and compliance resources and RISK Alerts to assist with your loss control needs (User ID and Password required).

- [Emerging Risks Outlook: Zelle/P2P Fraud](#)
- [Class Action Lawsuits Involving Zelle-related Scams](#)
- [Reg E & the New Version of the Zelle/P2P Fraud Scam](#)
- [Facilitating Fraud: How Consumers Defrauded on Zelle are Left High and Dry by the Banks that Created It](#) – Office of Senator Elizabeth Warren, October 2022



### Access the Protection Resource Center for exclusive resources:

- [Loss Prevention Library](#) for resources & checklists
- [Webinars and Education](#)
- [RISK Alerts Library](#)
- [Report a RISK Alert](#)

The Protection Resource Center requires a User ID and Password.

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