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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

LAURA SWANSON, STAFF DIRECTOR
LILA NIEVES-LEE, REPUBLICAN STAFF DIRECTOR

December 14, 2023

Alex Chriss
President and CEO
PayPal, Inc.
2211 N 1st Street
San Jose, CA 95131

Dear Mr. Chriss:

We write to ask you to adopt new policies to reimburse consumers who get scammed on Venmo and that you make it easier for users to report when they have been scammed.

We wrote you on June 15, 2023, raising concerns about fraud and scams on your platform. Since then, according to press reports, at least one other very large instant payment platform has taken an important step to reimburse customers who are 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 Venmo’s response to our June 15 letter, Venmo does not appear to reimburse customers who have been victims to these—or any other—kinds of scams. Customers remain on the hook and unprotected. It is past time for Venmo to follow industry trends by providing similar reimbursements to wronged consumers.

In order to facilitate reimbursements for imposter scams, Venmo should also make it far easier for customers to report fraudulently induced transactions and to actively prevent proliferation of imposter scams on the platform. Venmo is in a unique position to track and prevent these scams. Venmo is a closed system, in which both the sender and receiver are Venmo customers. As a result, Venmo has full visibility into accounts that send and receive all payments—whether legitimate or fraudulent. Further, Venmo can both identify and block account holders who commit acts of deception and can take the crucial additional step to unwind these transactions. While Venmo allows reporting of these scams through its website, this process is unduly cumbersome for consumers. Instead, customers should be able to easily report scams through the Venmo app. Instant payment platforms should do more to safeguard their platforms and users.

We are extremely concerned that instant payment platforms are not taking reasonable, commonsense, and proactive steps to protect their customers. Venmo 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 Venmo follow other big instant payment platforms and commit to reimbursing customers who are victims of scams, including imposter scams?
2. Describe Venmo's current practices and policies aimed at detecting and eliminating fraud committed through Venmo, specifically the measures Venmo is taking to detect and eliminate any attempts by account holders to induce fraudulent payments from other account holders.
 - a. How is Venmo taking steps to specifically protect Black and Hispanic Americans who are experiencing significantly more fraud on instant payment platforms than other demographics?
 - b. How is Venmo 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, Venmo stated that its policy is to block accounts that have been determined to have engaged in illicit content. Why is Venmo blocking accounts, and not users (who may open another account)? How many users has Venmo blocked?
4. As of May 2022, Venmo amended its user agreement to include an arbitration clause, which notably prevents consumers from participating in class action lawsuits. We are concerned about the addition of this clause to Venmo'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?
5. In Venmo's response letter, Venmo describes providing a purchase protection program to Venmo users. We understand that the costs associated with this program are passed on to payees. Pursuant to this, what percentage of payments reported through the purchase protection program are reimbursed? For each of the last five full calendar years and for 2023, for the period of January 1 to September 1, 2023, please provide:
 - a. The total number and dollar value of transactions with purchase protection for which consumers request reimbursement, and the total number and dollar value of transactions for which Venmo provided this requested reimbursement.
 - b. The justifications for denying purchase protection reimbursement requests.
 - c. The overall cost of the purchase protection program to payees.
 - d. The mean and median number of days for purchase protection cases to be resolved.

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