

CFPB Orders Operator of Cash App to Pay \$175 Million and Fix Its Failures on Fraud

Block allowed fraud to proliferate, closed cases of reported fraud without even opening a legally required investigation

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WASHINGTON, D.C. – Today, the Consumer Financial Protection Bureau (CFPB) ordered Block, the operator of the peer-to-peer payments app Cash App, to refund and pay other redress to consumers up to \$120 million and pay a penalty of \$55 million into the CFPB’s victims relief fund. Block employed weak security protocols for Cash App and put its users at risk. While Block is required by law to investigate and resolve disputes about unauthorized transactions, the company’s investigations were woefully incomplete. Block directed users – who had suffered financial losses as a result of fraud – to ask their bank to attempt to reverse transactions, which Block would subsequently deny. Block also deployed a range of tactics to suppress Cash App users from seeking help, reducing its own costs.

“Cash App created the conditions for fraud to proliferate on its popular payment platform,” said CFPB Director Rohit Chopra. “When things went wrong, Cash App flouted its responsibilities and even burdened local banks with problems that the company caused.”

Block, Inc. (NYSE: SQ) is a publicly traded corporation whose principal executive offices are in Oakland, California. Block offers multiple digital payments products for businesses and consumers, including the point-of-sale payment system Square and the consumer payment service Cash App. Cash App is one of the largest peer-to-peer payment platforms in the United States, with more than 56 million accounts. It allows consumers to send and receive electronic money transfers; accept direct deposits; and use a prepaid card, Cash Card, to make purchases and ATM withdrawals. Block made approximately \$7.5 billion in gross profit in 2023, approximately \$4 billion of which was generated by Cash App.

Cash App attempted to avoid many of its investigative obligations through tricking consumers with its Terms of Service. For example, many Cash App users link their bank account to the app. When a transaction occurs, the money is pulled from the user’s bank account and sent to the transaction recipient. In Cash App’s Terms of Service, consumers are led to believe that disputes are the responsibility of their linked bank. The Electronic Fund Transfer Act generally requires that peer-to-peer platforms, including Cash App,

investigate disputes of unauthorized transactions, and a company cannot simply use fine print to escape these legal requirements. When it did conduct investigations, Block used intentionally shoddy investigation practices to close reports of unauthorized transactions in the company's favor.

Block also deprived Cash App users of meaningful and effective customer service and left the network vulnerable to criminals defrauding users. While Block included a telephone number on the back of its Cash Card and in its Cash App Terms of Service, for many years this telephone number did not connect consumers to customer support of any type. Instead, it led to a pre-recorded message directing consumers to contact customer support through the app. Consumers could only contact Block through the app or through U.S. mail and were often met with delayed, inadequate, confusing, or inaccurate responses. Consumers looking for an alternate route to Cash App customer service through web searches were targeted by fraudsters posing as Cash App representatives, who tricked them into giving up their passwords and other personal information. Block knew that its customers were being targeted by fraudsters in this way but failed to take timely action to address the issue.

Enforcement Action

Under the Consumer Financial Protection Act, the CFPB has the authority to take action against institutions violating consumer financial protection laws, including those engaging in unfair, deceptive, or abusive acts or practices. The CFPB also has the authority to enforce the Electronic Fund Transfer Act. The CFPB's order requires Block to:

- **Pay \$120 million to harmed consumers:** Block is required to pay up to \$120 million in refunds and other redress to consumers whose unauthorized transfers were not investigated, consumers who did not receive refunds they were entitled to, and consumers whose accounts were locked for an extended period of time or who were not provided provisional credits during a delayed investigation. Block must pay a minimum amount of \$75 million in refunds and other redress. The CFPB will enforce the order's redress requirements to ensure affected Cash App users receive redress. Consumers will not need to take action at this time to obtain redress.
- **Fix customer service and investigate disputes:** To ensure that the misconduct does not recur, the order requires Block to set up 24-hour, live-person customer service. The order also requires Block to fully investigate unauthorized transactions and to provide timely refunds, where appropriate.
- **Pay a \$55 million fine:** Block will pay a \$55 million penalty to the [CFPB's victims relief fund](https://cfpb.gov/enforcement/payments-harmed-consumers/civil-penalty-fund/) (cfpb.gov/enforcement/payments-harmed-consumers/civil-penalty-fund/).

The CFPB order only addresses violations of consumer financial protection laws under the CFPB's purview. Yesterday, state regulators separately ordered Block to pay \$80 million for Bank Secrecy Act and anti-money laundering law violations.

[Read today's order](https://cfpb.gov/enforcement/actions/block-inc/) (cfpb.gov/enforcement/actions/block-inc/).

The CFPB has taken a range of steps to ensure that popular payment apps and services, including those offered by large technology companies, are following federal law. In November, the CFPB finalized a [rule](https://cfpb.gov/about-us/newsroom/cfpb-finalizes-rule-on-federal-oversight-of-popular-digital-payment-apps-to-protect-personal-data-reduce-fraud-and-stop-illegal-debanking/) (cfpb.gov/about-us/newsroom/cfpb-finalizes-rule-on-federal-oversight-of-popular-digital-payment-apps-to-protect-personal-data-reduce-fraud-and-stop-illegal-debanking/) that will subject large nonbank payment platforms to similar oversight that large banks face. Last month, the CFPB [sued](https://content.consumerfinance.gov/about-us/newsroom/cfpb-sues-jpmorgan-chase-bank-of-america-and-wells-fargo-for-allowing-fraud-to-fester-on-zelle/) (https://content.consumerfinance.gov/about-us/newsroom/cfpb-sues-jpmorgan-chase-bank-of-america-and-wells-fargo-for-allowing-fraud-to-fester-on-zelle/) Early Warning Services, JPMorgan Chase, Bank of America, and Wells Fargo for allowing fraud to fester on Zelle.

Consumers can submit complaints about financial products and services by visiting the [CFPB's website](https://cfpb.gov/complaint/) (cfpb.gov/complaint/) or by calling [\(855\) 411-CFPB \(2372\)](tel:855411CFPB2372).

Employees who believe their company has violated federal consumer financial protection laws are encouraged to send information about what they know to whistleblower@cfpb.gov. To learn more about reporting potential industry misconduct, visit the [CFPB's website](https://cfpb.gov/enforcement/information-industry-whistleblowers/) (cfpb.gov/enforcement/information-industry-whistleblowers/).

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive. For more information, visit www.consumerfinance.gov (http://www.consumerfinance.gov/).

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