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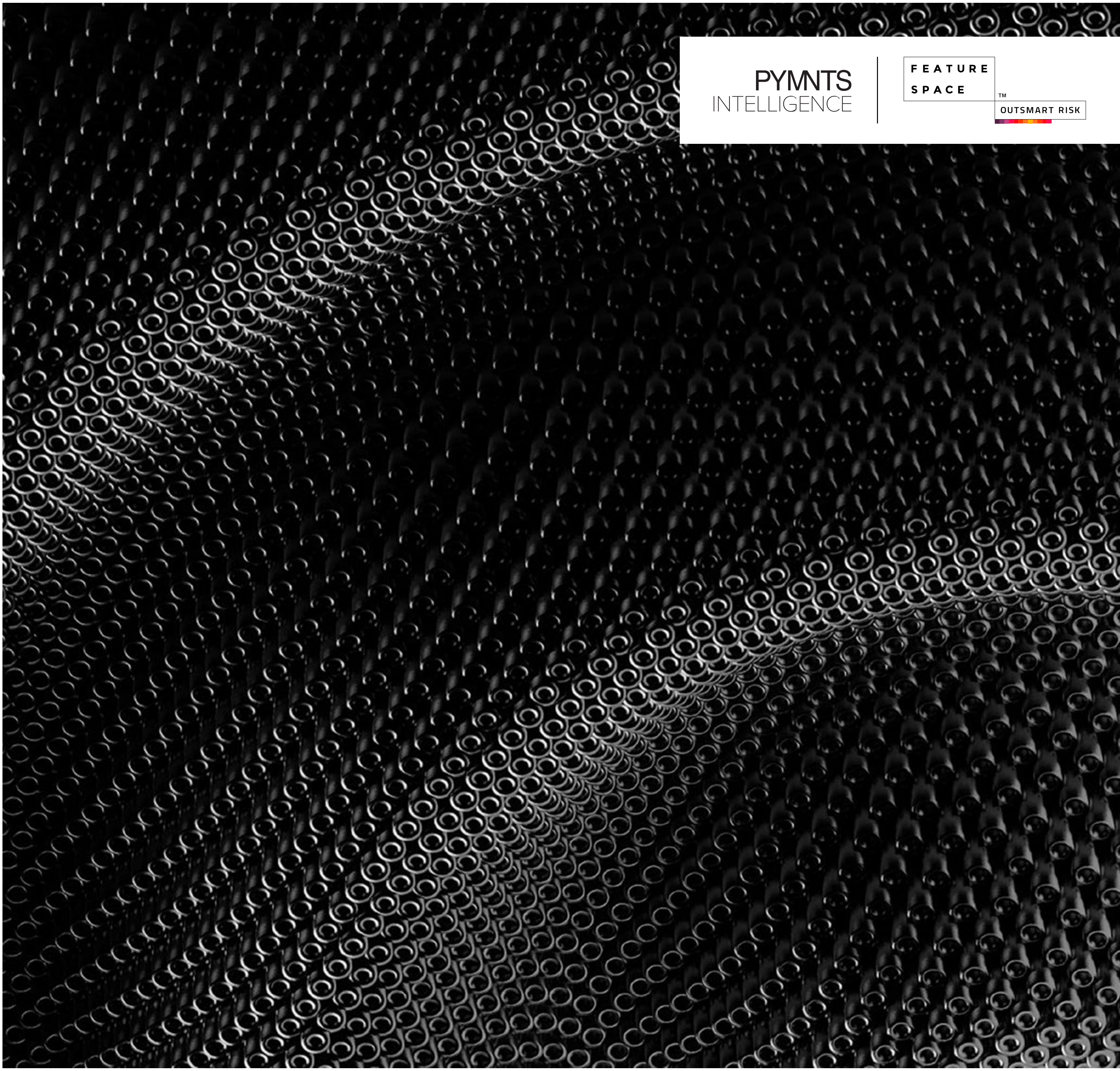

THE IMPACT OF FINANCIAL SCAMS ON **CONSUMERS’ FINANCES AND BANKING HABITS**

October 2024 Report

THE IMPACT OF FINANCIAL SCAMS ON **CONSUMERS' FINANCES AND BANKING HABITS**

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The Impact of Financial Scams on Consumers' Finances and Banking Habits was produced in collaboration with Featurespace, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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WHAT ARE **FINANCIAL SCAMS?**

This study defines financial scams as a type of fraud that involves misleading victims to gain access to their accounts, personal information and/or trust to obtain money from them. For the purposes of this study, only scams that resulted in financial losses are considered. Previous research by PYMNTS Intelligence found that scams represent 12% of overall financial fraud cases impacting financial institutions in the United States.

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WHAT'S **AT STAKE**

Scams have never been more prevalent, but quality data on the number of scam victims and the scale of their losses in the United States remains limited. Individuals who become victims of scams often feel that reporting it would be pointless or embarrassing. Moreover, there is a lack of unified reporting and tracking. Victims typically tell only their banks or financial institutions (FIs) and not any centralized law enforcement agency or authority. This fuels a vicious cycle that leads to systemic underreporting and underestimation of the depth of the problem.

For consumer-facing FIs, understanding the true scale and damage of financial scams is a critical part of protecting their customers. Scammers do more than deceive their targets. These criminals undermine trust and confidence in FIs, online transactions and the financial system as a whole. They also cause mental and emotional damage.

3 IN 10

consumers or their households **lost money to a scam in the last five years.**

PYMNTS Intelligence's research finds that 3 in 10 U.S. consumers or their households — roughly 77 million individuals — lost money to a scam in the last five years. The financial implications are often severe. Most victims lose more than $500, and many suffer thousands in financial damage. Importantly, our survey revealed a sizeable increase in scam reporting after assuring respondents that the study is completely anonymous and judgment free, highlighting the issue of underreporting. Still, the true incidence of scams is likely even higher, since some victims prefer not to report their losses and others never realize what happened.

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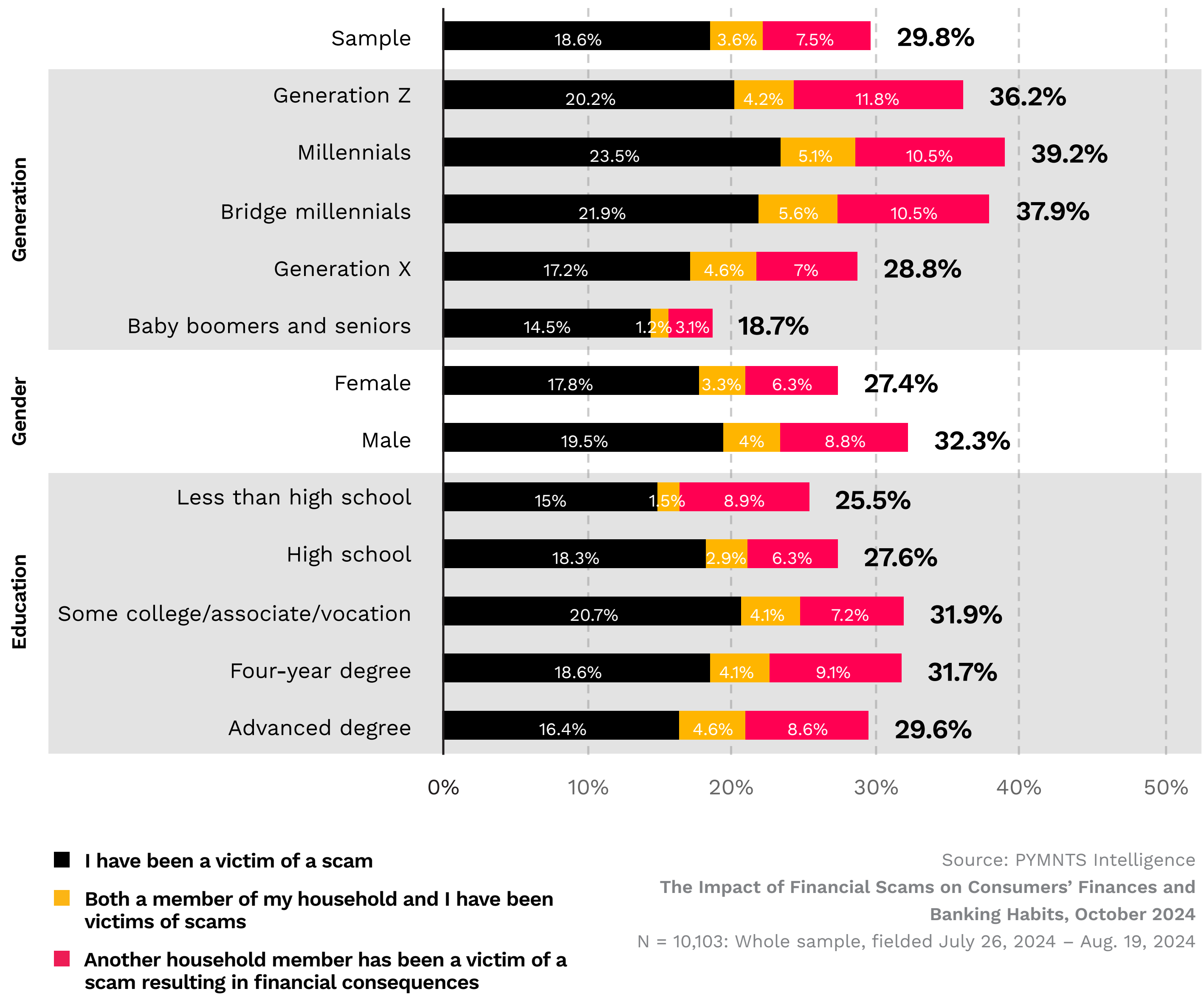
FIGURE 1

Scam victims who suffered financial losses

Share of consumers and households who lost money to a scam in the last five years, by demographic[1]



Source: PYMNTS Intelligence
The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024
N = 10,103: Whole sample, fielded July 26, 2024 – Aug. 19, 2024

Scams reach across demographic groups with remarkable consistency. That said, there are some common myths about "typical" victims that our data dispels. For example, younger, not older, consumers are the most likely to become victims, with 39% of millennial and 36% of Generation Z respondents reporting losses in their households, compared to 19% for baby boomers and seniors. Men are somewhat more likely than women to be the victim of a scam. Individuals with higher education get scammed more often than individuals who did not complete high school.

These are just some of the findings detailed in The Impact of Financial Scams on Consumers' Finances and Banking Habits, a PYMNTS Intelligence and Featurespace collaboration. This report examines the impact of scams on consumers, how scams affect their views of FIs and banking, and the critical role FIs play in protecting their customers. It draws on a census-balanced survey of 10,103 U.S. consumers conducted from July 26 to August 19.

This is what we learned.

1 PYMNTS Intelligence uses the following generational definitions in our study: Generation Z consumers are 18 to 27 years old; millennials are 28 to 43 years old; bridge millennials, a microgeneration comprised of older millennials and younger Generation X consumers, are 36 to 46 years old; Generation X consumers are 44 to 59 years old; and baby boomers and seniors are 60 years old or older.

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KEY FINDINGS

01

FINANCIAL DAMAGE

Scams inflict significant losses on consumers that can potentially derail their financial health.

$545

Median dollar amount stolen from scam victims

02

KEY ADVOCATES

Victims of scams are much more likely to recover funds if they report losses to their FI.

69%

Share of scam victims who recovered any funds, among those who reported the scam to their FI

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03

CONFIDENCE LOST

Most scam victims at least consider switching FIs after the scam, and 30% actually do so.

54%

Share of scam victims who consider switching FIs after a scam

04

TRAUMATIC EXPERIENCE

Beyond financial losses, becoming the victim of a scam has repercussions for well-being.

55%

Share of scam victims who indicated their mental health was affected

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THE FULL STORY

Most consumers who become victims of financial scams look to their FIs for help. FIs need a winning strategy to retain and protect their customers.

The median financial loss from a scam is $545, with identity theft scams and eCommerce scams the most widespread.

Scams come in many forms. Criminals deploy an increasingly staggering variety of tactics to deceive victims, emphasizing the importance for consumers to be aware of potential scammers. Identity theft scams are the most common type, affecting 24% of consumers who were financially impacted by scams in the last five years. Gift card scams are the second most prevalent, at 19%, followed by fake eCommerce, at 16%, and debt collection scams, at 15%. Overall, our survey found that 51% of scams focus on fake products or services while 49% mainly use trust and relationships to deceive.

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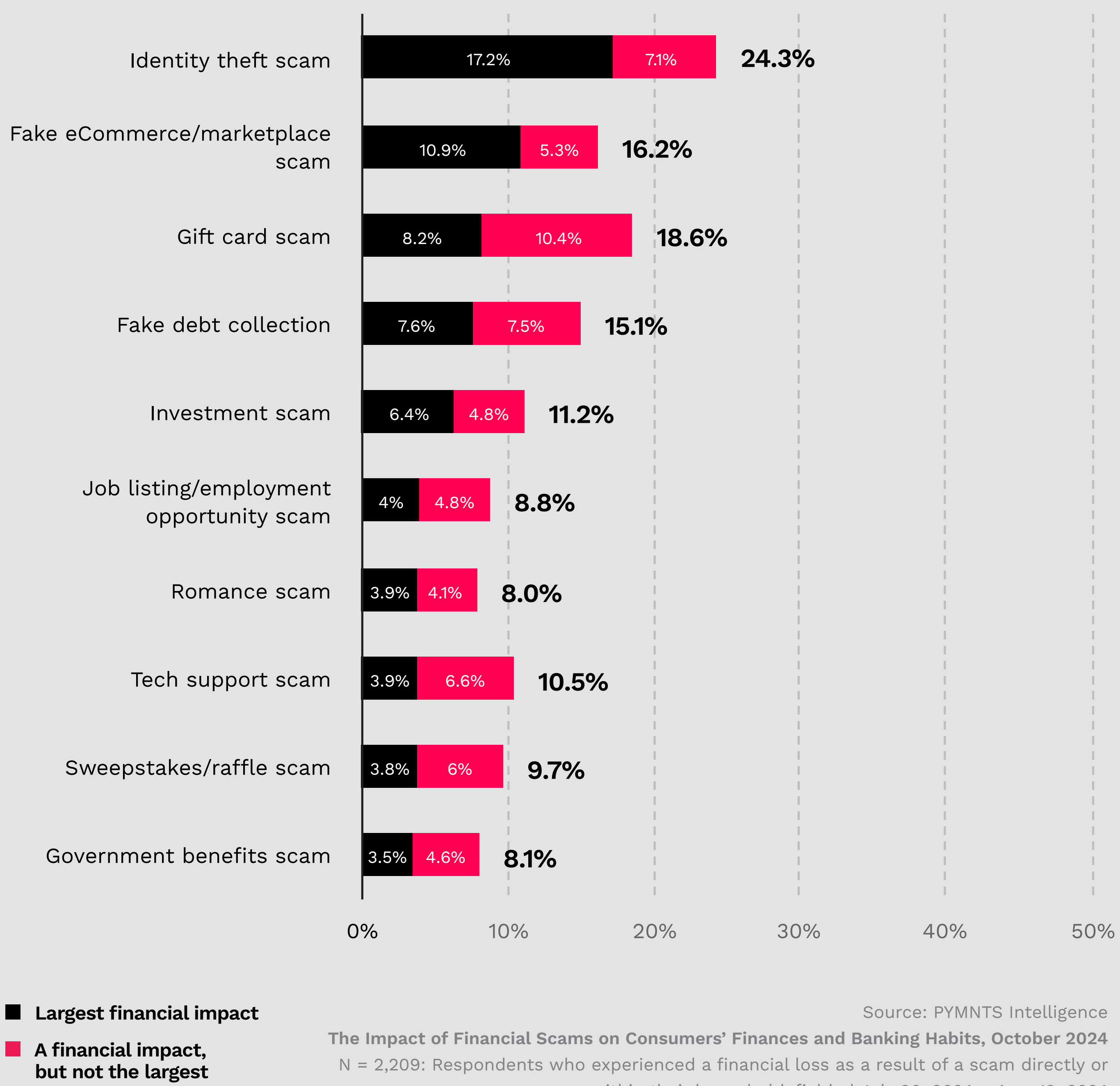
FIGURE 2

Most common scams

Share of households and consumers who lost money to select scams in the last five years, by scam type



Source: PYMNTS Intelligence

The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024

N = 2,209: Respondents who experienced a financial loss as a result of a scam directly or within their household, fielded July 26, 2024 – Aug. 19, 2024

Scammers routinely abuse victims' trust or use illicit account access for multiple charges or transfers. The median financial loss per scam is $545 spread over two transactions. For many households, a sudden loss of hundreds of dollars can trigger a financial emergency, considering that 65% of households in the U.S. live paycheck-to-paycheck and 35% have less than $1,000 in savings.[2]

Two types of scams inflict significantly more financial damage than average: investment scams, with a median loss of $1,104, and romance scams, at $1,996. Romance scams also string targets along for 3.6 transactions, on average — nearly twice as many as other methods. In several of the most financially harmful scams, 27% of victims lose between $1,000 and $9,999, and 12% suffered more than $10,000 in losses.

2 New Reality Check: The Paycheck-to-Paycheck Report — How Consumers Experience Financial Lifestyle Mobility. PYMNTS Intelligence. 2024. https://www.pymnts.com/study_posts/americans-blame-rising-living-costs-for-downward-financial-mobility/. Accessed October 2024.

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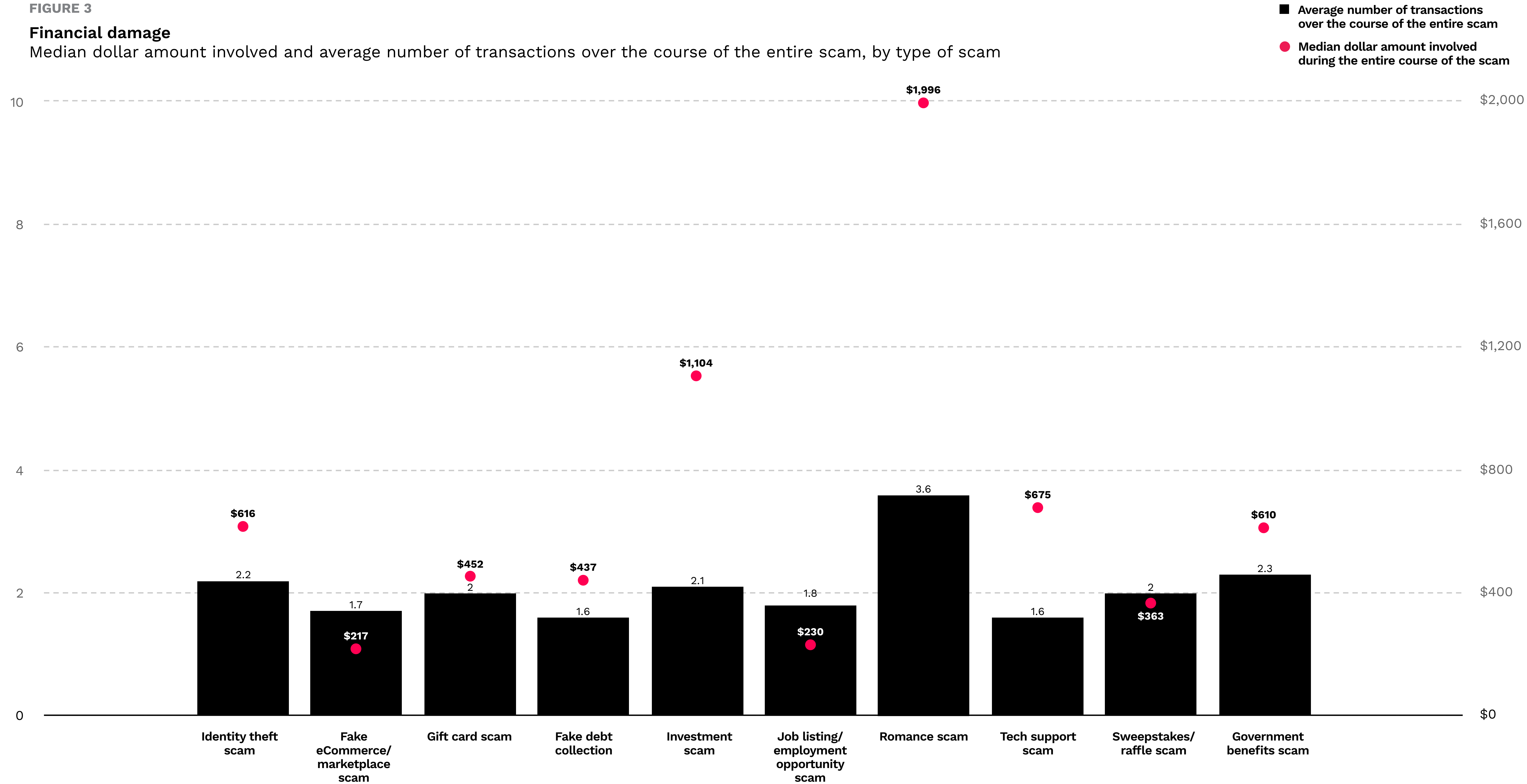
FIGURE 3

Financial damage

Median dollar amount involved and average number of transactions over the course of the entire scam, by type of scam



Source: PYMNTS Intelligence

The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024

N = 2,209: Respondents who experienced a financial loss as the result of a scam directly or within their household, fielded July 26, 2024 – Aug. 19, 2024

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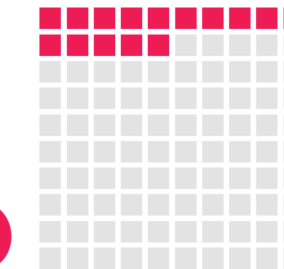
Victims who report the scam to their FI have much higher recovery rates than those who do not.

When consumers find themselves the victim of a financial scam, they usually turn to their FI for help. Data shows that 70% of individuals who lost money to a scam name their bank, credit card provider or digital wallet provider as their primary point of assistance. Meanwhile, only 26% of victims turned to law enforcement or federal agencies, and just 10% relied on either of these more heavily than their FIs.

However, 15% of scam victims did not report their losses at all. The data also shows that the dollar amount lost generally does not impact the likelihood that the victim will report the scam, indicating that, contrary to popular belief, most consumers still take the time to report even minor scams. This could suggest that the time and emotional tax taken to disclose a scam limit reporting, rather than the size of the financial loss driving consumers to report or not.

15%



Share of scam victims who did not report their losses

Overall, the likelihood that a consumer will report a scam to their FI varies relatively little across demographic groups. However, we identified three key trends. First, the older the victim, the less likely they are to inform their FI about the incident: 63% of baby boomers and seniors and 66% of Gen X reported the scam, versus 70% of millennials and 76% of Gen Z. Second, lower-income consumers are less likely to report. Sixty-four percent of victims earning less than $50,000 per year reported, compared to 71% of those with higher incomes. Third, victims without a high school diploma are much less likely to report than those who have higher levels of education, at 54% and 70%, respectively.

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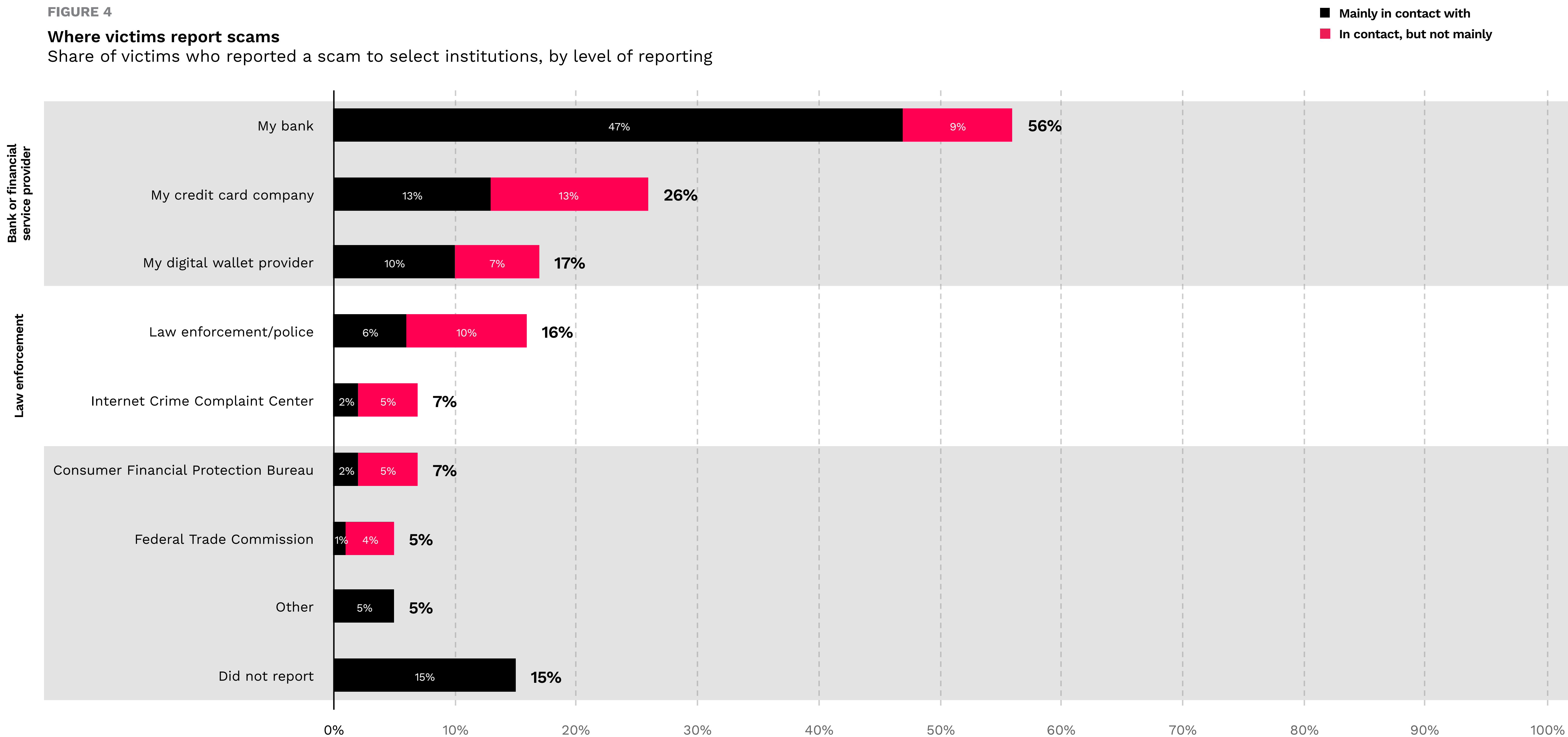
FIGURE 4

Where victims report scams

Share of victims who reported a scam to select institutions, by level of reporting



Source: PYMNTS Intelligence

The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024

N = 2,209: Respondents who experienced a financial loss as the result of a scam directly or within their household, fielded July 26, 2024 – Aug. 19, 2024

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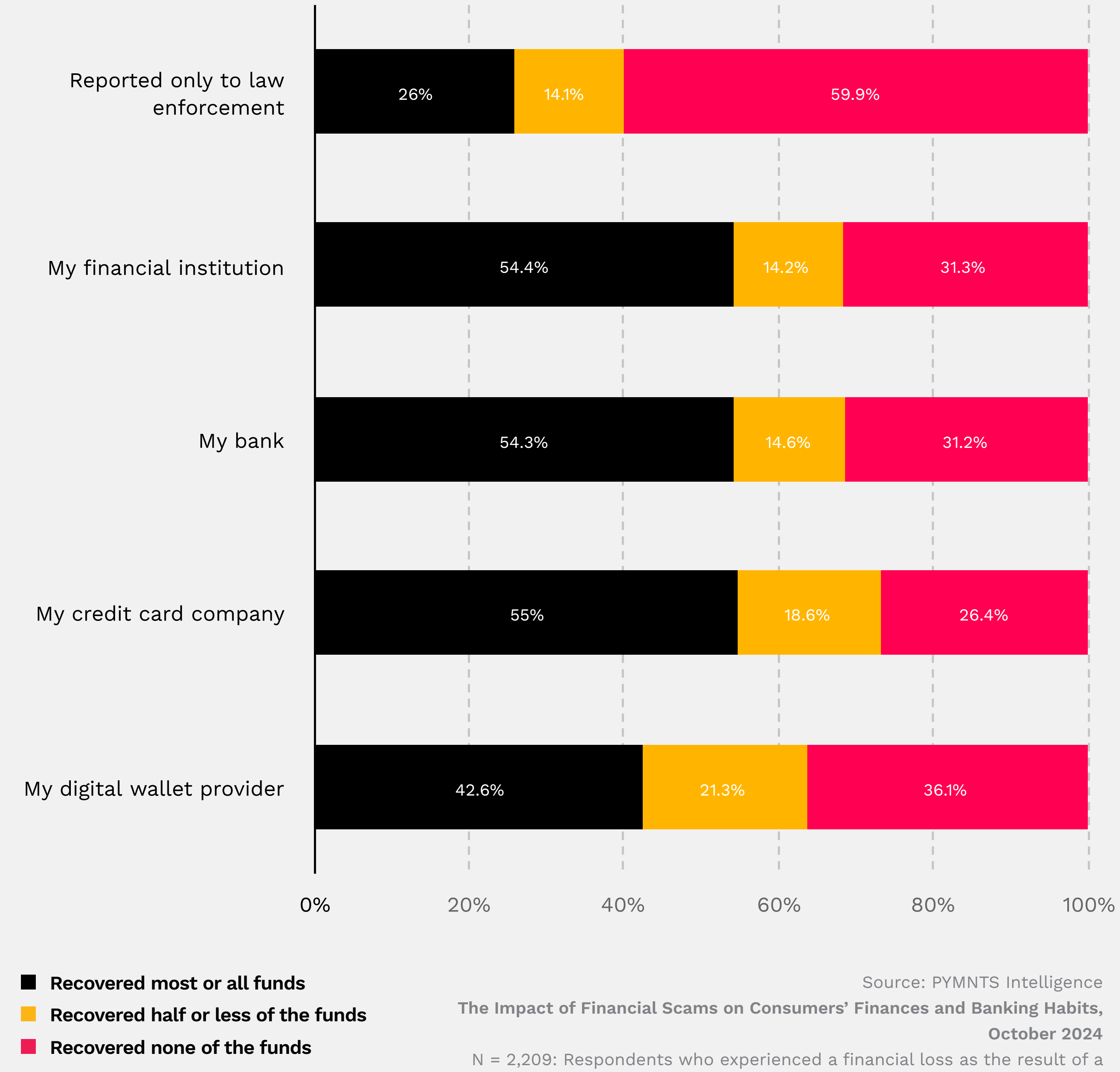
Consumers who report scams to their FIs have a much better chance of recovering funds than those who opt to report to law enforcement or not report at all. Credit card companies provide the greatest recovery rates, with 74% of consumers who report the crime recouping some of their lost funds — 55% regain most or all the scammed amounts. These cases likely involve a dispute and refund process, underscoring that the widely promoted benefit that credit card providers offer enhanced protection holds true.

Among those who report scams to their banks, 69% recovered part of their funds and 54% recovered most or all of their losses. Meanwhile, just 40% of victims who reported their scams only to law enforcement or a legal authority recouped anything, and 26% recovered more than half the amount. Overall, the data shows that FIs are the most reliable avenue for scammed consumers to get their funds back. That said, 31% of consumers who reported to their FIs recovered nothing, highlighting significant room for FIs to improve in protecting consumers and their trust.

FIGURE 5

Portion of funds recovered

Share of scam victims reporting select levels of funds recovered, by institution they reported the scam to



Source: PYMNTS Intelligence
The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024
N = 2,209: Respondents who experienced a financial loss as the result of a scam directly or within their households, fielded July 26, 2024 – Aug. 19, 2024

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More than half of scam victims considered switching banks afterward, and 30% of all victims actually did so.

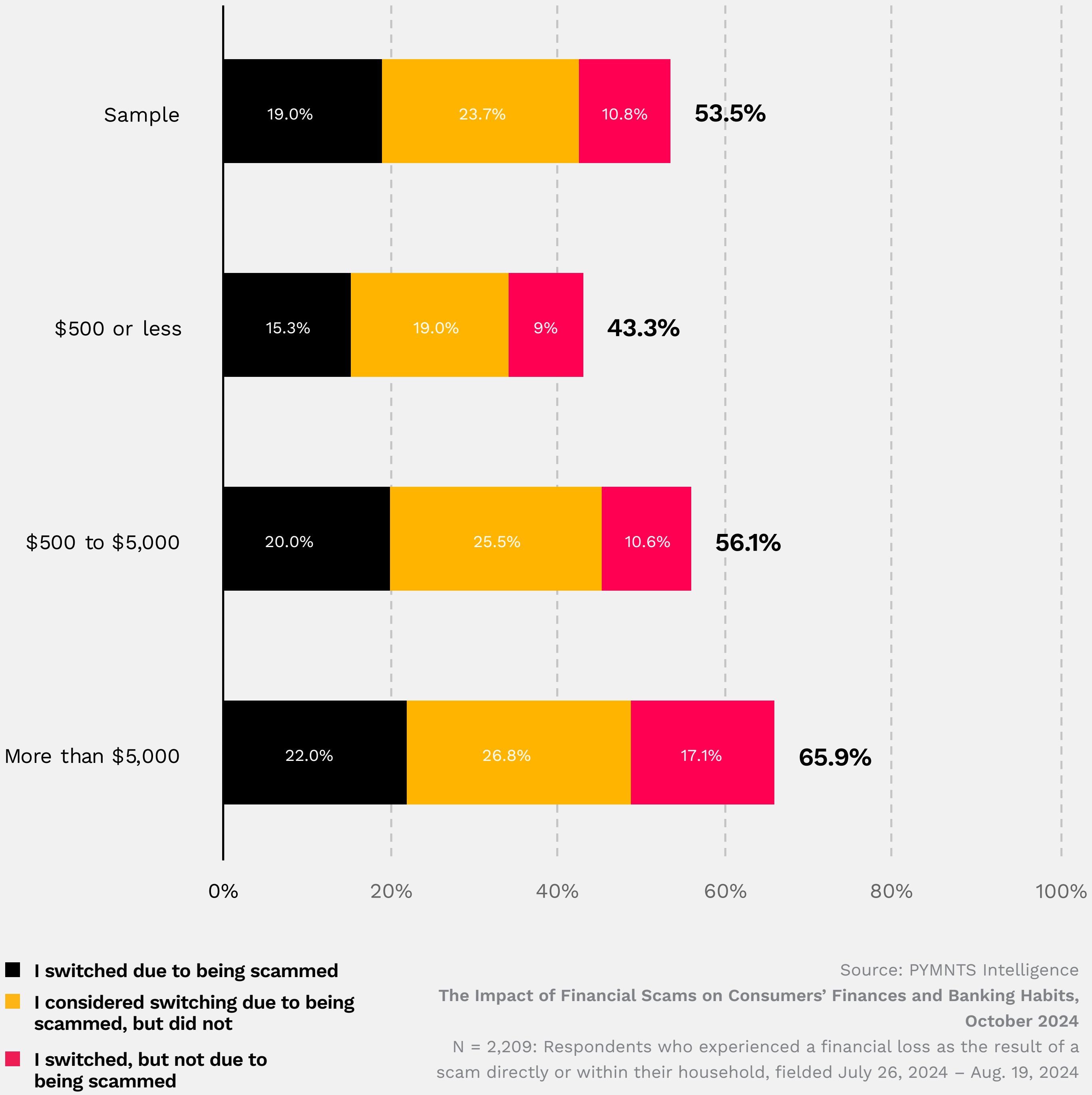
For FIs, the impact of scams on their customers directly impacts their bottom lines. This goes beyond the total losses they absorb in operational costs to make their customers whole.

Overall, 54% of scam victims considered switching FIs after being scammed, and 30% of all victims did so. Some consumers who switched said they did so for reasons unrelated to the scam. Nonetheless, the share of respondents who switch to a new FI increases with the amount lost. For example, 39% of victims who had more than $5,000 stolen switched FIs, including 22% who said this decision was expressly due to the scam.

FIGURE 6

Likelihood of switching FIs after a scam

Share of scam victims who switched or considered switching banks or financial service providers due to being scammed, by amount lost



Source: PYMNTS Intelligence
The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024
N = 2,209: Respondents who experienced a financial loss as the result of a scam directly or within their household, fielded July 26, 2024 – Aug. 19, 2024

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FRIEND OR FOE?

Financial institutions can thwart many scams simply by ensuring their customers know how to tell the difference between real and fake communications. Our study found that 60% of scammers posed as a trusted actor, including FI representatives, technical experts or service providers. Another 16% impersonated a law enforcement agent or similar authority figure. Scammers leverage human emotion and trust to exploit their target's vulnerabilities. While educating customers on safe communication practices and how to spot red flags of fraudulent activity is central for fraud prevention, technological detection systems add an additional layer of protection from the emotional manipulation scammers employ.

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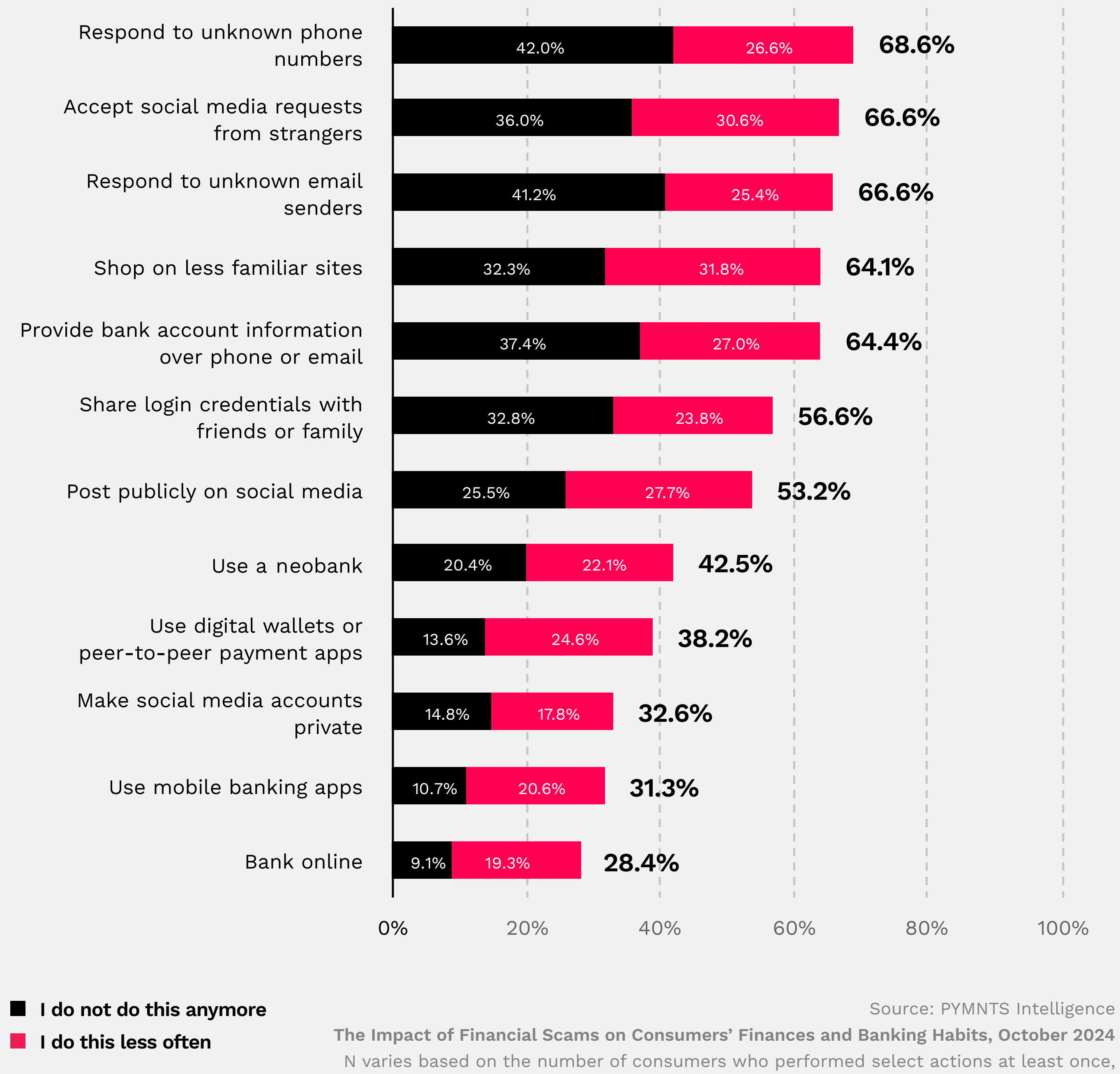
More than 4 in 5 scam victims grow more cautious because of the scam, and many struggle to get credit.

Scams cause damage far beyond financial losses. Victims respond in a range of ways to protect themselves and avoid the risk of being scammed again, often at the cost of inconvenience and even social isolation. Among those who previously engaged with calls, texts, emails and social media requests from unknown parties, the majority reduced these activities. Meanwhile, about 3 in 10 scam victims stop or reduce their use of mobile and online banking, with 11% going as far as to stop using mobile banking completely. Sizeable numbers of scam victims also drop their digital-only banking providers. For example, 20% of previous neobank users closed or abandoned their accounts. These changes are especially impactful for younger consumers, who tend to engage with mobile banking and neobanks more than older individuals.

FIGURE 7

Changes in behavior after a scam

Share of scam victims who stopped or reduced the frequency of select activities



Source: PYMNTS Intelligence

The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024

N varies based on the number of consumers who performed select actions at least once, fielded July 26, 2024 – Aug. 19, 2024

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Going through the experience of being scammed also fuels negativity and stress. Of the survey respondents, 65% of consumers blame themselves for becoming a scam victim, and 64% agree that scam victims are made to feel foolish. Being a scam victim often takes a psychological toll as well: 55% of respondents who were scammed say their mental health was affected. Consumers' financial management is impacted too. While 55% say they use credit cards more often to protect themselves, 42% report that accessing credit became more difficult for them after being scammed, likely due to difficulty in meeting required financial checks, such as credit scores, and being subject to additional checks because of fraud markers applied when a consumer is a victim of some scams.

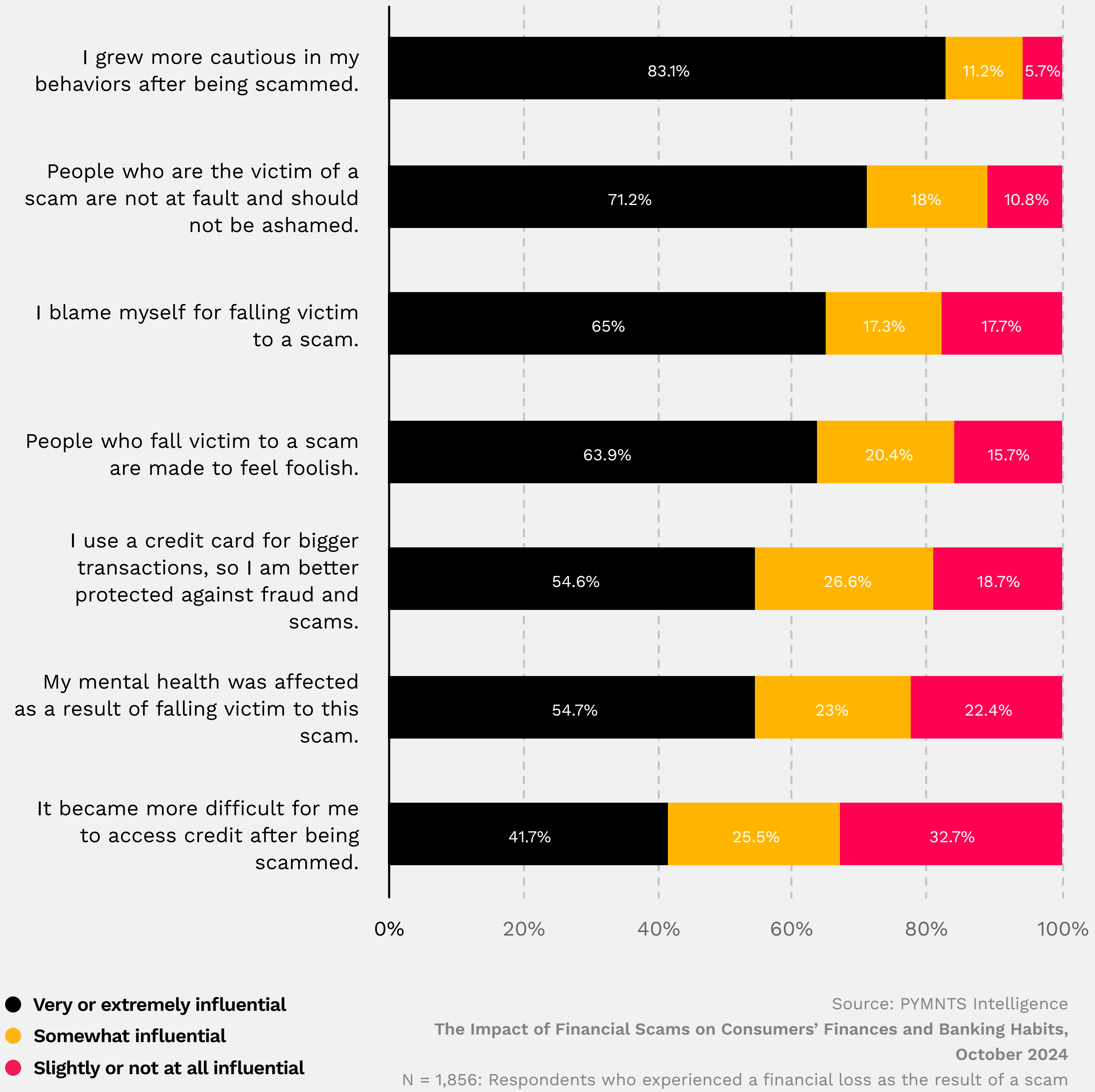
Internalize Blame

Our research finds that 71% of victims say those targeted by scammers should not be blamed, **yet 65% of victims blame themselves, illustrating blame is often internalized** even when outwardly denied.

FIGURE 8

Beyond financial harm

Share of scam victims agreeing or disagreeing with select statements



Source: PYMNTS Intelligence
The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024
N = 1,856: Respondents who experienced a financial loss as the result of a scam directly, fielded July 26, 2024 – Aug. 19, 2024

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DATA FOCUS

FIs can boost their appeal by leveraging real-time anti-fraud tools.

Most consumers think the best way FIs can protect them from scams is advanced detection and monitoring.

Consumers want to know that their FIs are taking the threat of scams seriously and implementing the right strategies to protect them. In fact, 59% of scam victims selected fraud detection and monitoring technologies as the most important safeguard, while 17% chose reporting and reimbursement measures and 14% chose authentication and security tools.

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59%

Share of scam victims citing **fraud detection and monitoring technologies** as the most important safeguard

Providing immediate alerts for potential scams tops the list, with 14% choosing this as their most-wanted measure and 45% as one of their desired features. Rapid responses to suspected fraud follows, with 11% choosing it as their number one safeguard and 40% as an important measure. Other key monitoring features include immediate alerts for account changes and real-time transaction monitoring.

FIGURE 9

Consumers' preferred anti-scam measures[3]
Share of scam victims citing the protective measures they most want their FI to adopt

Source: PYMNTS Intelligence
The Impact of Financial Scams on Consumers' Finances and Banking Habits, October 2024
N = 2,209: Respondents who experienced a financial loss as the result of a scam directly or within their household, fielded July 26, 2024 – Aug. 19, 2024

3 In this chart, we omitted respondents who answered with "other," totaling to 1.5% of responses.

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ACTIONABLE INSIGHTS

01

Financial scams are ubiquitous. They have inflicted financial damage on 3 in 10 consumers in the last five years. The median loss is enough to deplete many households' emergency funds and cause severe financial stress. Scammers often get away with a lot more — frequently more than $10,000 from a single victim. FIs need to understand the full scale of this critical problem and prioritize protecting their customers.

02

Consumers rely on their FIs for help. Although victims who turn to their FIs are more likely to receive most or all their funds back, many still receive little or nothing. Moreover, other victims never report they were scammed, leaving FIs without the full picture of how far scams reach and the extent of the damage they cause. This highlights a need for FIs to inform their customers about the reporting and resolution tools they provide.

03

Being scammed erodes institutional trust and drives consumers to rethink how they bank and protect their money. More than half of scam victims consider switching FIs, and 30% of all victims do. Fund recovery can often be "too little, too late" for customer retention and experience, and the amount ultimately recovered has little correlation with the likelihood of switching. This sends a clear message to FIs about the importance of investing in anti-scam strategies and customer education to stop scams in the first place and boost customer retention and experience.

04

Scams do more than just inflict financial harm on undeserving victims. Being scammed causes many victims to alter their behavior in ways that can be limiting to their social lives and financial health. Indeed, more than half of scam victims say that their mental health suffered as a result of the crime. FIs should keep this bigger picture in mind as they work to defend their customers from scammers.

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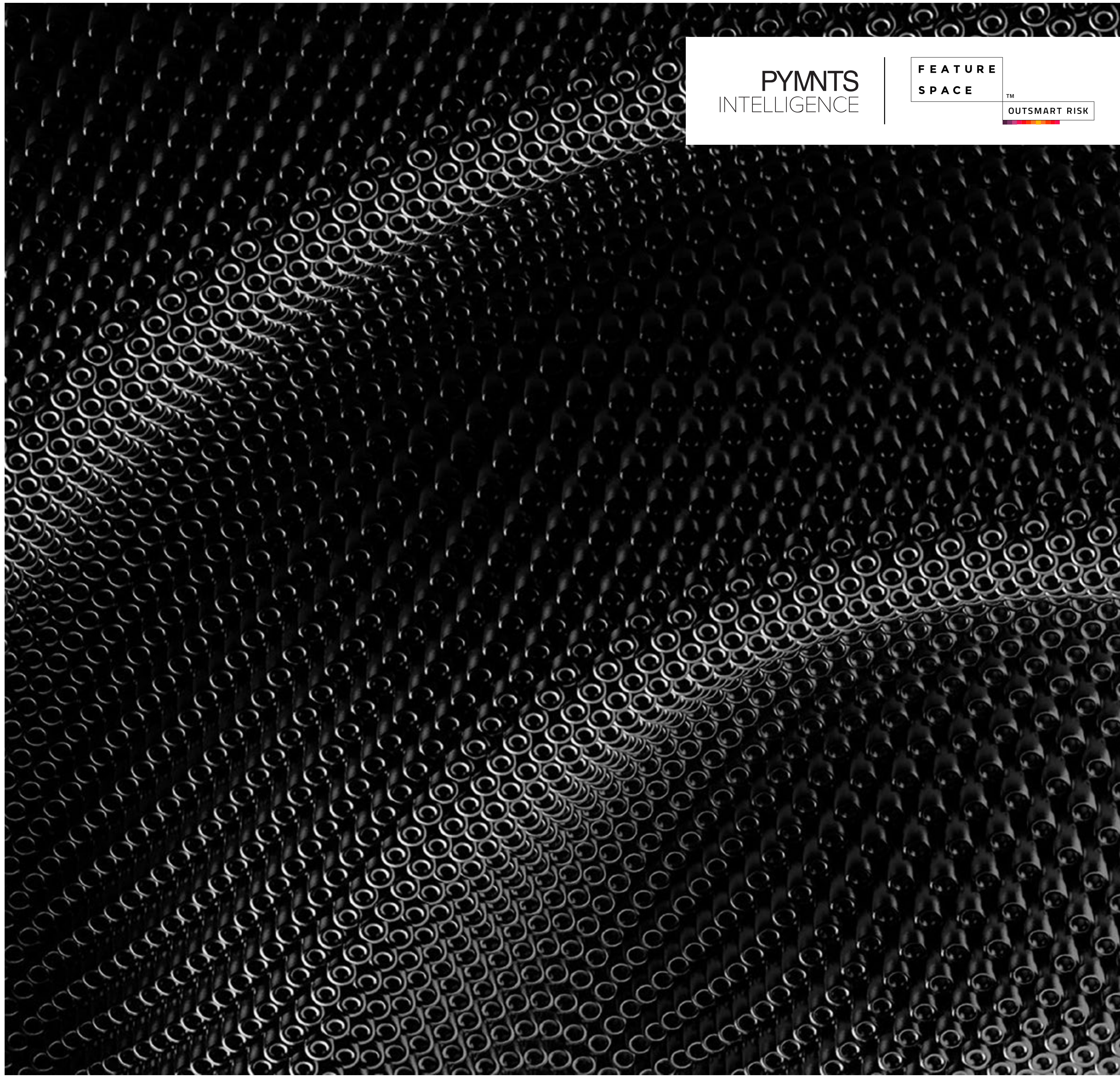

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October 2024 Report

METHODOLOGY

The Impact of Financial Scams on Consumers' Finances and Banking Habits, a PYMNTS Intelligence and Featurespace collaboration, is based on a survey of 10,103 consumers conducted from July 26 to Aug. 19. The report examines the impact of scams on consumers, how scams affect their views of FIs and banking and the critical role FIs play in protecting their customers. Our sample was balanced to match the U.S. adult population in a set of key demographic variables: 51% of respondents identified as female, 33% had a college degree, 38% earned more than $100,000 annually and 29% were millennials.

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ABOUT

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