



Mitigating liability for customer scam losses

EY Forensic & Integrity Services
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Part 4 of 4 in a series focusing on scam insights and points of view

The Federal Trade Commission said consumers reported a record \$12.5b in losses to fraud in 2024.¹ In response, Congress and the Consumer Financial Protection Bureau (CFPB) increased efforts to safeguard scam victims and push financial institutions to remediate customer losses. While the CFPB has recently shifted focus under new leadership, stopping several enforcement actions, some states have started to fill the void left by the sudden pullback of federal operations.

California has increased its oversight with the expansion of the Department of Financial Protection and Innovation, while Massachusetts has incorporated Reg-E into state law.² These state initiatives reflect a continued effort to protect customers given the more focused CFPB oversight role and to mirror similar measures abroad. In the United Kingdom, financial institutions are required to reimburse victims up to £85,000 within five days of reporting authorized push payment fraud, and partial scam reimbursement models have been established in the European Union and Asia.^{3,4} In light of these global trends toward institutional scam reimbursement and the change in the US, financial institutions have begun expanding their fraud reimbursement policies to showcase their commitment to customer protection.⁵ Ernst & Young LLP (EY) urges financial institutions to continue to enhance preventive and detective measures to reduce reputational, financial and legal risks.

[Part 3](#) of our scams series highlighted how a strong commitment to customer education serves as an essential preventive measure helping reduce customer losses, and how helping customers avoid scam losses ultimately minimizes reimbursement liability. Other preventive controls, such as enhanced authentication, strengthens security by limiting account access, while maintaining a fraud hotline streamlines the reporting process when customers encounter scammers. Financial institutions can conduct routine control assessments to detect areas of potential vulnerability and address concerns promptly. By maintaining a strong preventive control framework, institutions can reduce the fraud impacting their customers, limiting the risk of liability.

If scammers circumvent preventive controls, strong detective measures help mitigate a firm's liability if red flags are quickly identified and funds are preemptively frozen. Some examples include:

- Leveraging information from existing Know Your Customer data and customer interactions (e.g., calls and complaints) to update expected behavior
- Conducting outreach via previously established communication channels when customer transactions do not match normal spending patterns. Investigations can leverage existing anti-money laundering controls to verify activity
- Utilizing machine learning and predictive analytics to proactively identify scam typologies and flag inconsistencies before transferring funds
- Developing procedures to consistently identify red flags. Clear guidance fosters consistent decisioning when assessing remediation and mitigates legal risk for inconsistent reimbursement

Key takeaways

EY assists clients in identifying scam typologies, maintaining a dynamic preventive framework and utilizing historical data to alleviate financial losses. As international consumer protection continues to gain momentum, US federal efforts could resume at any point.² Efforts in 2024 to expand Reg-E to encompass “fraudulently induced transfers,” have stalled amidst the current regulatory climate however, 65% of anti-crime professionals anticipate fraud regulation changes within the next year.^{5,6} Therefore, it is crucial for institutions to continue to prioritize effective preventive and detective capabilities and be well-equipped to mitigate financial and legal liability.

1. Federal Trade Commission, Consumer Sentinel Network Data Book 2024 – Consumer Sentinel Network Data Book 2024.
2. Reg E’s Continued Importance During the CFPB Halt – <https://www.winston.com/en/blogs-and-podcasts/the-reg-e-reader/reg-es-continued-importance-during-the-cfpb-halt>.
3. “AFC Trends & Typologies: Fraud Prevention in the Age of Mandatory Reimbursement,” – <https://www.acams.org/en/training/webinars/afc-trends-typologies-fraud-prevention-in-the-age-of-mandatory-reimbursement>.
4. “Banks must refund fraud up to £85,000 in five days,” – <https://www.bbc.com/news/articles/cy94vz4zd7zo>.
5. Association of Certified Anti-Money Laundering Specialists’ (ACAMS), Fraud Insights for Financial Institutions – Fraud Insights for Financial Institutions | ACAMS Free eBook.
6. Association of Certified Anti-Money Laundering Specialists’ (ACAMS), Global AFC Threats Report 2025 – Global AFC Threats Report 2025 | ACAMS AFC Insights.

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Previous articles

[Part 1: How the rise in scams is driving regulatory action](#)

[Part 2: Why categorization is a key component of scam prevention](#)

[Part 3: Scam prevention: spotting red flags to mitigate losses](#)

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