
HOW WE PAY: CONSUMER CONCERNS WITH MOBILE FINANCIAL SERVICES

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TYPES OF SERVICES AVAILABLE

Merchant uses smartphone to swipe credit cards

Contactless credit card payments---wave that phone

Transfer among consumer's own accounts

Deposit checks

TYPES OF SERVICES AVAILABLE

P2P: Person to plumber

Bill paying via consumer's bank account

Bill paying via telecom, bypass banks

CONSUMER CONCERNS

- Security
- Privacy---sale of info by company & theft by hacker
- Viruses, system breakdown
- Typing mistakes
- Unauthorized & erroneous transfers
- Transfers consumers attempt that do not reach intended payee

CONSUMER CONCERNS

- Need for paper documentation
- FDIC insurance if prepaid deposit
- Cost, including hidden fees, text message fees
- Billing errors:
 - By bank
 - By seller
 - By telecom

CONSUMER CONCERNS

- Power of telecom
 - Bundling of services
 - Long-term contracts, high termination fees
 - Past experience---cramming
 - Use of third-party payment processors
 - Debt collection---pay disputed charge or lose all phone service with that telecom

LODGING COMPLAINTS

- What caused the problem & who is responsible?
- Hardware defect---manufacturer or seller
- Software defect---bank or company supplying software or software developer
- Transmission defect---carriers of electronic message

LODGING COMPLAINTS

- Bank error---consumer's bank or payee's bank
- Security breaches & privacy invasions---likely impossible to identify responsible party

LEGAL REDRESS LIMITATIONS

- Mandatory pre-dispute arbitration---arbitrator not required to follow the law, no access to court
- Legally required error resolution---only if bank dispute involving electronic fund transfer or credit card dispute

LEGAL REDRESS

- What law applies?
 - Sale of goods---UCC does not protect consumers: allows disclaimers, limits on remedies
 - Provision of financial services---who regulates prepaid deposits in PayPal accounts?
 - License of software---contract law, consumers don't write the contracts
 - Dispute with telecom---contract law

LEGAL REDRESS

- Security & privacy---encryption, multifactor authentication not required
- Typing mistakes---UETA inadequate

CONSUMERS NEED LEGAL PROTECTION

- Model Law: EFTA & Reg. E
- Law should regulate all consumer concerns
- One agency should regulate all consumer aspects---CFPB
- One-stop place for consumer's complaints--- financial institution or telecom if charged to phone bill

LEGAL PROTECTION

- Alternative to litigation---mandatory error resolution and recredit
- Meaningful judicial relief
 - Prohibit mandatory pre-dispute arbitration
 - Private right of action & atty fees