



» 2021 Fraud Report

Why consumers
feel more exposed
to fraud in a
post-COVID-19
world.

Introduction

In February 2020, Marqeta undertook our first ever consumer survey into the impact of and attitudes towards payment fraud.

Little did we know we were taking the consumer pulse on fraud just weeks before we would all be forced to take shelter in our homes from a global pandemic. Shelter-in-place orders made our lives infinitely more digital and exposed new consumer vulnerabilities to fraud as we were forced to bank, shop, eat, and buy online, in numbers that no one could have previously anticipated.

In March 2021 we surveyed 1,000 U.S. and 1,000 U.K. consumers to mark the culmination of a year of pandemic living and see how our increasingly digital lives had changed our collective attitude toward payment fraud. The threat of fraud online and rising consumer complaints were constant topics throughout the past 12 months. And our survey showed that this had worn on consumers, in predictable and less predictable ways.



When compared with Marqeta's 2020 Fraud Report findings, consumers were attacked on all sides by payment fraud in increasing numbers:

Twenty percent more consumers surveyed reported having their card information stolen and used to make fraudulent payments, 60% more consumers surveyed reported having a card stolen and used improperly, and more than twice as many consumers surveyed reported having had a card fraudulently opened in their name with stolen information.

And even if we weren't falling victim directly, we were definitely paying attention to how many people were trying to take advantage of us. Nearly half (45%) of people surveyed said that they'd received a COVID-19-related phishing attempt for their payment details, be it someone posing as the World Health Organization (WHO) or another medical organization, or offering access to testing and vaccines.

It made us anxious: 79% of people surveyed said they increased how much they shopped online in 2020, two-thirds said they felt more at risk because of it, and almost as many expressed being actively concerned about falling victim. But we're still not as good at protecting our card information as we should be, and we still don't notice fast enough when our cards go missing, or cancel them quickly enough when we do.

More consumers this year reported viewing fraud as an inconvenience and fewer expressed fear about ending up out of pocket. While fraud rose, more consumers reported that the fraud attempts themselves were for smaller amounts of money. Subsequently, consumers surveyed by Marqeta in 2021 were 20% more likely than in 2020 to say that the risk of fraud was a fair trade-off for the convenience of more seamless digital transactions.

Consumers surveyed by Marqeta reported being increasingly nervous, but also casual in the face of growing risks of payment fraud. It's 2020-2021 we're talking about. Not everything has to make sense.



Key stats

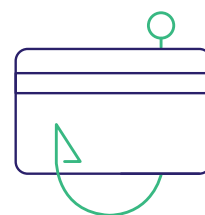


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1 | COVID-19 brought payment fraud into the prime time

The global COVID-19 pandemic kept entire nations of people housebound for months, with the digital economy their major lifeline to the outside world. It was good news for fraudsters, with people spending less time in crowds and more time tethered to devices. Scammers had a broader brush of anxieties and panics to draw upon in 2020, leading to a proliferation of fake vaccine offers, fake COVID-19 health updates, fake websites, and misinformation to lure in unsuspecting consumers. Phishing scams are attempts made via social media, email, text, and telephone to get people to download malware or hand over sensitive information. According to the FBI's **2020 Internet Crime Report**, reports of phishing scams were up 110% year-over-year in 2020. Nearly half (45%) of people surveyed said that they'd received a phishing attempt that was COVID-19 related.

Marqeta's survey shows just how many people this type of phishing activity has touched over the past year. More than four out of ten consumers surveyed in the U.S. and U.K. (43%) said that they had been targeted directly in the last 12 months by phishing scams or attempts to get their payment details. The majority of consumers surveyed (56%) said that they had noticed more phishing attempts to get their payment details than in recent years.

Almost four out of five consumers (79%) surveyed by Marqeta said they shop online more than they did before the pandemic.

Being online in much greater numbers felt new and not entirely comfortable. Relying on digital payments and online shopping in large numbers left consumers feeling increasingly exposed. An increase in fraud attempts during this same time led to an increase in fraud coverage and a preponderance of scary headlines. Two-thirds of consumers surveyed (67%) said they think shopping online more during COVID-19 put them at higher risk for fraud, while roughly the same amount (65%) said they felt more concerned about payment fraud since COVID-19.

Key stats

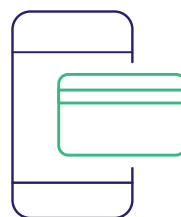
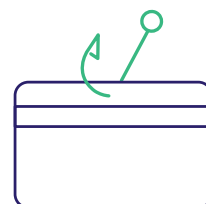


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2 | Through COVID-19 our anxiety about payment fraud was justified

A year of ordering food on our phones and shopping online made us feel like we were more at risk of falling victim to fraud than ever before. And that fear wasn't entirely unjustified:



37%

of people surveyed by Marqeta said they'd had their debit information stolen in the past and used to make a fraudulent purchase, a 20% increase from the number of people who said the same last year (31%).



26%

of people surveyed by Marqeta reported having a card stolen and used to make a fraudulent purchase, up 60% from the number of people who said the same last year (23%).



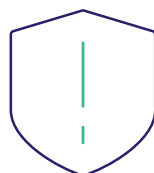
20%

of people surveyed by Marqeta reported having their personal information stolen and a card opened up in their name, a 122% increase from the number of people who said the same last year (9%).

However, the number of people surveyed who reported having been victims of payment fraud within the last 12 months increased by 20% (from 20% in 2020, to 24% in 2021). Added to this, there was an uptick in consumers who reported being repeat victims of fraud, with 52% of people surveyed reporting being victimized more than once, up from 48% in 2020.

Surprisingly, the most vulnerable age group to fraud during the pandemic was young people, the same group who is presumed to be more digitally savvy and tuned in to online risk. Almost one-third (31%) of 18-34 year-olds surveyed in the U.S. and U.K. reported falling victim to fraud in the last 12 months, an almost 20% increase on the previous year. Of this group, 62% said they'd fallen victim to fraud for the first time in the last 12 months. Respondents aged 18-34 were more than 75% more likely to report being victims of payment fraud during the COVID-19 pandemic than respondents aged 50-65.

Key stats



20%

increase in the amount of people who said that they had fallen victim to payment fraud in the last 12 months.

31%

of 18-34 year-olds in the US and UK reported falling victim to fraud in the last 12 months.

3 | Consumers were naturally worried, but casual about protecting themselves.

Fraudsters were trying harder than ever throughout the pandemic to exploit our vulnerabilities, but if consumers were spared from a larger spike in fraud, it wasn't because we were adopting better habits en masse.

Fifty-seven percent of consumers surveyed said that they could be better at protecting their payment information, an identical amount to 2020. More than one in four (29%) said that they lose one of their cards at least yearly, a 64% increase from those who said the same last year.

Consumers were marginally more vigilant than last year in noticing a missing card and taking action: 63% of people surveyed said they noticed

immediately when a card went missing (up from 58% last year) and 81% said they canceled within an hour (up from 75% last year).

This could be motivated by a few things. Consumers surveyed by Marqeta reported losing less money to fraud in the last 12 months, even if it was a more common occurrence: this year's survey respondents were 49% more likely to report having lost less than \$100 and 44% less likely to report more than \$500. People surveyed this year were more likely to describe payment fraud as an inconvenience (35% in 2021, up from 28% 2020), rather than something that was going to leave them out of pocket.

Key stats



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4 | Financial institutions are gaining trust, but consumer anxiety is a drag on adopting new technologies.

Approaching the light at the end of the tunnel where payment fraud and phishing scams were more prevalent than ever, consumers surveyed expressed a growing trust in their banks.

Sixty-three percent of consumers surveyed by Marqeta said they were concerned by their bank's ability to detect fraudulent activity.

While this on its own isn't great, it was a 26% decrease from 2020, when 85% expressed concern about their bank's fraud detection capacity.

Consumers surveyed by Marqeta still expressed a strong desire for more from their banks. More than three-quarters of consumers surveyed (77%) in 2021 said they think their banks should be able to more accurately predict fraud (up from 70% in 2020). But hearteningly, banks were trusting technology more to resolve fraud for them. Consumers surveyed were still exponentially more likely to call a customer service line to report fraud than open up their banking app, but the gap is decreasing. Almost one-quarter of consumers surveyed (23%) who reported being impacted by fraud said they used their bank's app to report fraud, up from 16% in 2020. Half of consumers surveyed who reported being impacted by fraud said they called to report fraud to a human person, down from 57% last year.



It's a situation of two steps forward, one step back when consumer anxiety is involved. More people surveyed by Marqeta in 2021 (58% compared to 54% last year) said the risk of fraud made them less likely to try out new forms of payment. Which might seem like a sensible form of self-protection, until you remember that 56% of people surveyed said they think using a mobile wallet puts them at higher risk of fraud: Card tokenization actually protects their sensitive data by replacing it with secure, surrogate data and doesn't expose their account numbers.

The rise of the digital economy has created new avenues for fraudsters, but something digital isn't inherently more dangerous.

Key stats



58%

of people surveyed said that the risk of fraud made them less likely to try out new forms of payment.

2x

More people said they call their bank's customer service helpline to report fraud than use their bank's app



Conclusion

Consumers are realistic about fraud risk, but don't think it should be an inevitable cost.

For a second year, consumers surveyed by Marqeta expressed a cautious and clear-eyed realism about fraud.

They weren't shifting blame: 57% of consumers surveyed by Marqeta said that it was their responsibility — not their banks' — to protect themselves against fraud, a marginal increase from 2020, where 54% said the same. Nor were they looking for a silver bullet that could be seamless and instant and completely safe. The overwhelming majority (83%) of consumers surveyed said they were OK with online transactions taking longer to complete with extra steps to help ensure better security.

The COVID-19 pandemic forced people to move from a physical to a largely digital economy for their own safety overnight.

It made us all much more stationary targets. Given the convenience of our digital lives which allowed us to shop, eat, and live comfortably from our homes while waiting out the worst, a growing number of consumers saw the risk of fraud as a fair trade-off for the convenience. Thirty-eight percent of people surveyed said this trade-off was fair, up 23% from our 2020 survey. But if consumers see the risk as fair, they don't see the cost as acceptable. The majority of consumers surveyed (57%) said they do not think fraud should be a cost of living in an increasingly digital economy.

Which puts financial services providers on notice: Consumers understand that different times come with new risks, but aren't willing to carry the cost.

About Marqeta

Marqeta is the modern card issuing platform empowering builders to bring the most innovative products to the world. Marqeta provides developers advanced infrastructure and tools for building highly configurable payment cards. With its open APIs, the Marqeta platform is designed for businesses who want to easily build tailored payment solutions to create best-in-class experiences and power new modes of money movement. Marqeta is headquartered in Oakland, California.