BETTER MARKETS

BANKING

FACT SHEET

FDIC Unleashing Scammers to Mislead and Rip Off Bank Customers' Money with Proposed Rule

Shayna Olesiuk | *Director of Banking Policy*

August 20, 2025

Tens of millions—if not hundreds of millions—of dollars are being lost by bank customers who were led to believe that their money was insured by the FDIC when it was not. For example, in just one case involving a fintech company called Synapse, customers are still missing $60 million to $90 million that they thought would be protected by FDIC insurance, but it was not. Unfortunately, there are already too many examples of companies misleading customers by deceptively suggesting their money will be protected by FDIC insurance, as we have detailed here.

The FDIC is supposed to take swift and strong action to prevent this type of consumer harm and to protect the integrity of the universally recognized protection of FDIC insurance. That has been the case for nearly 100 years:

- The FDIC has been the gold standard for protecting depositors' savings, the banking industry, and the economy from crashes and other catastrophes.
- The "FDIC Insured" sign is immediately recognized by all Americans as a guarantee of trust, confidence, and protection.
- You could literally take the FDIC promise to protect bank customers' money to the bank, knowing your money was protected and insured.

Not anymore.

The FDIC's latest deregulatory proposal undermines its gold standard, reputation, and integrity with weaker rules that will make it harder to stop fraudsters and others from misleadingly, if not falsely claiming or suggesting, that money is protected by FDIC insurance. As digital platforms, such as websites and mobile devices, and automated teller machines (ATMs) proliferate, so do such false and misleading claims designed to trick people into believing their money is protected by the FDIC when it is not. Shockingly, this proposal to weaken these protections effectively kills a strong depositor protection rule enacted by the FDIC in December 2020 to prevent such abuses.

Rather than protecting depositors, banks and its own reputation, the FDIC is now green-lighting scammers and fraudsters by failing to hold banks accountable for implementing the most basic and necessary consumer protection rules. The new proposal stacks the deck against consumers with additional changes that will incentivize scammers to take advantage of the rule, which will enable them to take advantage of unsuspecting depositors and others.

That's just wrong. The gold standard of the promise "FDIC Insured" has to be protected because all Americans deserve to know when their money will be protected and when it will not. The FDIC's proposal will irresponsibly undermine that gold standard and leave bank customers at the mercy of scammers who will enrich themselves by misleadingly claiming FDIC insurance.

What Would the Proposed Rule Do?

The proposed rule would make signs of FDIC insurance less visible where they are needed most—when consumers are interacting with their bank, and increase the likelihood that consumers will be confused or misled about FDIC insurance for their money, including:

- **FDIC sign appearance:** Banks would have flexibility for things such as the color, font, and size of the FDIC sign. One of the hallmarks of the FDIC sign is that it is immediately recognizable; this change threatens that recognition and prioritizes the banks' marketing goals or website design over clarity for consumers.

- **Usage of the FDIC sign online:** Banks would only be required to display the FDIC sign in a few places—the homepage, account login page, and customer deposit screens.

- **Usage of the FDIC sign at ATMs:** Banks would only be required to display the FDIC sign on the initial screen of an ATM or similar device, at the point when a customer inserts a debit card or credentials.

Signs Indicating When Customers' Money Is Not Protected By Deposit Insurance

The FDIC's proposal rightly recognized the increasingly dangerous threat that **uninsured fintech and crypto companies** are to Americans seeking a safe place for their money. The proposed rule says that banks would be required to display a notification for customers accessing third-party non-deposit products provided by or associated with the bank to explain that these products are **not covered by FDIC deposit insurance and may lose value**.

While this is an improvement from the current rules, which don't even require such notice, **the proposal falls far short of what is needed to protect customers.** This is because the message for uninsured products would only be displayed once and would be in a format that customers could easily dismiss and ignore. This is simply insufficient for a known risk.

What Are the Costs?

The FDIC's assessment of costs is unapologetically one-sided, focusing on costs to banks related to implementing changes to their signs and digital platforms. The proposal claims that banks would realize $10 million in cost savings from new limits on required signs.

Importantly, though, the costs to consumers who are misled are conspicuously ignored. As noted earlier, customers are still missing $60 million to $90 million from the now-bankrupt fintech Synapse—***just one company*** that customers believed would provide FDIC protection for their money.

However, the real cost here is unquantifiable but immeasurably important: the faith, trust, and confidence of literally hundreds of millions of Americans who today have 100% confidence in the FDIC and the guarantee "FDIC insured." Undermining that gold standard—100 years in the making— is the real cost here, and it's not just to the FDIC: all Americans will lose and pay the price for the FDIC failing to fulfill its most important mission: protecting customers and depositors.

Better Banks | Better Businesses
Better Jobs | Better Economic Growth
Better Lives | Better Communities

Better Markets is a public interest 501(c)(3) non-profit based in Washington, DC that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living.

Better Markets fights for the economic security, opportunity, and prosperity of the American people by working to enact financial reform, to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.

By being a counterweight to Wall Street's biggest financial firms through the policymaking and rulemaking process, Better Markets is supporting pragmatic rules and a strong banking and financial system that enables stability, growth, and broad-based prosperity. Better Markets also fights to refocus finance on the real economy, empower the buyside and protect investors and consumers.

For press inquiries, please contact us at press@bettermarkets.com or (202) 618-6430.

SUBSCRIBE to Our Monthly Newsletter

FOLLOW US ON SOCIAL

2000 Pennsylvania Avenue NW | Suite 4008 | Washington, DC 20006 | 202-618-6464 | www.bettermarkets.org