AMERICAN ECONOMIC LIBERTIES PROJECT

Fact Sheet: Why Big Tech Has an Interest in Shuttering the CFPB

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Less than one month into the second Trump Presidency, the administration has effectively shut down the Consumer Financial Protection Bureau (CFPB), which is the bank regulator charged with policing the financial sector for unsafe consumer products.

Since its inception after the Great Financial Crisis, financial institutions have articulated broad opposition to the Consumer Financial Protection Bureau, largely in response to the CFPB's attempts to constrain the excesses of their business models.

Over the last four years, large technology firms have joined this chorus. Economic Liberties has prepared this document to explain why Silicon Valley is now interested in banking.

Big Tech's Big Push For a WeChat Equivalent

What Is WeChat?

WeChat is China's 'app for everything'. Originally created by Tencent to send messages, the app has evolved in size and function. Now, users can send messages, make video calls, play games, read the news, and browse social media on the app. It also facilitates digital payments, allowing users to make purchases – such as ordering food and transportation delivery, in store groceries, and paying bills – or even sell products.

Today, WeChat is a large ecosystem that is "indispensable," with nearly everyone in China using it. As of 2024, there were over 1.3 billion monthly users worldwide, making it one of the largest social media companies in the world. The company makes money in a variety of ways, but offering digital payments has been central to the company's success. This model has proved to be lucrative for Tencent, as WeChat brought in over $16 billion in revenue by 2023.

WeChat's success is in large part due to regulatory, technological, and cultural factors. First, there are virtually no competitors, and there are different privacy restrictions. WeChat and smartphone usage in China grew at the same time, and the majority of people access the internet and make payments on their phone. Finally, most people in China do not use email, while credit card use is extremely rare.

Why Super Apps?

Big Tech firms in the U.S. – including X, Meta, Microsoft, Uber, Spotify, Block, and Snapchat – have been speaking about creating a 'super app' for years. With the ultimate goal of maintaining growth and profits, tech firms want to offer more features to "maximiz[ing] [] user" engagement.

To do this, firms have acquired companies to expand their products and dominance, added new features, and partnered with other businesses to offer new services. Firms have also changed their business strategy, no longer only selling advertising directly, but also keeping users on the platforms to collect their data for targeted advertising and offer in-platform purchases. Notably, many of these tech companies wish to expand into digital payments.

What About the CFPB?

The financial industry has long pushed back against the agency's work. Now, Big Tech companies join the fight, as the CFPB's authority and willingness to use it creates necessary regulatory obstacles that stand in their way of a super app. Afterall, "[f]intech is part of most super apps' operations or aspirations," and digital payments have been central to WeChat's success.

While the CFPB has always had enforcement authority over these technology firms, one rule in particular that was set to go into effect last month would give the CFPB authority to conduct proactive examinations to "ensure companies are complying with the law" – like any other bank, financial institution, or retailer offering consumer payment services. Not only would this ensure the market is fair, transparent, and competitive, but the agency would prevent harm by detecting problems early on, and allow the agency to assess risks that may escalate quickly.

The Trump administration shutting down the agency – and specifically prohibiting employees from designating any "nondepository institution for supervision" – will allow Big Tech firms to have one less regulatory obstacle in their way and an unfair advantage over their competitors, leave consumers unprotected, and create financial instability.