



Advisory Statement:

Use of Fintech Accounts for Direct Deposit

As your trusted payroll processing partner, we are committed to helping you deliver **timely, secure, and reliable pay** to your employees. With the rise of **fintech-based accounts** (e.g., digital-only banks, prepaid debit cards, app-based financial services), we want to issue a formal **advisory regarding the risks and limitations associated with using these accounts for direct deposit.**

Our Recommendation

We **strongly recommend** that all direct deposit accounts used for payroll purposes be established with **traditional FDIC- or NCUA-insured financial institutions** — i.e., **established banks or credit unions.**

Why Fintech Accounts Can Be Problematic

While many fintech platforms offer convenience, there are increasing issues and risks that impact payroll processing:

1. Regulatory Limitations

Many fintech providers are **not full-service banks** and may operate under limited regulatory oversight or use third-party intermediaries for account services. This can result in:

- Delays in deposit processing
- Inability to trace or reverse transactions
- Unclear or inconsistent compliance procedures

2. Delayed or Rejected Deposits

We have observed a **higher rate of rejected or delayed deposits** into fintech and app-based accounts due to:

- Account number mismatches
- Closed or frozen accounts

- Intermediary processing delays

These issues can result in employees **not receiving pay on time**, triggering employee dissatisfaction and even **wage violation risks** for employers.

3. Limited or Nonexistent Customer Support

Traditional banks typically offer robust support, whereas many fintech providers:

- Rely on **automated or slow-response systems**
- Have **no phone support** or escalation path
- Make it difficult to resolve urgent account issues

This becomes especially problematic when:

- An employee's deposit is misrouted or lost
- Fraud is suspected
- A deposit needs to be stopped or recovered

4. Account Stability & Fraud Risk

Fintech platforms may be more susceptible to:

- **Account freezes with no notice**
- **Hacked or compromised accounts**
- **Third-party fraud involving synthetic identities or unverified users**

Once payroll funds are deposited into a fraudulent or compromised account, **they are often unrecoverable**.

5. Lack of Employer Control

Unlike with traditional banks, employers typically **cannot confirm** or verify fintech account ownership, increasing the risk of:

- Fraudulent account setup by employees or bad actors
- Misdirected payments
- HR/payroll liability

Protecting Your Business & Your Employees

To ensure the best experience and reduce risk:

Require employees to provide account information from:

- A U.S.-based **FDIC- or NCUA-insured** financial institution
- A traditional bank or credit union with verified account ownership

Avoid accepting:

- Prepaid debit card numbers
- Digital wallet addresses
- App-based or third-party “pseudo bank” routing/account numbers

Confirm any account changes in writing and verbally — never rely solely on email.

Final Reminder

Our goal is to help you maintain:

- Smooth payroll processing
- Timely and accurate deposits
- Compliance with labor laws
- Protection against fraud and financial loss

Using traditional, regulated financial institutions is one of the most effective ways to support that goal.

If your employees are considering fintech accounts, please encourage them to maintain a secondary or primary account with an established institution for payroll deposits.

Questions or Need Guidance?

We're here to help with any account setup or transition concerns.

Thank you for trusting PayServ Payroll Solutions to serve your payroll needs.

