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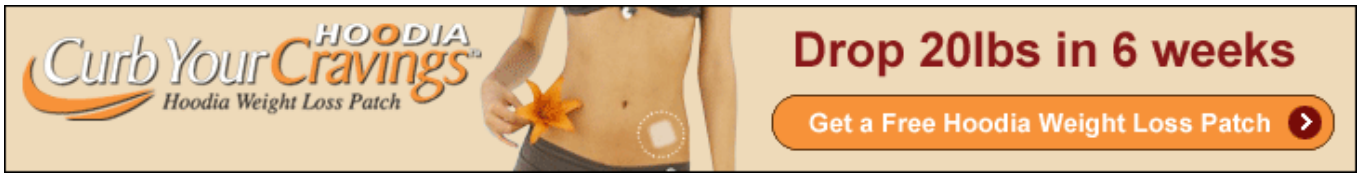

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Cellphones becoming pocket-size banks

Posted 2/13/2007 10:10 PM ET

By Kathy Chu and Christine Dugas, USA TODAY

People already use their cellphones to surf the Web, take photos and text message — besides making calls. Now, a growing number of banks are also letting them pay bills and transfer money through their cellphones.

In December, Wachovia, the nation's fourth-largest bank, began allowing more than 4 million online-banking customers to view account information and transfer funds via cellphone. The two largest banks, Bank of America and Citigroup, will soon unveil similar services — with the further ability to pay bills by cellphone. BofA said Tuesday that it will offer cellphone banking next month to customers in one state, Tennessee, and to other customers nationwide by midyear.

These rollouts mark the industry's first widespread launch of cellphone banking. In the late '90s, Bank of America and others tested the technology with a small number of consumers. But it never caught on. Banks are betting this time will be different, since most consumers now carry cellphones, many of them Web-enabled.

Some analysts agree. "It's not a matter of if, but when, this catches on," says Bob Egan of TowerGroup. "What the iPod did for electronic music will pale by comparison with what mobile phones will do for money transactions."

Mark DeSario, who works in New York City for a financial services firm, says he often travels overseas and would find it convenient to be able to use his cellphone to pay bills and transfer funds among accounts.

Not everyone, though, will want to pay bills by cellphone, predicts James Van Dyke of Javelin Strategy & Research, because it's more complex and often requires having bills on hand — unlike checking balances or transferring money.

Each bank's system works differently. Bank of America customers must register for mobile banking before using it; Citi's customers will need to download a program. Wachovia says its online-banking customers can currently access bank accounts through a Web-enabled cellphone with the Windows Mobile 5 program.

Some consumer advocates worry about the security of banking by cellphone. Beth Givens of the Privacy Rights Clearinghouse says people should confirm with their bank that "enough security features are built into the financial institution's interface" and even then, "exercise great caution" when using the technology.

Banks say customers generally won't be liable for fraud from cellphone banking. Yet those who claim to be victims of fraud will still bear the "burden of proof," Egan says. He also warns that as mobile banking takes off, "cellphones will be the new targets for thieves."

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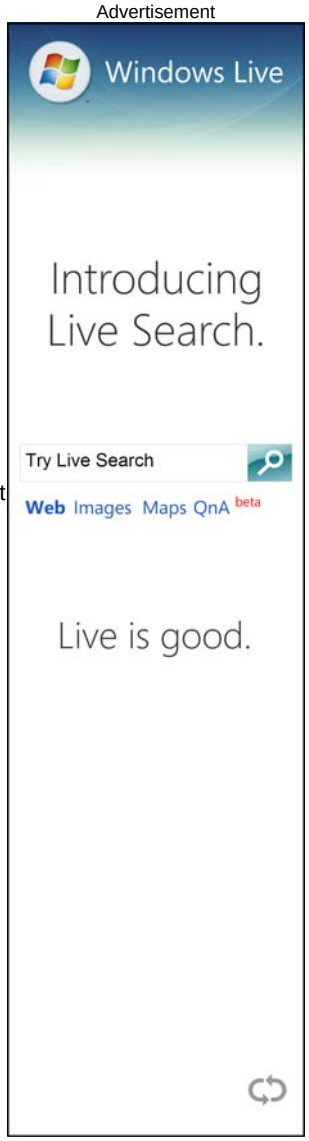

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