



## When the going gets tough, Zelle gets going

by Andrew Thompson

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### What happened?

Zelle, a payments app developed for domestic use inside the United States, has had wide and unexpected success in the crisis-torn Venezuelan economy.

### The details

The app was designed by Early Warning Services, an Arizona-based company owned by JP Morgan and Bank of America. It allows customers with US bank accounts to make contactless, almost instant payments by mobile phone. Like other similar apps in the US and developed markets it has been highly successful. In September alone it handled transactions in the US worth US\$217bn. What no-one seems to have predicted is that Zelle would be wildly successful in Venezuela, a market it never planned to target. Fascinating articles by [Bloomberg](#) and the [Caracas Chronicles](#) go some way to explaining why. Venezuela is suffering hyperinflation, recession, a pandemic, and almost total loss of confidence in the Bolivar, the near-worthless national currency. With the government now tolerating defacto dollarisation, Zelle and some other apps have emerged as reliable means of payment.



Zelle is only available to customers with a US bank account, but because of the wide diaspora many Venezuelans do have family members with such accounts. According to consultancy Ecoanalítica, at least 8% of adult Venezuelans have foreign bank accounts, to which must be added the accounts held by up to 5mn expatriates. 60% of retail transactions in Venezuela are now conducted in dollars, and in Caracas, 17% of them are made through Zelle. Although the US has imposed sanctions on the Venezuelan government and on named government officials, it does not block dollar transactions made by private citizens. Zelle is now used for all sorts of things from buying groceries to acquiring medicines. Many Caracas shops have Zelle-dedicated phone lines to confirm transactions have been completed.

Opposition leader Juan Guaidó, who is recognised by the US and over 50 other countries as the legitimate interim president, even used another similar app, Mexico-based e-wallet service Airtm, to pay three US\$100 monthly “bonuses” to 62,000 COVID-19 health workers, an operation totalling nearly US\$19mn, using funds seized by the US Office of Foreign Assets Control (OFAC). The government of president Nicolás Maduro tried to block Airtm’s IP address to frustrate the operation but Ruben Galindo, an Airtm co-founder, says payments were still made using virtual private networks (VPN). Whether Zelle will remain as popular as it is now is not clear – a decision by US bank Wells Fargo last June to stop supporting Zelle payments caused some uncertainty.

## The details

It does appear that the ultra-extreme economic conditions in Venezuela are providing a stress-testing ground for cashless and contactless dollar-based payments systems, which may be the way of the future. Earlier this month Venezuela’s Central Bank was reported to be talking to private banks about crediting a dollar-based clearing and settlement system. The wider implications for traditional banking in Latin America could be far-reaching.

### About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC’s Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



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