

Allied **INSIGHTS**

— Fraud & Security —

RISK ALERTS

Timely insights to protect against fraud and mitigate risks

Protecting Vulnerable Adults – A Growing Responsibility for Financial Institutions

SUMMARY

States across the country continue to strengthen laws aimed at protecting vulnerable adults from financial exploitation. While requirements vary by jurisdiction, many states have enacted or are considering legislation that enhances protections for vulnerable adults, expands collaboration with Adult Protective Services (APS) and law enforcement, and authorizes financial institutions to delay or refuse certain suspicious transactions when exploitation is suspected.



Because financial institutions are often the first to recognize warning signs of abuse, financial institutions should understand the laws applicable in the states where they operate, ensure their policies and employee training reflect current legal requirements, and maintain effective procedures for identifying, documenting, escalating, and reporting suspected financial exploitation to help safeguard vulnerable accountholders.

STRENGTHENING VULNERABLE ADULT PROTECTIONS

Financial institutions should take proactive steps to strengthen their ability to detect and respond to suspected financial exploitation by:

- **Reviewing applicable state laws** to ensure compliance with reporting requirements and available legal protections
- **Updating policies and procedures** to address the identification, escalation, documentation, and reporting of suspected exploitation
- **Training employees** to recognize red flags, respond appropriately, and understand when to escalate concerns
- **Establishing relationships** with Adult Protective Services (APS), law enforcement, and other community resources
- **Implementing monitoring and alert systems** to identify unusual or suspicious account activity involving vulnerable adults
- **Maintaining thorough documentation** of observations, actions taken, and decisions made to support investigations and demonstrate compliance
- **Conducting periodic reviews** of vulnerable adult protection programs to ensure they remain effective and aligned with evolving laws and emerging fraud trends

CONSEQUENCES OF FAILING TO PROTECT VULNERABLE ADULTS

Financial institutions that fail to identify, respond to, or report suspected financial exploitation of vulnerable adults may face significant consequences, including:

- **Regulatory scrutiny** and criticism from state and federal regulators
- **Civil liability** for failing to comply with applicable state laws or for negligent handling of suspected exploitation
- **Financial losses**, including unrecoverable member funds, reimbursement costs, and fraud-related expenses
- **Reputational damage** resulting from negative publicity and loss of member trust
- **Legal penalties** where state law imposes mandatory reporting or other compliance obligations
- **Increased fraud losses** as criminals continue to target vulnerable individuals without timely intervention
- **Operational risk** stemming from inconsistent employee responses, inadequate documentation, or weak internal controls
- **Reduced member confidence**, potentially leading to account closures and diminished community trust

Beyond legal and financial considerations, financial institutions have an important responsibility to help protect vulnerable adults from financial exploitation. Proactive policies, employee training, and effective response procedures not only reduce organizational risk but also demonstrate a commitment to safeguarding members and supporting the communities they serve.

RISK MITIGATION RESOURCES

- [NCUA Interagency Statement on Elder Financial Exploitation](#)
- [AARP Bank Safe Staff Training Fight Financial Exploitation](#)
- Visit our [Fraud Prevention Center](#) to learn Best Practices on protecting vulnerable adults

Need assistance or want to request a consultation?
Contact our risk specialists at risk_specialist@alliedsolutions.net

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