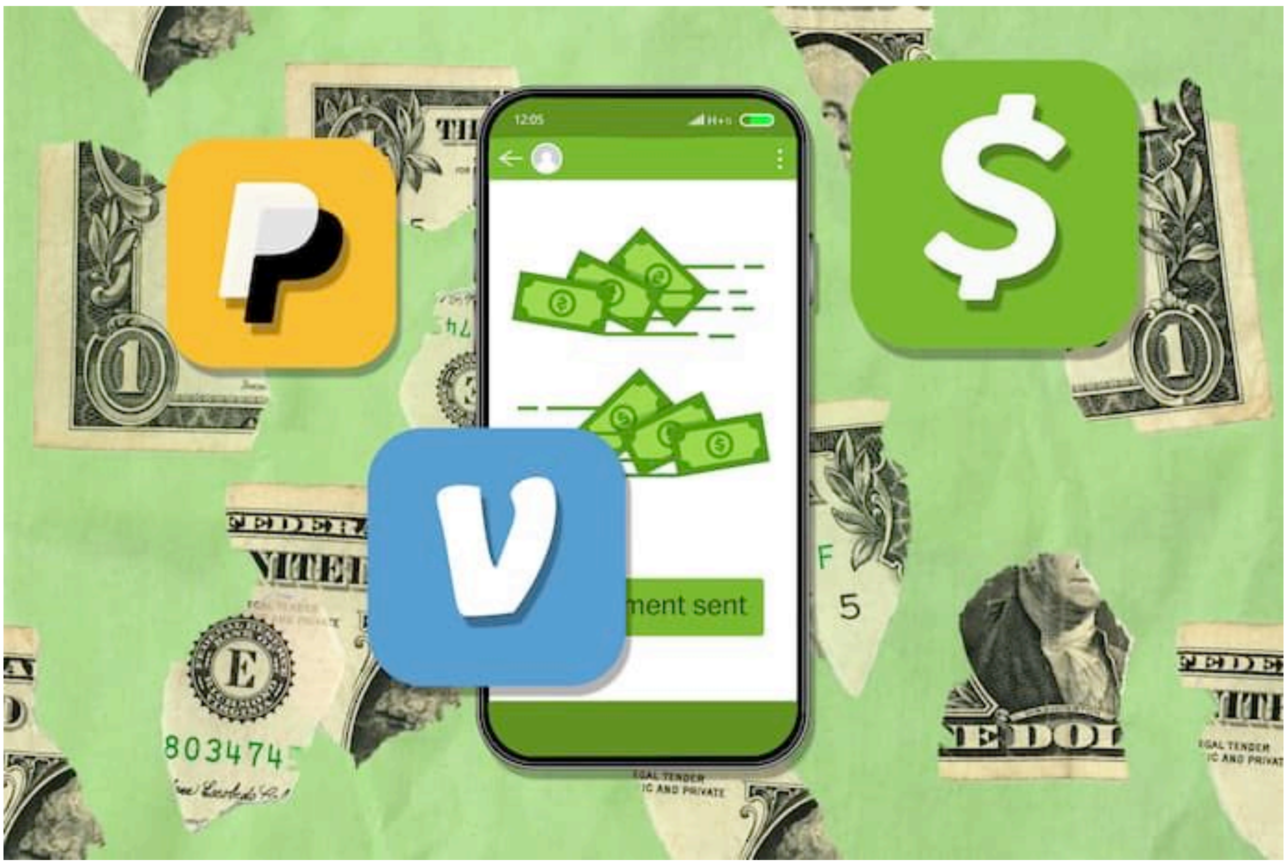
Breaking up with Venmo: The best payment apps for privacy and low fees

We compared ease of use and other major features to recommend the best app when going cashless

Tatum Hunter 9:16 a.m. EDT



(The Washington Post illustration; iStock)

Scott Rosenthal, a disc jockey in Cape Cod, Mass., wasn't thrilled when he learned Venmo, the payment app owned by PayPal, is introducing new fees for vendors who accept payments on their personal accounts.

“In the big scheme of things, [the fees are] not much,” he said, quickly calculating how much they would cost him over a month, then a year. It was hundreds of dollars. “That’s not fun. I guess I’m going to have to re-look at things.”

This isn’t the first time Rosenthal — who estimated he receives about 30 Venmo deposits from customers every month — has had to rethink his approach to cashless payments. He started using Venmo after leaving PayPal because of its hefty fees. Now, he’s considering going back to paper checks.

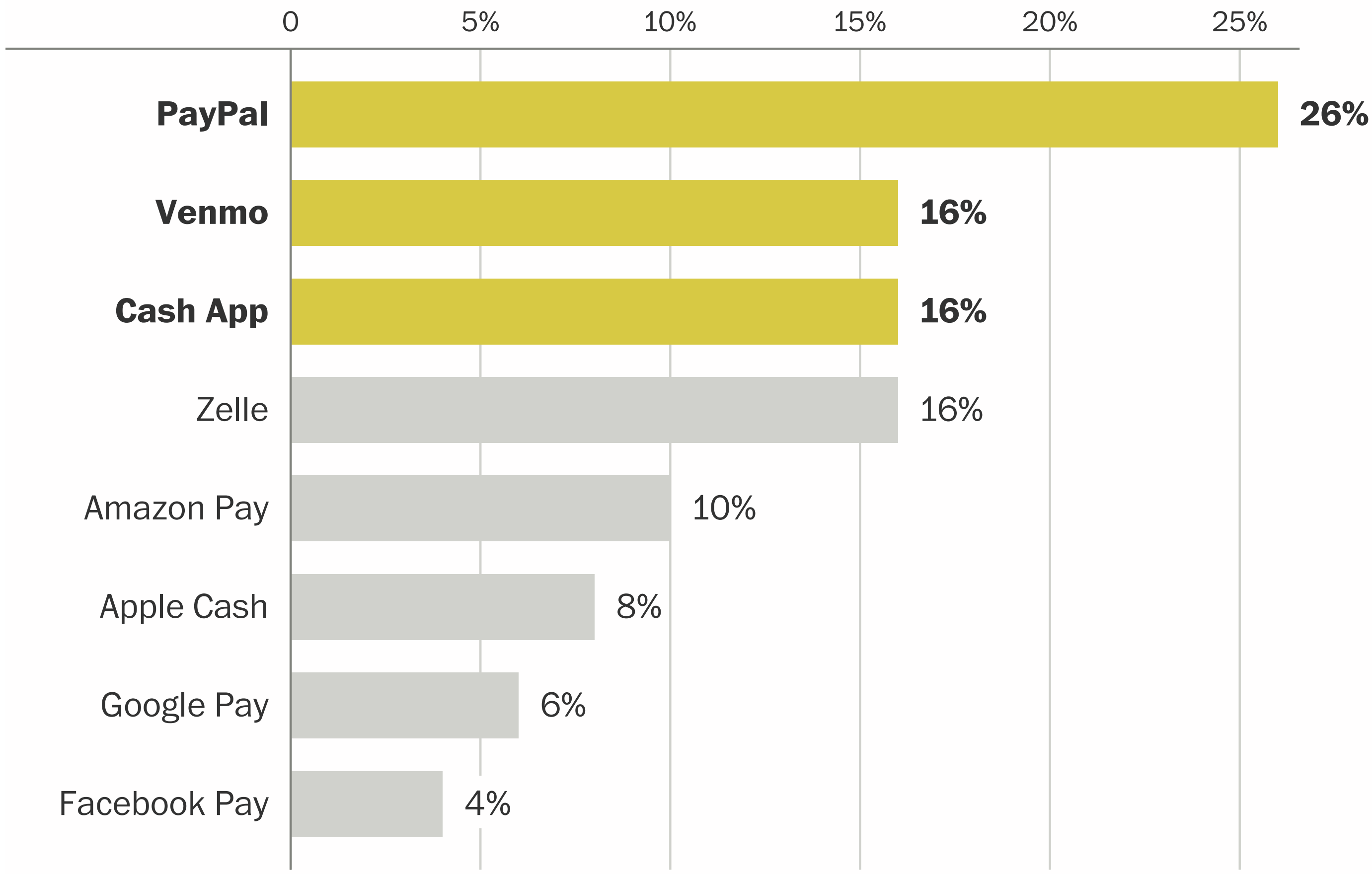
In that sense, Rosenthal might be an everyman. Choosing which app to rely on for person-to-person payments is difficult, partly because there are so many options. Apple, Facebook and Google have all entered the cashless payments game, and consumer favorites like PayPal, Venmo and Square’s Cash App thrived during the pandemic.

“The fear of touching cash at first and the fear of touching public terminals got a lot of folks to finally set up digital payment systems in their mobile phones or use them for the first time,” said Lily Varon, a senior analyst at research firm Forrester.

The numbers bear that out. Sixty-one percent of adults who use the Internet transferred money digitally to a friend or family member so far this year, compared with 51 percent in 2019, according to Forrester data. Of the major digital payment providers, PayPal and Venmo, lead the pack, according to Forrester, with Cash App making fast inroads the past year. In June, Cash App received 2 million downloads worldwide, with PayPal and Venmo together receiving about 11 million, according to data from Sensor Tower.

Top peer-to-peer payment apps

Percentage of online adults who recently sent money to another person using a payment app



Source: Forrester TATUM HUNTER/THE WASHINGTON POST

Payment apps make our wallets lighter and our fingers cleaner, but they also come with problems of their own. Venmo recently found itself in the spotlight when BuzzFeed News reported the app's social feed and public friend networks allowed reporters to uncover President Biden's friend list after just 10 minutes of searching. Two weeks later, Venmo changed its settings to allow users to set their payments and networks to private. The company said Tuesday it's retiring the public global feed that showed your payments to utter strangers. But the new fees, effective Tuesday, including the charge of 1.9 percent plus 10 cents on purchases buyers designate as "goods and services," are drawing criticism from gig workers and small-business owners like Rosenthal.

Venmo said the new transaction type will provide a better experience for customers, as those purchases will be eligible for the company's purchase protection program.

Ultimately, the best person-to-person payment app depends on what you use it for — and how much you care about digital privacy.

We looked at the fees, limits, usability and data practices of top apps including Venmo, PayPal Mobile Cash, Cash App, Facebook Pay, Apple Cash, Google Pay and Zelle.

Here are our recommendations.

Lots of apps use your personal contacts. Few will tell you what they do with them.

For any payment that's more than $10,000 — like a car purchase — PayPal still reigns. In this case, there are no hefty fees and you won't be charged for payments unless you pay from a credit card or pay internationally.

Verified accounts linked to a credit card or bank account have no limit on the total amount of money they can send, and they can send up to $60,000 per transaction. PayPal does charge a fee of 2.9 percent plus 30 cents to send money from credit cards.

Zelle, a digital payments tool that partners with hundreds of banks, is the only option on our list that doesn't charge a fee for instant transfers to a bank account. Think of it this way: Apps like Venmo act like a separate holding space for the money you've received, while Zelle puts that money directly into your account. You don't have to initiate a transfer in between.

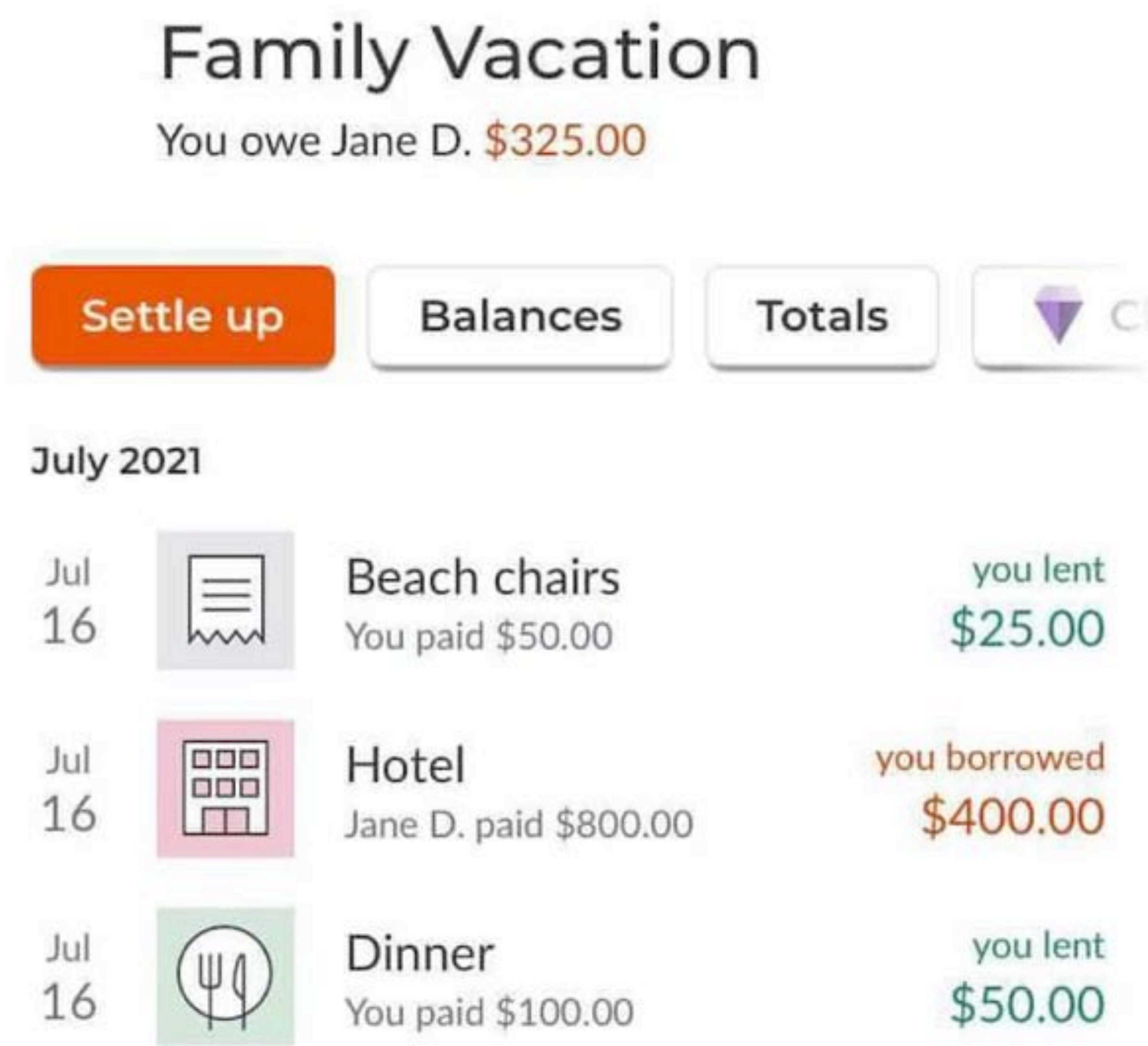
If you already use a mobile banking app, you can enroll in Zelle by downloading the Zelle app from Google Play or the Apple app store. Zelle will open your banking app’s log-in screen and ask you to input your username and password. That syncs the Zelle app with your eligible bank account. (Nearly all major banks work with Zelle.) Going forward, you’ll log in to the Zelle app with a separate username and password you create. You can also check your banking app itself for a Zelle integration.

Keep in mind that Zelle transfers are instant and irreversible. You pay other Zelle users by typing in their email addresses or phone numbers, so if you end up sending money to the wrong number, that money is gone. Unlike Venmo and PayPal, there’s no purchase protection. You’d have to take up any issues with your bank’s customer service.

It’s worth noting that Facebook Pay doesn’t charge a fee for instant transfers to a Visa or Mastercard debit card. Whether you make use of this option depends on how much you want to rely on a giant social media company to mediate your peer-to-peer payments.

You may need to split a check eight ways, but you don’t have to torture your server with eight different tickets. Splitwise is an app that keeps track of shared expenses, from vacations to rent to meals.

Sign-up for the app is quick — just an email address and password. Add individual expenses, like “amusement park tickets,” or create a group to share multiple or recurring expenses, like “vacation in Destin” or “rent at 123 Main Street.” Then, type in who paid and how much each person owes.



Splitwise helps keep track of shared expenses, like trips, dinners or monthly rent. (Screenshot)

To debit another person, you'll need to add their name to the group or expense. Find people who already use the app by searching their name, number or email address under "add friends." The app will also ask to access your contacts. In this case, that might actually be a good call, because it lets you invite new users quickly. To repay someone, tap an expense and select "settle up." You can tap buttons to open Venmo, or for payments under $500, PayPal — or just log a cash payment. I wish Splitwise integrated with more digital payment services, but the app's good points are worth the Venmo partnership.

I like Splitwise because it removes the mental burden from shared expenses — the main screen lets you easily toggle between how much you owe and how much others owe you. The “remind” feature is another great addition. Tap a friend’s name, choose “remind,” and Splitwise will send a notification through the app, text or email nudging your friend to pay you back.

The best app for purchases depends on whether you’re the buyer or the seller.

Venmo and PayPal are the only options with purchase protection. If an item you paid for never arrives or arrives “significantly not as described,” according to PayPal’s user agreement, you’re eligible for a full refund as long as you dispute the charge within 180 days.

But it’s important to think about the small-business owner you’re paying, too. Merchant fees on Venmo, PayPal and Cash App can put significant strain on gig workers and others who rely on digital payments, as Rosenthal described.

Here’s my advice: If you’re paying an unfamiliar vendor or buying an item you haven’t seen, opt for purchase protection. If you’re a repeat customer or have already received the good or service — like a massage — work with your provider to connect on Zelle or Google Pay. And if you tip on Venmo, avoid categorizing those payments as “goods and services,” since tips wouldn’t benefit from payment protection, anyway.

Facebook now has to ask permission to track your iPhone. Here’s how to stop it.

Wise, an app built specifically for international use, is your best bet for traveling or sending money overseas. Unlike PayPal, it gives you a guaranteed exchange rate as long as you complete your payment in a certain amount of time — 31 hours, when I tested it. Its fees were slightly higher than PayPal's, $8.16 compared with PayPal's $4.99 for my $1,000 test transfer, but my hypothetical recipient ended up with more money because of the better exchange rate.

Venmo, Zelle, Apple Cash and Facebook Pay are only available to people who live in the United States. Cash App and Google Pay are available in just one or two other countries.

In terms of privacy, none of the apps earn a ringing endorsement. All of them can collect and store personal information, which might include your name, location, payment history and the type of phone you use. Wise's privacy agreement from December 2020 even says it can collect information on your family, employer, compensation and nondisclosure agreements. Its updated agreement doesn't reference that data, but a spokesman for Wise didn't respond when I asked whether it's still the case.

"People might be using a payment app thinking they're just paying with their money, but they're paying, often, with massive amounts of information about who they are, where they are, what they're doing and potentially who they know," said Nicole Ozer, technology and civil liberties director at the American Civil Liberties Union of Northern California.

Except for Google, Apple and Facebook, each app on our list shares some data with outside companies. In some cases, that's explicit in their privacy agreements. Splitwise, Cash App and Zelle say they share your information with companies that provide third-party "analytics." Venmo and PayPal both use your data for joint marketing campaigns with financial institutions, according to their privacy agreements, and PayPal can use it to market its merchant partners to you, as well.

Here’s why that matters: Aside from occasional fees, these apps are free to use. Your personal data acts like its own currency, Ozer said. Right now, companies obscure that fact in tough-to-parse privacy agreements. It’s hard to know what Zelle means when it says it shares personal data with “companies in the mobile app industry,” for example, or what Cash App means by “companies that deliver services on our behalf.”

Danika Owsley, a spokeswoman for Cash App, said it works with analytics companies to examine how customers behave on the app, fix software problems and measure marketing efforts, and it keeps customer privacy in mind as it chooses those service providers. She declined to share any specific companies.

Meghan Fintland, a spokeswoman for Early Warning Services, the network operator behind Zelle, declined to share which third-party companies it shares data with, or what “analytic services” entails. Splitwise did not respond to my questions about third-party data sharing.

Even when apps aren’t sharing your data externally, they may use it for internal marketing purposes. Splitwise, for example, says it may look at the cost of your “rent” line item and show ads for cheaper apartments. Facebook says it uses payment information to target ads, and Google will use your transaction history, payment methods and payment locations to target offers and promotions in Google Pay if you opt in to “personalize your Google Pay experience” during sign-up.

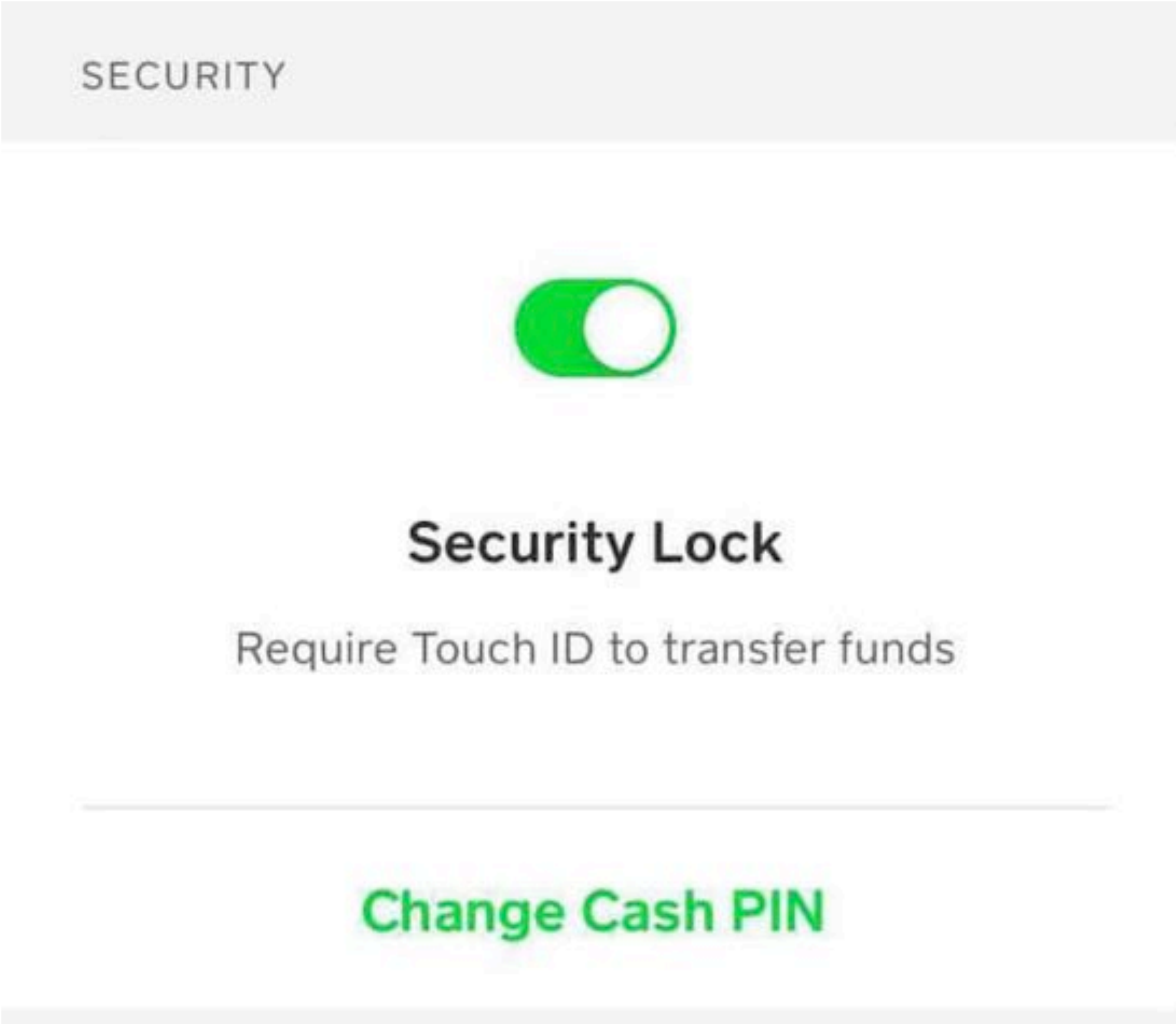
Google Pay never shares data with the rest of Google to target ads, said spokeswoman Chaiti Sen.

All in all, Apple Cash seems to have the best privacy protections. Its payment partner, Green Dot Bank, says it doesn’t share personal data with third parties or use it for internal marketing. However, these payments only work through the Messages app on iOS, so anyone who hasn’t bought an Apple device can’t use it.

The security of your data depends on the security of the payment companies you’re sharing it with. But there are still a few things you can do right now to protect your money.

First, make sure you’re the only one who can send payments from your phone by locking the device with a password, thumb print or face ID. That way, if the phone is ever stolen, your money stays where it belongs.

Then, check to ensure the app’s two-factor or biometric authentication is enabled. On PayPal, for instance, tap the Settings gear in the top right corner, go to Login and Security and turn on touch ID. Other apps had a similar route to turn on the extra protection.



Turn on biometric authentication so that the app requires your fingerprint to use. Here, Cash App lets you toggle the feature on and off. (Screenshot)

Last, double check your recipient's phone number, email address or username. If your app of choice doesn't warn you when you're about to send money to a new person — like Apple's reminder that "this payment cannot be undone" — make sure you're confirming those details before hitting "send" on a payment.

Chris Alcantara contributed to this report.