

# Blockchain Increasingly Looks Like a Solution to Identity Fraud

*The technology could generate huge savings for companies in consumer-facing businesses. Spring Labs is looking for demand.*

By **Joanne Cleaver** - April 3, 2018

Verifying consumer data is the cornerstone of electronic commerce. Blockchain's transparency and accountability are its weak points.

But aligning blockchain applications with ongoing verification processes is hardly straightforward.

"It's not just that incumbents will fight back," says Ed Page, the Chicago-based managing director of the financial services consulting firm. "Blockchain could be cheaper in the long run, and [with blockchain], the operating cost probably will be less, but there's still a one-time cost."

Ultimately, blockchain applications could support a sort of "Intel Inside" consumer brand that signals a fresh start. The market would seem ripe for a reset. Consumers loathe the credit bureaus for good reason, given numerous reports of credit reporting errors.

## Credit Card Fraud Complaints

Identity theft is the No. 2 consumer complaint (after perennial front-runner debt collection), according to the Federal Trade Commission. In its [latest report](#), the FTC reports a 23 percent increase in complaints about credit card identity fraud. The FTC reaffirmed in January its determination to hold consumer credit reporting companies to greater accountability.

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And consumers expect companies to clean up the mess, according to a 2016 survey of 9,000 consumers conducted by Spring Labs. That 70 percent of consumers believe it is the responsibility of companies to keep data safe.

This is the opportunity that a company called Spring Labs hopes to seize. "We are creating a blockchain network that will allow financial institutions to share that data directly," says co-founder and CEO Adam Jiwan. "They don't share directly now because of regulatory reasons. It's more transparent, it's encrypted and because of the nature of privacy-preserving contracts, they can't."

## Seed Funding

Last week, Spring Labs announced that it raised [\\$14.75 million](#) in seed funding to start building out its blockchain network. Investors include Park Capital, GreatPoint Ventures and Pritzker Group Venture Capital, as well as some funds that specialize in blockchain.

Jiwan and other Spring Labs founders gained experience with credit and identity technology while working at Avar

efficiency and self-interest that will propel financial institutions to invest in blockchain — namely, the cost savings replicate on their own.

Jiwan says that if financial services organizations could see and trust – through blockchain – each other’s verification, duplication of effort is costly and doesn’t really drive competitive advantage, which is why reducing duplication matters.

It’s a concept that has been gaining interest for “a while,” says Page, citing [Kyck](#) and the [State Bank of India](#) as early adopters. “I also think we’re in the early stages of this.”

He adds, “There are things that have to get resolved to make it effective. The regulatory overlay has yet to emerge.

There is also the enormous effort to link any new blockchain process with existing systems, both at and among financial institutions.

### **Future Engine of Trust**

This all adds up to a major, but not insurmountable, conversion of mindset and technology, says Page, which may become an engine of trust for consumers.

Consumer awareness and brand-building would be great, says Jiwan, but business adoption is the bigger challenge. “I think we’ll see that blockchain transforms identity validation and protection, saving money in the process. Only as a new system’s advantages potentially convert to consumer branding, because marketing has to reference the new system.”

“Eventually, consumers could ‘stake’ their value to signal that they are good borrowers,” he says. “There are many other benefits, such as additional transparency, but their adoption isn’t required to add value.”

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