# Press release

# World Consumer Rights Day

**What consumers need to know about “know your customer” procedures and data protection for online transactions**

**12.03.25** – Online shopping, banking, and digital services have become an integral part of everyday life, but there are risks such as identity theft and payment fraud. To counter these threats, many companies are implementing “Know Your Customer (KYC)” procedures to verify their consumers’ identity before completing online transactions. Commonly used techniques are for example two-factor authentication, ID procedures and digital signatures. While these checks can help protect both consumers and companies, they also raise questions about data protection and consumer rights. On “World Consumer Rights Day”, the European Consumer Centre (ECC) Cyprus sheds light on what consumers should know about KYC and their rights under EU data protection laws.

**What Is KYC and why is it used?**

KYC is the process of verifying a consumer's identity before completing an online transaction. This is common in the banking and financial sector but is increasingly used by e-commerce businesses and telecommunications providers. The purpose is to assess whether a consumer is a "good" customer and to prevent fraud, money laundering, and other illegal activities.

Beyond fraud detection, companies also use KYC for **marketing** and **customer segmentation**. Based on their purchasing behavior, some customers may receive **personalized offers**, while others may be **denied access** to certain payment methods or even have their accounts restricted. Consumers have reported cases to the ECC-Net, where repeated complaints or returns have led to account freezes, often without a clear explanation.

Merchants and service providers typically collect personal data, including:

* Name and postal address
* Email address and phone number
* IP address and device type (PC, smartphone, operating system)
* Payment card or bank account details

If consumers need to provide a copy of their identity document, they can use a watermarking tool to overlay personalized text. Marking the copy with a note indicating the purpose (e.g. “This copy is only for verifying my order n°xxx with seller xxx”) or a date to clarify the period of validity helps to prevent unauthorized use of personal data.

The European Consumer Centre (ECC) Cyprus further recommends:

* Be cautious with ID requests. Not all companies are legally allowed to request copies of identity documents.
* Ask why your data is needed.
* Check your rights under the General Data Protection Regulation (GDPR). Be aware of automated customer scoring.

**Consumer rights under GDPR**

Under the **General Data Protection Regulation (GDPR)**, companies must ensure that any collection and processing of personal data is necessary, proportionate and transparent. Consumers can request access, correction, or deletion of their data.

In January 2025, the Dutch Supervisory Authority imposed a fine of 4.75 million euros on a well-known streaming portal for failing to inform customers about how their data is used, shared, retained, and protected, both in its privacy statement and in response to direct inquiries.

**European Developments: Digital Identity and KYC**

The **European Digital Identity Wallet**, an initiative led by the European Commission, aims to provide EU citizens with a secure, interoperable and data-saving digital identification system across the EU. Consumers can digitally identify themselves and legally sign contracts with the wallet.

While this could make online transactions more convenient in the future by eliminating the need for data storage with multiple companies, consumers also expect to retain full control over their personal data and have the right to challenge decisions based on automated assessments. At the same time, they must consider what information they share, for what purpose and with whom. Inadequate safeguards can leave them exposed to identity theft and unauthorized use of their data.

**Conclusion: KYC Must Balance Security and Consumer Rights**

While KYC can help prevent fraud, companies must ensure that data collection is **fair, transparent, and in line with GDPR regulations**. Consumers should always be informed about how their data is being used and have the ability to challenge unfair scoring or restrictions.

For more information about consumer rights in cross-border transactions, contact the **European Consumer Centre Cyprus**, a member of the network of European Consumer Centres (ECC-Net). The ECC-Net assists consumers in the EU when issues arise with a provider from another European country. In 2024, ECC-Net responded to over 133,000 inquiries from European consumers.

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