

Coinbase Warns Users That Their Digital Wallets Could Get Wiped Out

May 14, 2022 - Coinbase is an online platform that allows users to purchase and sell cryptocurrency. It is the largest of its kind on the internet and the platform is user friendly. The company offers a wide variety of training to users on the various cryptocurrencies available, in addition to a user-friendly digital wallet. But as they say, the devil is in the details, and the latest details on Coinbase are a bit disturbing.

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To say that Coinbase's earnings were abysmal this last quarter is, at the very least, accurate. The company saw usage drop by 19% and posted a loss of \$430 million according the company's report. But the report also contained a statement that should concern anyone using Coinbase's crypto wallet. It said that users of that wallet could find out that their accounts get completely wiped out if the company is forced to declare bankruptcy; something the company says is not a risk at this time, but...

Unlike money held in bank or brokerage accounts, there is no federal insurance program for money that is held in digital wallets. If a company has control over your wallet, and they declare bankruptcy, your money is then at the mercy of the bankruptcy court. You could wind up in a position that you never see a dime of that money.

To be clear, Coinbase does offer a less user-friendly version of a digital wallet that they don't have control over. Anyone using that wallet is safe. But human nature being what it is, it is quite likely that the majority of Coinbase users are using the company-controlled wallet version. That's something that investors might be well served to reconsider.

by Jim Malmberg

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