December 9, 2025

The Honorable Elizabeth Warren US Senate	The Honorable Tammy Duckworth US Senate
The Honorable Cory Booker US Senate	The Honorable Richard Blumenthal US Senate
The Honorable Mazie Hirono US Senate	

Dear Senators Warren, Duckworth, Booker, Blumenthal, and Hirono,

Block, Inc. and Afterpay US, Inc. (Afterpay) respectfully submit this response to the letter we received.

Buy Now, Pay Later (BNPL) services catalyzed a shift in retail payments by offering consumers short-term, interest-free loans at checkout. Afterpay was a leading force in this wave, scaling across international markets and merchant categories and helping to frame policy and regulatory discussions globally around responsible short-term credit alternatives. Afterpay's mission is to create payment options for consumers that are safer, more cost-effective, and more transparent than traditional credit products. In fact, as of November 2025, 96% of all Afterpay Pay-in-4 installments globally were paid on time and 98% of all purchases incurred no late fees.

THE ORIGINS

Afterpay was founded in Sydney, Australia, in 2014 by Nick Molnar and Anthony Eisen. Molnar came from e-commerce retail, building an online jewelry business at a time when Australian shoppers, especially younger customers, were increasingly wary of credit card debt and instead used debit cards as their primary spending tool. He saw strong demand from younger customers who wanted the benefit of predictable, interest-free ways to budget purchases over pay cycles.

Merchants also benefit from offering Afterpay because it allows them to reach customers who are averse to credit cards, without requiring merchants to assume credit risk. Afterpay pays merchants upfront when customers make a purchase, and assumes all repayment and fraud risk for merchants, giving small and mid-sized retailers more predictable cash flow. Its interest-free, structured installments encourage responsible spending by offering consumers flexible payment options they increasingly expect. For many retailers, especially in fashion, beauty, home, and lifestyle, Afterpay has become an important engine of growth, helping them reach younger customers, and participate in a broader ecosystem of marketing, discovery, and omnichannel commerce.

Afterpay launched with an emphasis on budgeting, transparency, and interest-free installments. The product was framed from day one as a spending tool, giving customers more control. Afterpay positioned itself as distinct from traditional credit by offering four equal, interest-free payments ("Pay-in-4") at regular intervals. Merchant-funded economics, rather than consumer-funded interest, was deliberate to keep the product simple and transparent, while also assuring consumer protection. By charging merchants a fee and eliminating interest for consumers, Afterpay turned the traditional model of credit on its head. In fact, Afterpay was the first to bring the interest free, Pay-in-4 model to the US, as compared to others who led with more standard APR products.

Afterpay expanded from Australia and New Zealand to the U.S. (2018), the U.K. (as Clearpay, 2019), Canada (2020), and later joined Block (formerly Square, Inc.) after the 2021–2022 acquisition, continuing to operate as Afterpay/Clearpay within Block's ecosystem.

THE PRODUCTS AND HOW THEY WORK IN THE US

Afterpay Pay-in-4 Product

The traditional Afterpay Pay-in-4 product enables consumers to buy a product or service (in most cases from an Afterpay merchant partner) and pay for it over time in four installments with no charge for the extension of credit.

The first installment is made at the time of purchase. The remaining installments are made approximately every two weeks thereafter, for a total repayment period of approximately 6 weeks. The aggregate installment payments are equal to the sale price of the items being purchased (inclusive of any tax and shipping charges). Afterpay disburses funds to merchants directly on the customer's behalf, and, in most cases, merchants pay Afterpay a fee associated with each financed transaction.

Customers do not pay interest or a finance charge to Afterpay and Afterpay contractually prohibits merchants from increasing the sale price of items being purchased using Afterpay or otherwise penalizing Afterpay as a payment method. Customers start with low limits and Afterpay increases available credit as a function of their creditworthiness over time.

A customer who repays on time pays $0 in fees. The only fee Afterpay charges to customers is a single late fee per payment that varies up to $8 and depending on state law, and only if a customer misses a payment and the balance remains unpaid 10 days after the due date. The late fees charged are capped to ensure that aggregate late fees charged on any order do not exceed 25% of the purchase price. Customers who do not pay back a loan are unable to make another purchase on Afterpay until their account is in good standing.

The Afterpay Pay-in-4 product is a traditional BNPL product as originally envisioned. Since this product was introduced, other products within the Block ecosystem have developed that are similar to BNPLs but are consumer financing and regulated through the Truth in Lending Act and state lending laws. These products are included below. However, the majority of this letter focuses on the Pay-in-4 product.

Afterpay “Pay Monthly” (longer-term monthly installments)

In select US states, Afterpay also offers a longer-term installment option (*e.g.*, 3, 6, 12, or 24 months). This option is offered to eligible consumers at participating merchants, often for higher value items. Unlike Pay-in-4, Pay Monthly loans are originated by a partner bank. This product may include an APR that varies on offer terms, which the customer agrees to upfront. Pay Monthly differs from credit cards and other revolving credit options because of the fixed repayment schedule on a specific purchase, which avoids the complications and expense that arise when a continued stream of purchases is made by card and added to existing unpaid balances.

Afterpay on Cash App Post-purchase

In early 2025, Afterpay rolled out an option for customers to convert recent eligible purchases already made using a Cash App Card into a “Pay Over Time” loan. This allows customers to retroactively split the purchase into installments, giving the consumer the flexibility to fund the purchase over time. Once a customer selects this option, an agreed repayment schedule with an upfront finance fee is confirmed.

RESPONSIBLE USE AND CONSUMER PROTECTIONS

Afterpay's BNPL Pay-in 4 model is fundamentally designed to protect consumers from the revolving debt cycle often associated with traditional credit cards. Afterpay was built from the very beginning with consumer safeguards and a business model aligned with responsible lending. The following are examples of controls that are built into Afterpay Pay-in-4 to promote responsible credit management across our ecosystem.

- **Clear disclosure and payment schedules at checkout** for consumers to see upfront what they are signing up for with an Afterpay loan. This provides a clear repayment schedule to enable consumers to budget appropriately**.**
- **Low initial spending limits,** based on an individual's credit, that only increase with consistent, on-time repayment. Customers can also set their own limit lower to suit their needs.
- **Balance limits** up to $5,000, which is reserved for Afterpay's most established customers who consistently pay on time.
- **Accounts are paused as soon a repayment is missed** preventing customers from making additional purchases until they are up to date on their repayments. This is an effort to protect customers from getting trapped in a cycle of debt.
- **No reporting to credit bureaus.** As we describe in more detail below, Afterpay will not report data to credit bureaus until there is clear evidence that the data submission accounts for responsible and on-time Afterpay customers and does not negatively impact one's financial score. Afterpay also does not report nonpayment to credit bureaus or sell past due/uncollected debt to third parties.
- **Afterpay does not charge interest for its traditional Pay-in-4 product** during the 6 week term of the loan**.**
- **Late fees are capped** to 25% of the BNPL loan with simple terms that do not let customers attain additional fees and debt.
- **Responsive to hardship.** We respond to and accept hardship requests when customers may need help. This may include reducing a customer's spending limit once they are out of hardship until we have enough repayment data to ensure the customer can prepare for a higher loan amount.

This Pay-in-4 model ensures customers are not penalized through compounding interest or hidden fees, which are common pitfalls of traditional credit products. In 2024, Afterpay estimates that consumers saved an approximately $1 billion in interest and late fees.

US BNPL CUSTOMERS

Afterpay customers primarily use BNPL as a budgeting tool for personal items (*e.g.*, pet food, clothes, beauty) but also sometimes large infrequent purchases (*e.g.*, appliances, furniture) and seasonal or holiday purchases (*e.g.*, back to school, Christmas).

Recent data from Afterpay reveals that 63% of Gen Z consumers are switching from credit cards to alternative payment methods due to fees, debt, and lack of transparency. Consumers are reevaluating their relationship with traditional credit, and are no longer willing to accept opaque fees or compounding interest, nor the stress that accompanies it. Instead, they are gravitating toward payment solutions that value transparency and flexibility, and most importantly ones that support their financial health.

Afterpay is at the forefront of this shift, offering a transparent and responsible way to shop and budget without the stress of revolving debt. With features like real-time underwriting, clear payment schedules, and no compounding interest, Afterpay's Pay-in-4 features are helping consumers spend smarter and plan better, empowering them to take charge of their financial future.

CREDIT REPORTS AND CREDIT SCORES

Block is committed to working with policymakers, regulators, and credit bureaus to improve how financial health is measured and reported, whether that means improving existing systems or building alternatives. The traditional credit system isn't built for today's economy. It relies on outdated data, excludes millions of creditworthy people, and often penalizes those trying to build financial health. This structure creates predictable gaps: tens of millions of people have thin or nonexistent credit files, younger generations struggle to establish credit, and historical patterns of exclusion disproportionately impact Black, Hispanic, immigrant, and low-income communities. Research shows that many consumers penalized by these models are in fact financially capable, but the system was never designed to measure their real behavior.

We have written extensively on this topic in our white papers, "Block's Modern Approach to Credit" and "Expanding Financial Access and Inclusion". Block developed its own credit models to evaluate near real-time financial behavior: regular paycheck deposits, consistent bill payments, cash flow patterns, spending habits, and business performance (for Square Loans) and tie positive habits to responsible increases in access. Unlike the antiquated credit scoring system, our approach creates clear connections between financial habits and credit access. Relying on bureau data alone for Afterpay underwriting approvals would have excluded approximately 13% more customers to maintain the same level of risk.

Because current credit frameworks cannot yet treat BNPL accurately and often mis-score responsible BNPL use, Block will not furnish Afterpay data until scoring models can reliably reflect modern financial behavior and produce clear consumer benefit. To help move the industry toward a fair and accurate solution, Block is committed to working with the industry, the scoring firms, and the credit bureaus to evaluate how BNPL data affects scores and to define the methodological updates needed to represent these products correctly.

Recently, Block also announced its Cash App Score pilot. Block is moving credit assessment from backward-looking bureau data to near real-time, behavioral signals - and making the process transparent to customers - through this pilot and a broader near real-time underwriting approach for loans. In the Cash App Score pilot, select customers can see a near real-time measure of their financial health inside the app, along with specific actions that can improve their score, what factors are influencing them, and take specific actions to build their financial health. The score reflects actual customer's behavior - earning, saving, spending, repayment - and updates dynamically.

SUPPORT FOR BNPL REGULATION

Regulators globally have recognized that BNPL Pay-in-4 products present a value to consumers that is different than traditional financial products. Here in the US, the Consumer Financial Protection Bureau has studied the BNPL industry and in New York, recent legislation passed in 2025 to establish a BNPL licensing framework. Afterpay has lending and credit licenses in multiple states for our Pay-in-4 product.

Existing consumer credit legislation was not designed with BNPL products in mind. Forcing existing consumer credit regulation on the BNPL sector would force BNPL products to change in ways that will not produce better consumer outcomes and would reduce access to safe payment options for consumers.

Block supports proportionate BNPL regulation that balances consumer protection with the promotion of innovation. Among the many aspects of that regulation, Block recommends:

- **BNPL should be clearly defined with the Pay-in-4 model in mind.** As noted through the various products above, there are different aspects to BNPL loans. Traditional "Pay-in-4" loans should be regulated differently than loans with finance charges, which are already regulated under current credit regulation.

- **BNPL products should be regulated consistently,** regardless of the type of provider - *i.e.* a large retailer that provides BNPL products directly to consumers should be subject to the same regulation as a standalone BNPL provider.
- **Regulation should enable dynamic spending limits.** Dynamic spending limits are a central consumer protection feature of BNPL and key to the underlying BNPL model. This approach enables BNPL providers to adjust spending limits in response to repayment behavior – starting customers on low amounts that only increase with positive repayment behavior and likewise decrease limits if payments are missed. With any BNPL product using dynamic spending limits, customers should be able to set their own spending limits that are lower than what they would otherwise receive from a BNPL provider.
- **Clear disclosures should be provided.** Clear and comprehensive information should be provided to consumers about the product. This includes information on the terms under which the service is offered, the conditions that the consumer has to meet, including payment dates and costs, and any fees associated with missed payment.
- **Payment schedule disclosures** should be made available at every transaction, including information on the full cost of the purchase and the repayment schedule including dates and exact payments due on those dates.
- **Credit bureau reporting should not be mandated**. Credit checking or reporting should strike the appropriate balance between strong consumer outcomes, responsible lending and financial inclusion.
- **Late payment fees should be disclosed clearly and be reasonable.** When customers fail to make a repayment, late payment fees can be applied by BNPL providers. However, regulation should ensure that any fee must be reasonable, proportionate and clearly described for consumers to understand, and disclosed at key points in the customer journey. Late fees should not be calculated as APR given the different nature of the loan and the fee itself.
- **Consumer protections should be in place** (such as those described above) to limit a consumer's debt and ensure their repayment can be a success. This could include spending limits, limitations on the number of accounts, and balance limits.

Expanding access to the economy while maintaining the highest standards of responsible lending is critical. The future of credit lies not in perpetuating outdated systems that trap consumers in cycles of revolving debt, but in building transparent, responsive tools that empower financial growth. Afterpay is committed to this vision and looks forward to working with policymakers and regulators on this important goal.

As a leading provider of BNPL services, Block is committed to working with policymakers to ensure that consumers continue to have access to transparent, consumer-friendly payment solutions.

Please do not hesitate to contact me or Tom Manatos, Block's Head of Americas Policy, at tmanatos@block.xyz, with any questions about BNPL or requests for additional information.

Respectfully submitted,

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