



STATE OF CALIFORNIA

Department of Business Oversight

GOVERNOR **Gavin Newsom** • COMMISSIONER Manuel P. Alvarez

For Immediate Release

March 16, 2020

Contact: Mark Leyes

(916) 322-5275

Point-of-Sale Lender Afterpay Agrees to Cease Illegal Loans, Pay Refunds in Settlement with the California Department of Business Oversight

SACRAMENTO – The California Department of Business Oversight (DBO) today announced a [settlement](#) with point-of-sale lender Afterpay US, Inc. in which the company agreed to stop making illegal loans, refund \$905,000 to California consumers and pay more than \$90,000 in administrative fees.

The refunds represent all the fees Afterpay has collected from more than 640,000 Californians in so-called “buy now, pay later” transactions that the DBO concluded were illegal loans. Afterpay must issue refunds within 45 days. Consumers who believe they may be entitled to a refund should call Afterpay at 1-855-597-7368.

After an inquiry launched last year, the DBO concluded Afterpay had engaged in the business of a finance lender without obtaining a required license. Under the settlement, Afterpay will only make future loans or extensions of credit to California residents under a California Financing Law (CFL) license issued to its affiliate, Afterpay US Services, LLC.

Like other point-of-sale financiers, Afterpay targets young consumers who are unable to qualify for traditional financing options like credit cards. Consumers pay Afterpay 25 percent of the purchase price at the time of the purchase and the remainder in three equal installments. Merchants pay Afterpay a cut of each transaction and consumers pay Afterpay late fees if they miss a payment.

The DBO reached a similar settlement on Jan. 16 with another point-of-sale lender, Sezzle, which agreed to pay more than \$300,000 in refunds and penalties. In both cases, the DBO concluded purported credit sales made by the lenders’ merchant partners were not bona fide but, rather, were structured to evade otherwise applicable consumer protections.

The DBO licenses and regulates financial services, including state-chartered banks and credit unions, student loan servicers, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, franchisors and more.

###