

United States Senate

WASHINGTON, DC 20510

April 27, 2022

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Yellen:

We write to urge the Treasury Department to assess the effects on competition posed by the entry of nonbanks into the market for buy now, pay later (BNPL) products.

BNPL is a type of unsecured deferred payment or short-term installment loan that a consumer obtains when making a purchase. BNPL credit is typically extended to the consumer at the point of sale—usually online, but sometimes in-store—to finance a specific product. In a typical BNPL extension of credit, the customer pays a portion (often 25%) of the item's price at the time of purchase and the remainder in equal installments. Consumers usually pay no interest and only are charged fees for late payments. So long as payments are made on time, BNPL credit is free to consumers.

The BNPL market has experienced extraordinary growth over the past two years, catalyzed by the pandemic driving more merchants to sell products online and through mobile apps. This trend is likely to continue. The emergence of BNPL has potentially provided some consumers with an affordable alternative to more costly forms of credit. BNPL has also provided small businesses with important new sales channels to meet rapidly changing consumer preferences and behavior. As the market for BNPL products continues to grow, we share an interest in ensuring that this market remains fair, transparent, and competitive.

The BNPL market is currently dominated by nonbank lenders. While all BNPL products are subject to basic consumer protection laws and regulations, the nonbanks that are the largest participants in this market are not subject to ongoing federal supervision that can spot violations of those rules. By contrast, banks are subject to routine federal oversight for compliance with consumer protection laws and regulations. A gap in supervision could contribute to an uneven playing field between banks and nonbank BNPL providers that provide similar forms of consumer credit.

In July 2021, the President issued an executive order on promoting competition in the American economy. That executive order directed the Treasury Department to submit a report to the White House “assessing the effects on competition of large technology firms’ and other nonbank companies’ entry into consumer finance markets.” We urge you to consider in the forthcoming report whether nonbank BNPL providers may enjoy a competitive advantage over banks due to a lack of meaningful federal oversight.

We appreciate your attention to this important matter, and look forward to your prompt reply.

Sincerely,



Jack Reed
United States Senator



M. Michael Rounds
United States Senator