# Article information:

Block: How Inflated User Metrics and “Frictionless” Fraud Facilitation Enabled Insiders To Cash Out Over $1 Billion – Hindenburg Research
<https://hindenburgresearch.com/block/>

# Article summary:

1. Block Inc. has facilitated fraud against consumers and the government, avoided regulation, dressed up predatory loans and fees as revolutionary technology, and misled investors with inflated metrics.

2. The company has wildly overstated its genuine user counts and has understated its customer acquisition costs, with former employees estimating that 40%-75% of accounts they reviewed were fake or involved in fraud.

3. Co-founders Jack Dorsey and James McKelvey collectively sold over $1 billion of stock during the pandemic while Block's stock soared on the back of its facilitation of fraud.

# Article rating:

Appears moderately imbalanced: The article provides some useful information, but is missing several important points or pieces of evidence that would be required to present the discussed topics in a balanced and reliable way. You are encouraged to seek a more balanced perspective on the presented issues by exploring the provided research topics and looking at different information sources.

# Article analysis:

The article by Hindenburg Research provides a critical analysis of Block Inc., formerly known as Square Inc., and its business practices. The report claims that the company has systematically taken advantage of the demographics it claims to be helping, facilitated fraud against consumers and the government, avoided regulation, dressed up predatory loans and fees as revolutionary technology, and misled investors with inflated metrics.

While the report provides extensive research and interviews with former employees, partners, and industry experts, it is important to note that Hindenburg Research has taken a short position in shares of Block, Inc. This potential bias should be considered when evaluating the claims made in the report.

The article highlights several issues with Block's Cash App platform, including inflated user counts and understated customer acquisition costs. The company's compliance lapses have made it easy for bad actors to mass-create accounts for identity fraud and other scams. Additionally, Cash App has been used to facilitate criminal activity such as sex trafficking and drug distribution.

The report also raises concerns about Block's acquisition of 'buy now pay later' service Afterpay, which has been criticized for avoiding responsible lending rules in its native Australia. The acquisition is said to be flopping with increasing delinquencies and declining processing volume.

While the article presents compelling evidence of Block's questionable business practices, it is important to consider counterarguments or alternative explanations for some of the claims made. For example, while there may be fraudulent accounts on Cash App, it is unclear how widespread this issue is or if other payment platforms face similar challenges.

Overall, investors should carefully evaluate all available information before making any investment decisions related to Block Inc.

# Topics for further research:

* Cash App compliance and fraud prevention measures
* Comparison of Cash App to other payment platforms in terms of fraud and compliance
* Afterpay's lending practices and regulatory issues in Australia
* Performance of Afterpay since its acquisition by Block Inc.
* Block Inc.'s financial metrics and revenue sources
* Analysis of Block Inc.'s competitors in the fintech industry

# Report location:

<https://www.fullpicture.app/item/f03d720142e119082eb85f9cfa862cef>