

Just the Facts: Buy Now Pay Later (BNPL)

The Financial Technology Association (FTA) is a nonprofit trade organization that educates consumers, regulators, policymakers, and industry stakeholders on the value of technology-centered financial services and advocates for the modernization of financial regulation to support inclusion and innovation. The FTA’s “Just the Facts” series aims to inform financial technology policy discussions in order to safeguard consumers and advance the development of trusted, digital financial markets and services.

A new generation of fintech innovators known as “Buy Now Pay Later” (BNPL) companies offer consumers new payment options that can reduce debt and alleviate budget stress.

- Americans on average [pay approximately \\$1,000 per year in interest](#) on revolving credit card debt, and credit card interest rates are the highest as compared to other major consumer finance product categories.
- Fintech innovators in the broadly defined BNPL space offer consumers a number of tailored and flexible payment options, including direct payments, pay after delivery, and installment plans that typically involve equal payments over a six to eight week post-purchase period.
- BNPL firms typically charge consumers zero or low fees for installment payment plans and perform no or only a soft credit pull on consumers. Additionally, BNPL firms generally charge much lower late fees than those charged by credit cards or banks in the case of delinquency or default.

BNPL solutions are being offered to solve for pain points associated with traditional payment options, including high cost revolving debt, harmful credit checks, and over-indebtedness.

- BNPL products are preferred by consumers relative to traditional credit options for a number of reasons, including:
 - They are typically lower cost, charging little or no interest or fees, unlike credit cards, which make the majority of their revenue from interest charges.
 - They are typically more transparent, helping consumers better understand – and hence control – their finances.
 - They typically help users budget, and as a result, help manage cash flow and avoid risky debt products.
 - They are typically more flexible and offer more relief when consumers find themselves unable to pay.
 - They typically result in less debt and repayment takes place over shorter terms.
- BNPL products are structured to have payment terms that require consumers to pay for a purchase in a matter of weeks or a few months. This contrasts with revolving credit and high-interest products that may take years to pay down, blur the cost impact of a purchase, and oftentimes keep consumers in a vicious cycle of debt due to continuous interest charges or rollovers.

BNPL solutions support merchants by enhancing the customer experience, facilitating economic activity, and driving customer satisfaction.

- A [recent survey of 1,051 US merchants](#) found that offering BNPL payment solutions to customers resulted in a better customer experience, increased sales, and increased sales conversion rates. The benefits of BNPL are apparent regardless of merchant size, with large and small merchants seeing considerable improvement across business metrics.
- Merchants also increasingly have started offering multiple BNPL services along with traditional credit and debit payments options. Merchants cite customer demand, increasing total business sales, and providing customer choice as the key reasons for offering multiple payment solutions, including BNPL, as part of the regular offering.
- Given higher conversion rates and resulting increased sales from consumers' preference for BNPL, merchants offering BNPL payment solutions typically pay a fee to the BNPL provider, none of which is passed along to the consumer.

A broad range of consumers prefer BNPL payment solutions as a responsible, low risk, and low-cost option for making consumer purchases.

- A [2020 survey of BNPL users](#) found that more than 75% of consumers using a BNPL payment solution had funds available to cover the full purchase price of the target item at the time of the transaction. In fact, the majority of users had 5x the total purchase amount in their account at the time of using the BNPL payment option.
- The same survey found that BNPL users are predominantly female and younger, with millennials and Gen Z customers making up the vast majority of users. The user base also includes lower-income consumers, which may correlate with a higher incidence of lacking access to traditional forms for credit or banking services.

BNPL products are subject to key consumer protection regulations and FTA members are committed to informing regulatory frameworks that safeguard consumers.

- Regardless of the BNPL offering, all BNPL products are subject to key consumer protection laws and regulations, including around anti-money laundering, fair lending, credit reporting, debt collection, privacy, fair treatment of customers, and electronic fund transfers. They also are subject to similar state consumer protection laws.
- Some BNPL products may not qualify as a loan when they are structured as “credit sales” or “retail installment sales,” where the legal seller of the goods and/or services agrees to accept the sales price in installment payments over time. Other BNPL providers do offer loans either directly through state licensure or through regulated bank partnerships.
- BNPL product offerings, rates, fees, and terms are disclosed in clear, concise, transparent, and accurate language. FTA members are committed to advancing industry standards that safeguard consumers, including transparent and consistent disclosures.