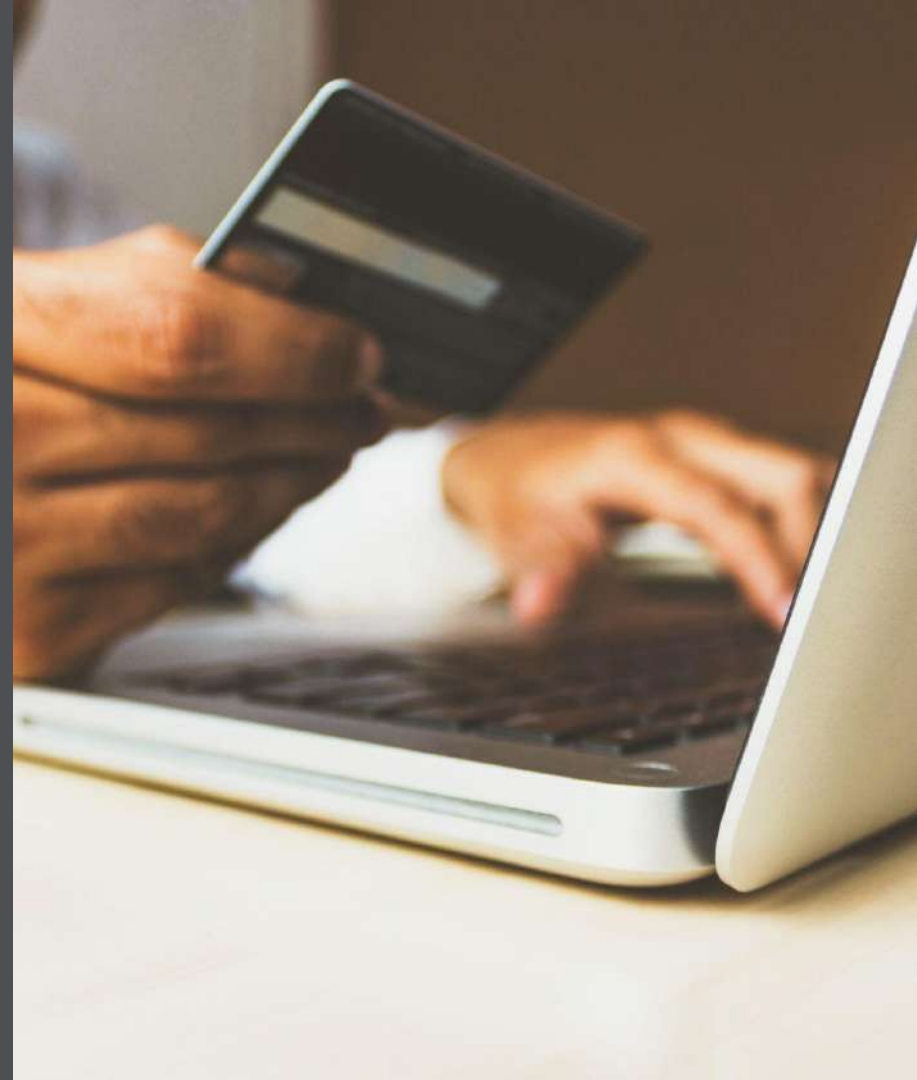
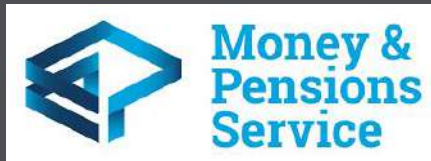







Buy Now Pay Later: a review of the market, risks and trends, consumer understanding, impact and outcomes

BIT - MaPS | Final report
June 2023



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1. Executive summary

Executive summary

Background and methods

Buy now pay later (BNPL) products are a form of short-term loan that are offered at the point of purchase, with either little or no fee/interest. This is usually done by way of either credit which is repaid over a period of time, or invoicing payment where consumers make repayments in installments.

There has been a rapid increase globally in the use of BNPL products. In the UK, it's estimated that **10.1 million people have used BNPL in the past 12 months.**

As part of the UK Strategy for Financial Wellbeing, the Money and Pension Service (MaPS) has commissioned the Behavioural Insights Team (BIT) to **explore how consumers use and manage their credit (in particular BNPL related products) and how to better support consumers.**

Methods



Rapid evidence review: BIT conducted a rapid evidence review of the academic and policy literature on the use of BNPL products. We explored evidence from the UK and worldwide on BNPL, and expanded the literature search to the use of credit products where appropriate.



Predictiv online survey: We conducted an online survey using BIT's experimental platform, [Predictiv](#) to further explore the use of BNPL in the UK and its implication to consumers' wellbeing. In addition, we have identified three segments using MaPS' [financial resilience segmentation](#).

Executive summary

Summary of key findings



BNPL is a rapidly growing in users, merchants, and providers. While currently BNPL only accounts for 5% of the UK e-commerce market, market penetration is expected to double by 2024.



Majority of BNPL users are under 40, but demand is increasing across all user groups. This is likely due to the targeted advertising over social media and the nature of the younger demographic (i.e. more likely to have a thin credit profile).



Awareness, accessibility, and affordability are three key drivers for the increase in BNPL adoption: In particular, consumers see BNPL products as a lower cost option and/or a way to smooth out spending. Costs are also considered low even when consumers have a late/missed payment.



People are increasingly likely to use BNPL for day-to-day essentials. 1 in 2 said that the recent rise in prices has changed how they use BNPL. Around 3 in 10 said they now use BNPL more often than they used to. This was significantly higher for the 'Struggling' and 'Squeezed' segments. 1 in 5 now use it more for essential purchases and for expensive purchases. There is also a gender differences, in which 33% of women would use BNPL on essentials, compared to 28% of men.



The 'Struggling' and 'Squeezed' are more likely to struggle to manage their BNPL payments. We found that good practices for managing BNPL were most common, although negative practices were notable. For example, 1 in 7 have taken money out of their savings while 1 in 10 have used a credit card for repayments. This poor payment management was more common for the 'Struggling' segment.

Executive summary

Summary of key findings



Lack of understanding of BNPL products and limited transparency in individuals' credit profiles could pose a risk to individuals' financial well-being and the wider economy: Knowledge of specific aspects on BNPL is poor, as 9 in 10 people didn't know they would not be protected by the FCA if something went wrong with their BNPL payments.



Regulations and behavioural nudges have shown to be promising in encouraging better credit management: Evidence from the BNPL literature as well as wider credit products suggested regulations and behavioural nudges (e.g. disclosure pop-up boxes) could be a promising avenue to target the choice environment that consumers are in when making decisions on credit products.



Of the interventions tested in the survey, people were most supportive of repayment reminders, which are already offered by some BNPL providers. Around 3 in 4 said they thought the repayment reminders should be implemented, as people felt this would best help them manage their repayments. BNPL users were also generally supportive of affordability checks and disclosure nudges.

Executive summary

Conclusion and recommendations

This report provided an overview of the scale and nature of the BNPL market in the UK, including findings on the type of products and usage, potential risks and benefits, and the impact of BNPL on users financial wellbeing and the wider UK economy. The report also identified good practice and potential solutions that MaPS could either implement or discuss with third parties to support BNPL users to better manage their credit.

We have suggested the following areas for MaPS to focus on:



1. Building the evidence base of the impact of behavioural interventions to support consumers in credit management. While there is some evidence to suggest interventions such as repayment nudges and disclosure nudges are effective in improving repayment and comprehension of credit products, there is limited evidence on how these improvements could be applied to BNPL products. For example, **policy makers can use randomised controlled trials (where possible, in an online environment and/or as a field trial) to build further evidence about what works to support consumers, especially those in the squeezed and struggling segments.**



2. Partnership with government and BNPL providers to develop 'code of conduct' aimed at supporting consumers with credit management. Given there are some positive changes already taking place in the industry, MaPS can partner with government and BNPL providers to develop 'best practice' guidelines on how BNPL should be communicated to consumers and how contract terms should be set out to ensure it is fair and easy to understand.

2. Background and methods

Background



Buy now pay later (BNPL) products are a form of **short-term loan that are offered at the point of purchase, with either little or no fee/interest**. This is usually done by way of either credit, which is repaid over a period of time, or invoicing payments, which sees consumers making repayments in instalments. Examples of some key third-party BNPL providers include Klarna, Laybuy, and Clearpay. Other providers, including banks, are also now offering BNPL options.



There has been a rapid increase globally in the use of BNPL products. In the UK, it's estimated that **10.1 million people have used BNPL in the past 12 months**. The number of merchants offering BNPL is increasing, with over 20,000 merchants currently offering a BNPL option at check out.



The promotion of BNPL to date has typically targeted younger consumers buying fashion and lifestyle products, with **64% of users under the age of 40**. It is often offered as an accessible and immediate form of short-term credit for the younger population who are likely to have a thin credit profile.



While there is already good practice in the BNPL provider market, with BNPL products continuing to grow in popularity, it is possible that consumers may struggle to manage multiple payments, particularly those who are already in debt. As part of the UK Strategy for Financial Wellbeing, MaPS has commissioned the Behavioural Insights Team (BIT) to **explore how consumers use and manage their credit (in particular BNPL related products) and how to better support consumers**.

Methods



Rapid evidence review

We reviewed academic and policy literature on the use of BNPL products and explored evidence from UK and worldwide on BNPL. The rapid evidence review aimed to:

- Provide a better understanding of the scale and nature of the BNPL market in the UK, types of products and channels, their usage, key risk factors and current trends; and more widely, the impact of BNPL on users financial wellbeing and the wider UK economy.
- Identify good practice and potential solutions that MaPS could either implement or discuss with third parties to support BNPL users to better manage their debts.



Predictiv online survey

We also conducted an online survey using BIT's experimental platform, *Predictiv* to further explore the use of BNPL in the UK and its implication to consumers' wellbeing. In addition, we have identified three segments using MaPS' financial resilience segmentation. Specifically, the survey aimed to better understand:

- Factors that contribute to the increase in the use of BNPL;
- Relationship between use of BNPL and spending habits;
- Perception of affordability of current BNPL repayments;
- Consumers' understanding of BNPL products.

** Details of the survey methodology are provided in Appendix 1.*

3. Key findings

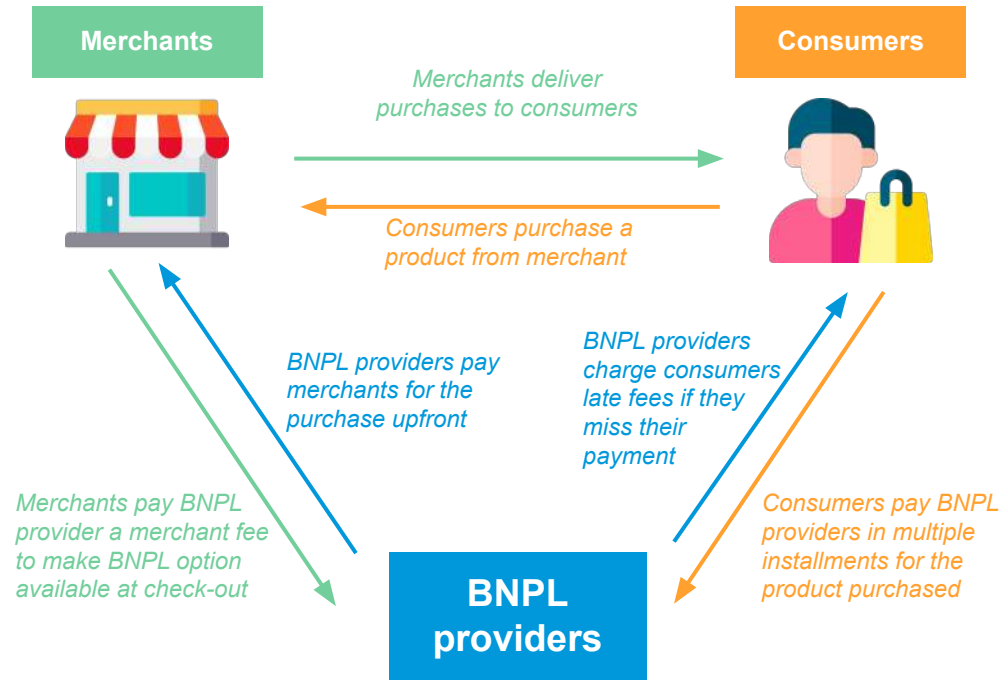
3.1 Overview of BNPL products, providers and user demographics

Overview of a typical BNPL business model*

Many BNPL providers are **merchant-funded**. This means that a large proportion of their profit is made by charging retailers a percentage of the value of every order that is placed using these payment options. Despite this cost, many retailers in the UK, including Marks and Spencer, H&M and ASOS, have adopted this model into their retail strategies. In return, companies have seen an increase in both the amount of sales they receive and the average cost of every order. It is also reported that customers have been shopping more frequently.

An additional revenue stream for some BNPL service providers is **late fees**. For example, consumers who fail to make payments that they owe to the BNPL provider are charged a late fee. If the customer fails to make their repayment after a further seven days, they are charged another late fee.

To prevent customers from incurring further costs that they may not be able to pay, BNPL providers could prevent customers from making any new purchases until they have cleared the payments that are due.



* Note that this reflects a more conventional BNPL business model, but other models exist

BNPL currently accounts for 5% (£6.4 billion) of the UK e-commerce market with over 20,000 merchant partners.

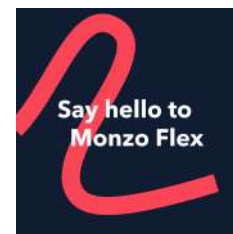
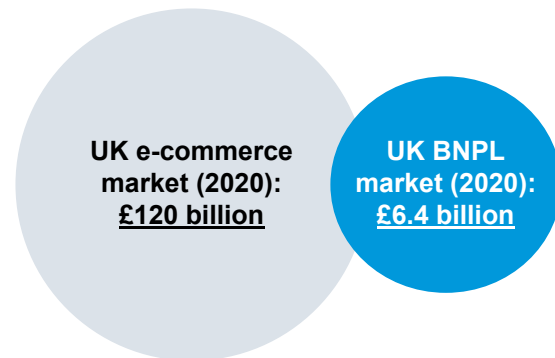
Globally, BNPL has even been estimated to grow to [USD \\$900 billion](#) by 2026. While there are various estimates of the current size of BNPL usage in the UK, evidence has consistently shown that **BNPL has been growing rapidly over the past years.**

The BNPL market currently takes up [5% \(£6.4 billion\)](#) of the UK e-commerce market, however, BNPL is showing a [200-300%](#) annual growth rate and it is estimated to **account for 10% of all UK e-commerce spending by 2024.**

Klarna, Laybuy, and Clearpay are some of the major third-party BNPL providers in the UK. With the rapidly growing industry, more providers including banks are now offering BNPL options.

- For example, HSBC, NatWest, and Monzo have launched a [BNPL scheme](#) for their customers.
- The number of merchants offering BNPL as a checkout option has also increased drastically. There are currently **over 20,000 merchant partners.**

** BNPL is only one of the many forms of credit consumer use. See Section 3.3 for an overview of other credit products.*



The majority of BNPL users are under 40 but demand is increasing across all age groups

BNPL users have increased rapidly:

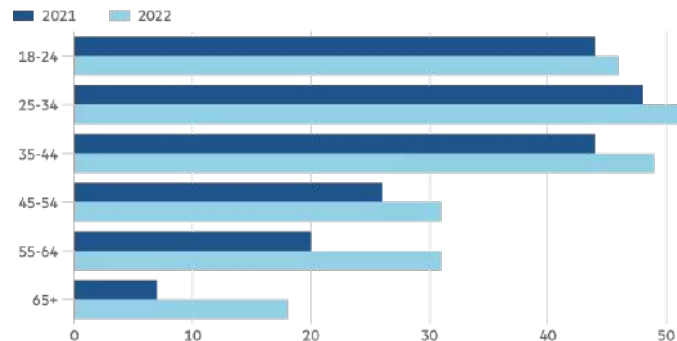
- A survey conducted in 2021 estimated that approximately [10.1 million](#) people in the UK have used BNPL within a 12-month period, and there is currently a [70-80%](#) annual growth rate in BNPL service users.
- [28%](#) of the UK adult population made at least one BNPL repayment in 2021, up from 23% in 2020, suggesting that 2.6 million more people are now using BNPL compared to a year ago.

Majority of BNPL users are under 40 but demand in older people is increasing as well:

- Younger users are still the group most likely to use BNPL products. The Centre for Financial Capability found that, of the 18 to 24-year-olds surveyed, [54%](#) expect to take out a loan over the next year, a 6 percentage point increase compared to the same period 12 months ago.
- However, demand has increased among older people - almost [one fifth](#) of over-65-year-olds said they had used the products or intend to do so in the next 12 months, compared to less than 10% last year. [Spreading out payments due to rise of living cost](#) was mentioned as a key reason for use.

Demand for buy now, pay later has increased across all age groups

Respondents who expect to use BNPL in the next 12 months (%)



Total of respondents who said they had used BNPL and intended to do so again and those who had not used it but intended to do so in the next 12 months

Sources: Centre for Financial Capability, Savanta

© FT







Why might that be?

This is likely because BNPL providers have largely focused on targeting young consumers, advertising the use of BNPL options when shopping. In fact, [76%](#) of BNPL users said they have come across BNPL advertising on social media, and [almost half of users](#) aged 18-24 said they have been targeted through paid social media advertisements.

Comparison of the key BNPL providers in the UK

Source: [Bain](#); [Which?](#); [Money Saving Experts](#)

Third-party BNPL providers	Repayment plan	Are repayments taken automatically?	Reminders for repayment	Late payment fees	Credit checks*	Passing missed payments to debt collection agencies?
 Klarna.	3 installments; Paid at purchase, then monthly. <i>Klarna also offer another option to pay up to 30 days after placing the order</i>	Yes for the 3-installment option; No for the pay in 30 days option	Reminder text on the day the payment is due; Push notification the day before a payment is due via the app	None	'Soft' credit search and internal credit scoring system. Will share purchases with credit reference agencies.	Yes. Will try to take payment again but if that fails, outstanding amount will be added to next payment. Multiple missing payments will be passed on.
 clearpay	4 installments; Paid at purchase, then every two weeks	Yes	Reminders via SMS and email prior to payments due	£6 late fee; For orders over £24 late fees are capped at 25% of the total order cost or £36, whichever is less	No affordability checks. It starts by giving a low lending limit which will increase with repayments	Sometimes, but only as a last resort. Missed payment will lead to immediate stop for further purchase.
 LAYBUY	6 installments; Paid at purchase, then every week	Yes	Reminder email and a push notification the day before payment is due	£6 late fee; Can be charged twice per missed installment	'Hard' credit search on first purchase, internal credit scoring system for all purchases	Sometimes, but only as a last resort. Missed payment will lead to immediate stop for further purchase.
 PayPal	3 installments; Paid at purchase, then monthly	Yes	Reminder email or SMS 10 days before payment is due	None	PayPal says it runs 'soft' credit checks 'if needed'	Yes. Automatically pass on after 90 days of negative balance.

* A credit check is when a company looks at an individual's credit report to see their financial history. A soft credit check doesn't leave a visible footprint on the credit file, but it is recorded. This means no other lenders can see it and it won't affect individual's credit score. However, a hard credit check will look at the financial history, so the lender can see track record of repayment history and it could have an impact on credit score.

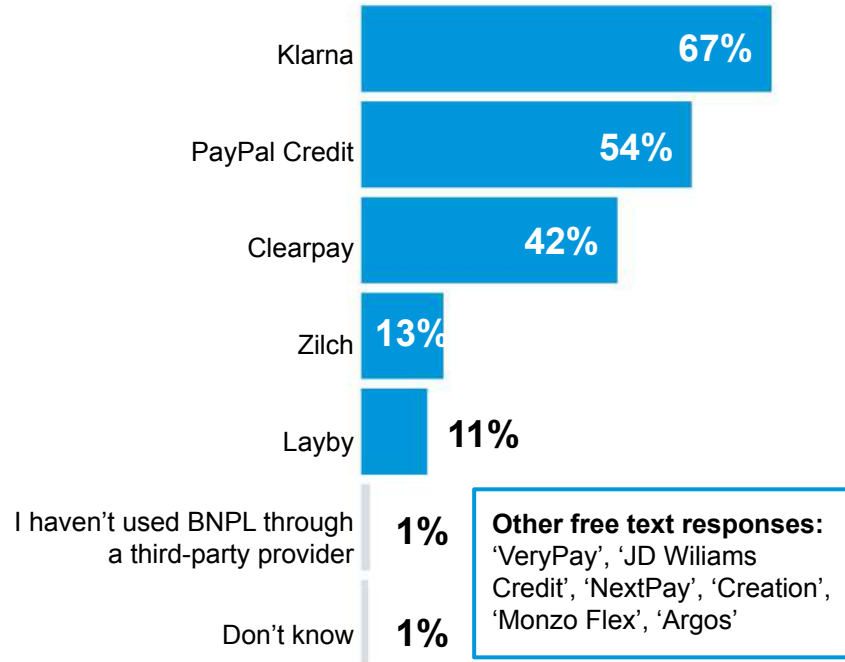
Comparison of the key BNPL providers in the UK

Source: [Which?](#); [Virgin Money](#); [Monzo](#); [HSBC](#)

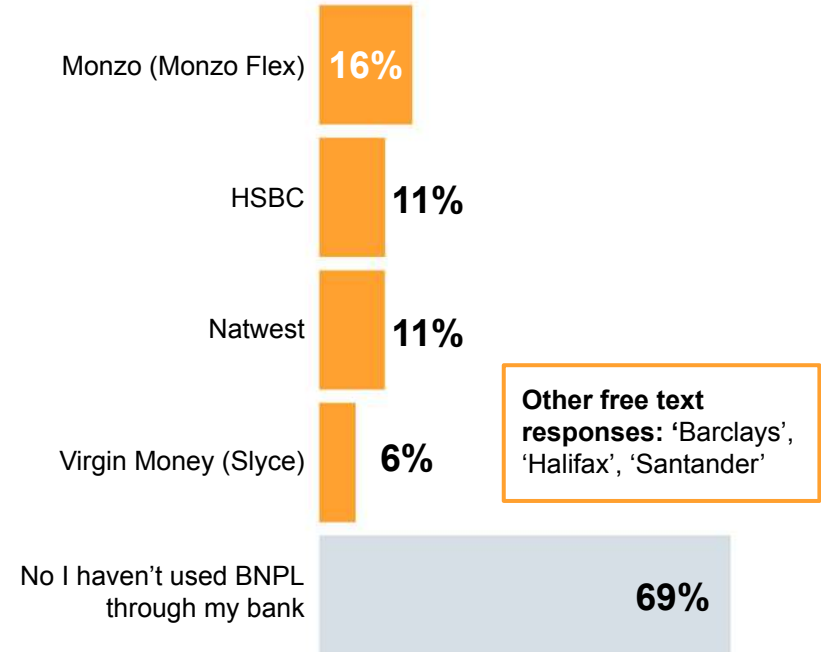
Other BNPL providers	Repayment plan	Are repayments taken automatically?	Reminders for repayment	Late payment fees	Credit checks	Passing missed payments to debt collection agencies?
NatWest	Spread payment over £50 over 4 monthly installments	No	No	Yes, £12 late payment fee if more than a day late, applied once per month	Not specifically for the BNPL product. Maximum credit limit £1,000	Yes but limited information on how this will happen
HSBC	Spread payment over £250 into 3-, 6-, or 12-monthly installments, with a set monthly fee	No	No	Late payment will be moved back to standard credit card balance	Not specifically for the BNPL product but need to be current credit card holders.	Did not mention
Monzo Flex	Spread payment over £30 over 3 installments. 6- and 12-installment options available but not interest free	Yes, setup when first use	Yes	No late fee but payment will no longer be interest free.	Not specifically for the BNPL product. Maximum credit limit £3,000	Yes if consumers do not make payment after 7 days.
Virgin Money Slyce	Spread payment over £30 across 3, 6, 9 or 12 months. There is a 7.5% and 10% fee for the 9- and 12-month plan though	No	Yes, a monthly payment request	No late fee, but consumer will receive emails and app notifications about the late payment	Credit and affordability checks before any spending starts. Maximum credit limit £3,000	Yes, if consumers do not make the minimum payment

Our survey found that third-party BNPL providers were used substantially more than services provided by banks

Which of the following BNPL providers have you used? (n = 2,507)



Have you ever used the BNPL services provided directly by banks? (n = 2,507)



1 in 2 said that they would prefer to use third-party BNPL providers, based on their previous good experiences and that these would be the easiest and quickest to use.

Of those who would use BNPL again, *In the future, would you prefer to use BNPL from a third-party provider (e.g. Klarna, Clearpay), go through your bank (e.g. Monzo, HSBC) or directly from the retailer?* (n = 2,398)

47% A third-party provider

18% Directly from the retailer

14% Your bank

21% Any of these

Why would this be your top choice?

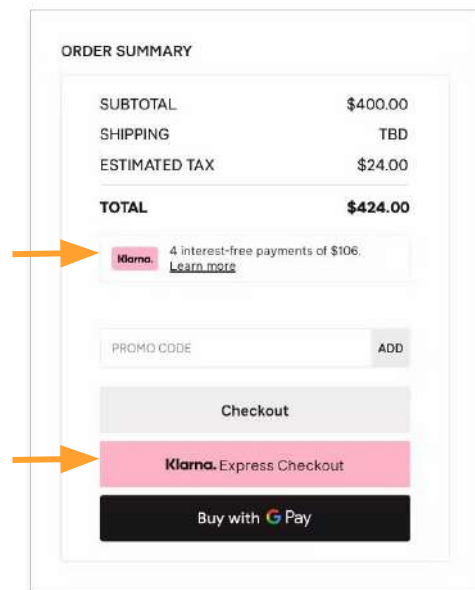
(top three reasons for choosing, n = 1,885)

 A third-party provider	 Directly from the retailer	 Your bank
58% I've used them before and had a good experience	46% It's easy to use	56% It's trustworthy
56% It's easy to use	44% I've used them before and had a good experience	39% It's easy to us
47% It's quick	40% It's quick	38% They can support me if I have trouble making repayments

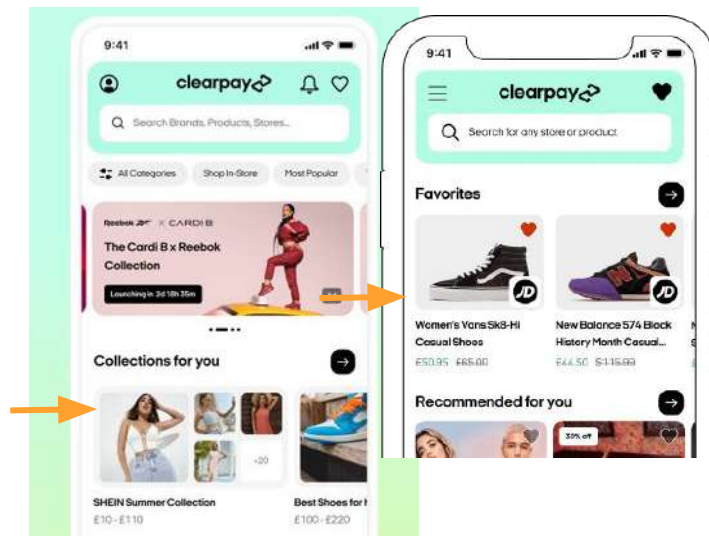
Sales channels of BNPL providers vary but majority focus on 1) embedding express checkout at the payment page, 2) shopping via a BNPL app, and 3) in-store checkout with BNPL

Most of the BNPL providers operate by embedding an e-commerce checkout option that allows consumers to select at the point of purchases. However, the sales channel varies between providers. Below we have provided some examples of sales channels from key BNPL providers:

1. Express BNPL checkout option at the payment page



2. Shopping through the BNPL app



3. In-store checkout with BNPL



Our survey found that more than 6 in 10 said they have used BNPL directly through a retailer. Interest free and installment payments were the most popular ways to use BNPL.

Of the 63% who say they have used a BNPL product offered directly through the retailer, top mentioned retailers were (n = 1,582)

1	Argos	195 mentions
2	Very	178 mentions
3	Curry's	131 mentions
4	Amazon	131 mentions
5	Next	72 mentions

Where have you used BNPL?



63%

Online only



27%

Both



10%

In-store only

What kind of payment option have you used when shopping with BNPL? (participants could select multiple options)

86% Pay in installments

43% Pay full amount at a later date

1% Don't know (exclusive)

Did you have to pay interest on your last BNPL purchase?

76% No, it was interest free

21% Yes, there was interest

3% Don't know

3.2 User behaviours and perceptions of BNPL

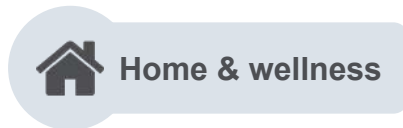
The majority of consumers use BNPL purchases for luxury items (e.g. fashion and electronics). However, BNPL purchases are diversifying to essential items (e.g. groceries), possibly due to increase in living costs.



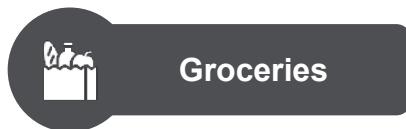
Fashion items such as clothes, shoes, accessories are [one of the top categories](#) of what consumers commonly use BNPL for. Recent data suggested that [51% of female consumers have used BNPL for fashion items](#).



Electronics including TV, computers, and mobile phones are closely followed by fashion items, especially amongst male consumers, with [40% of male consumers indicating they have used BNPL to buy electronics](#).



Other popular items people use BNPL for were related to home and wellness, with around [one-fifth of consumers expressing using BNPL on these items in the past 6 months](#). This includes home appliances, home decorations, and health and wellness products



Emerging trends also suggests a diversification in the categories for BNPL spend, possibly due to the [increase in living costs](#). In particular, BNPL providers are offering BNPL options on weekly groceries, pet food, and hot drinks. For example, the online grocery store [Flava](#) is offering a BNPL option to struggling families without credit checks for food items.

Awareness, accessibility, and affordability are three key drivers for the increase in BNPL adoption.

Awareness:
targeted advertising
towards the younger
population



BNPL providers have largely focused on targeting the younger population. In fact, data from a [Forbes survey](#) showed that **76% of users have come across BNPL through advertising on social media platforms**, and 49% of users aged 18-24 said they have been targeted through paid social media advertisements.

Accessibility:
easy access and
convenience



Given BNPL providers are not required to run 'hard' credit or affordability checks before lending money, this means it's easier for consumers to access compared to traditional credit products (e.g. credit cards). BNPL providers often offer discounts and offers, intuitive navigation, wide availability, and better customer service compared to traditional credit products. This, as a result, has attracted a large number of users.

Affordability:
lower cost, even for
those who miss a
payment



In a survey of 2,000 UK adults, [52%](#) expressed the **absence of fees and interest was one of the top reasons for them to choose BNPL over other credit products**.

In fact, had all BNPL purchases in the UK over the past 12 months been conducted using rolled-over credit card debt, the equivalent interest paid by customers would amount to [£103 million](#).

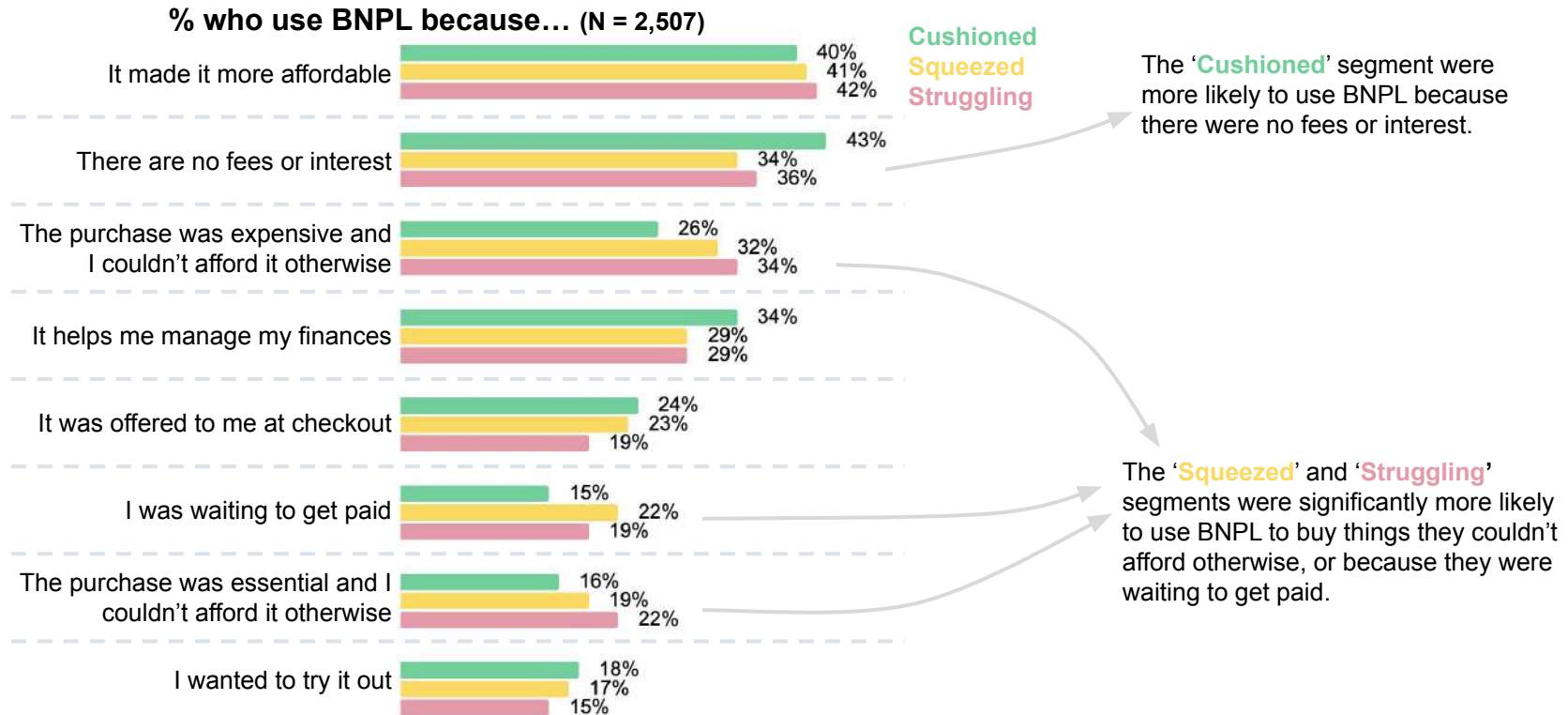
Affordability:
spread out cost of a
purchase



When asked about why people use BNPL, [40%](#) highlighted spreading out the cost of the purchase as a top reason, with [77%](#) agreeing that **BNPL was a means to help them manage their finances** - this is true across the income spectrum.

With the impact of the living cost crisis, a recent Forbes survey found that [70%](#) of BNPL users have expressed using these services more frequently over the last six months.

Our survey found that people tended to use BNPL because it made purchases affordable and there were no fees or interest. The ‘squeezed’ and ‘struggling’ segments were more likely to use it to buy things they couldn’t afford otherwise



Our survey found that more than half currently had at least one BNPL purchase they haven't yet paid off in full. Of them, 6 in 10 have multiple outstanding payments and over half BNPL debt worth more than £100

Of the **55%** who have purchases made with BNPL that they have not yet paid in full... (n = 1,391)

How many purchases have you not yet paid in full?

- 40%** One
- 31%** Two
- 16%** Three
- 6%** Four
- 2%** Five
- 4%** More than five
- 1%** Don't know

60% currently have multiple purchases they have not yet paid in full. This was significantly higher for those in the 'Struggling' (65%) or 'Squeezed' (59%) segments than the 'Cushioned' segment (56%).

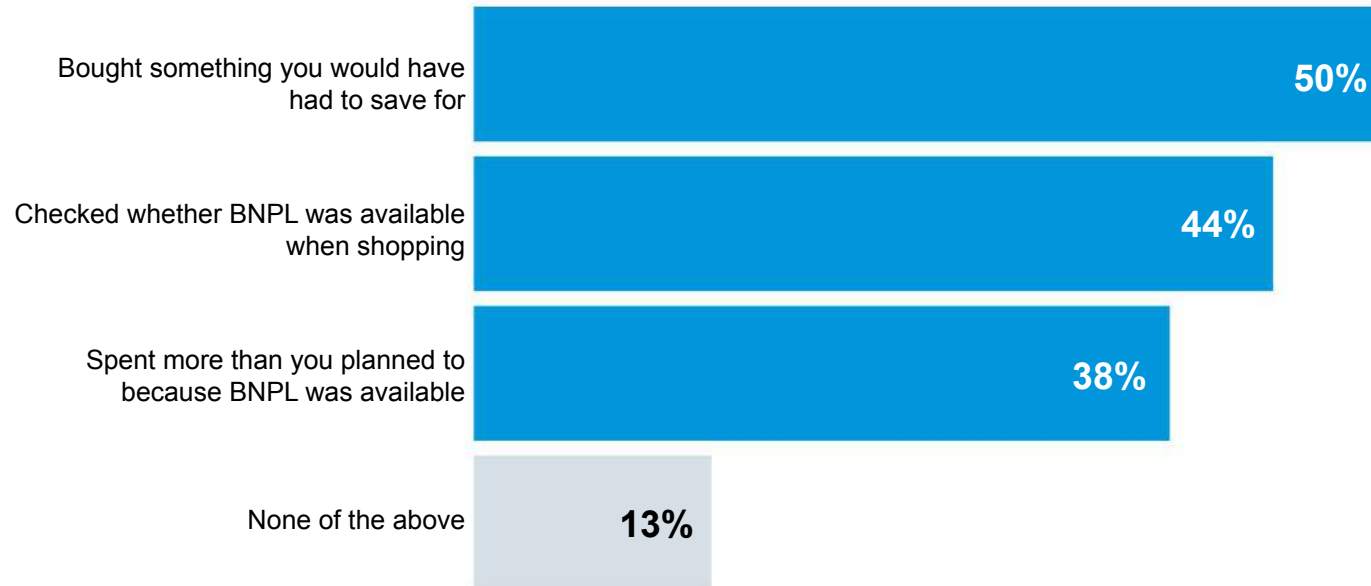
For these purchases, roughly how much do you need to pay back in total?

- 6%** Less than £25
- 16%** £25 to £50
- 23%** £50 to £100
- 24%** £100 to £250
- 16%** £250 to £500
- 14%** Over £500
- 1%** Don't know

69% say they have used BNPL even when they originally planned to pay for the item in full

Our survey found that nearly 9 in 10 suggested that their shopping habits had changed since they started using BNPL

Since using Buy Now Pay Later, have you done any of the following?



Our survey found that 1 in 2 said the recent rise in prices has changed how they use BNPL. This was higher for the 'Struggling' and 'Squeezed' segments.



52% say the recent rise in prices has changed *how* they use BNPL

This was statistically significantly higher for the 'Struggling' (56%) and 'Squeezed' (55%) than the Cushioned (42%) segments.



42% say the recent rise in prices has changed *how often* they use BNPL

75% say they use BNPL more often than they used to (n = 2,124)

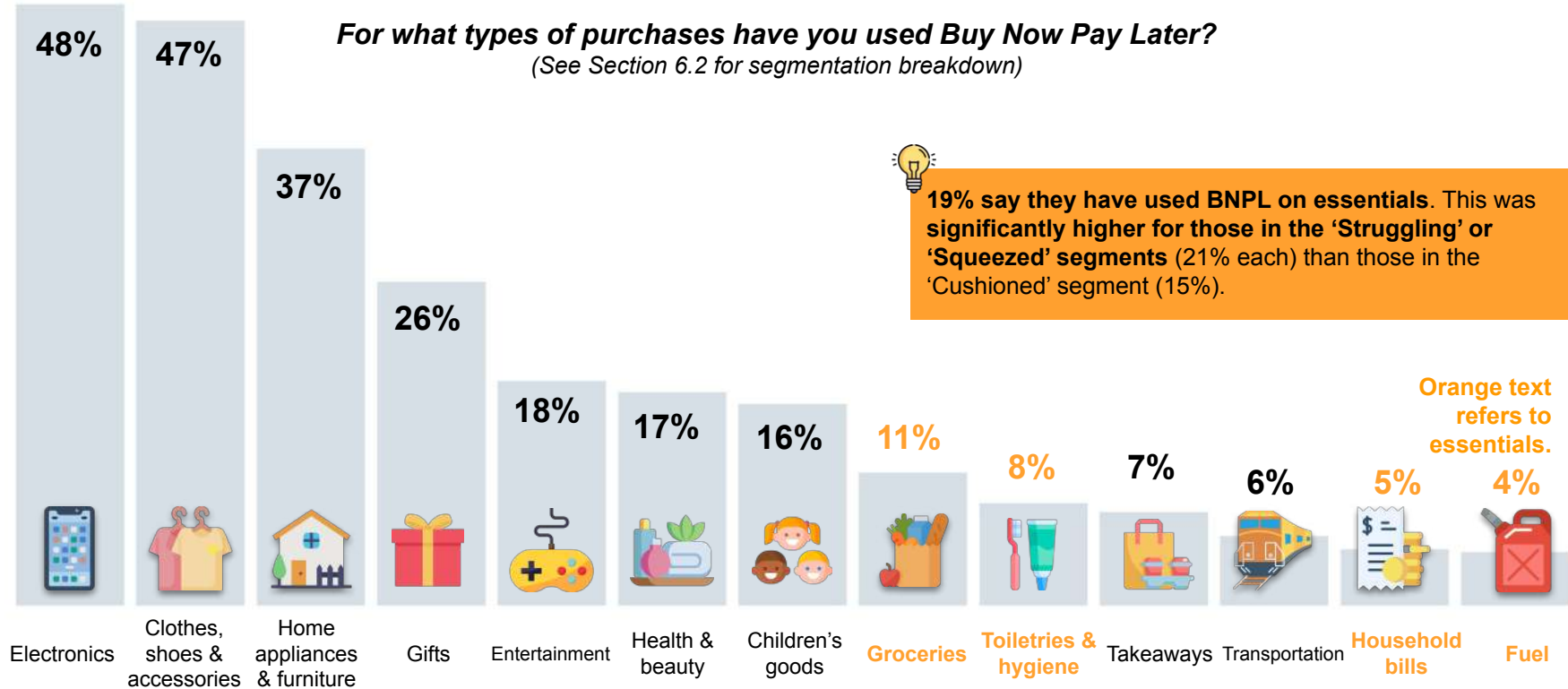


39% say the recent rise in prices has changed the *types of things* they buy with BNPL

% who use BNPL more or less on...	More	Less
Essential purchases	51%	24%
Expensive purchases	63%	28%
Different types of purchases	54%	30%

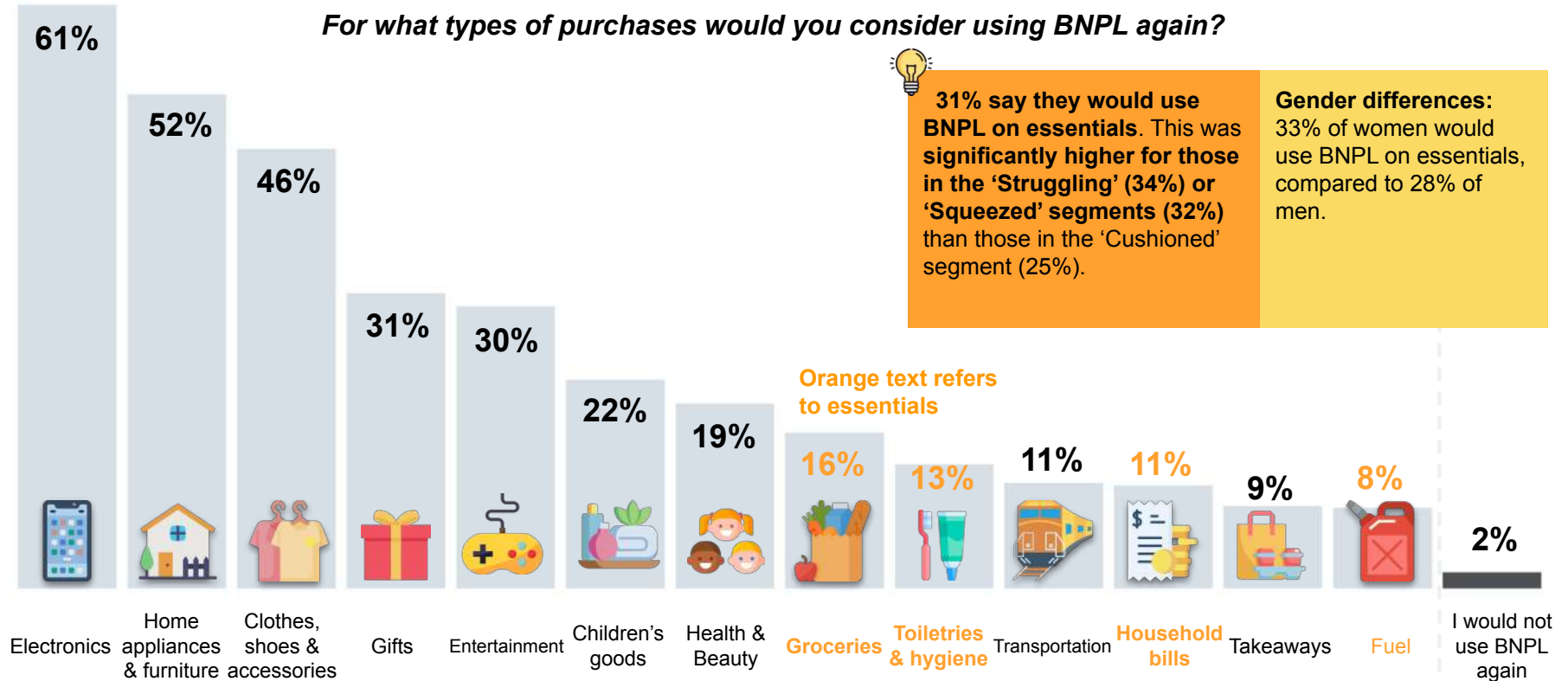
Our survey found that 1 in 5 say they have used BNPL on essential items such as groceries, toiletries, bills or fuel. This was significantly higher for the **Struggling or Squeezed segments**.

For what types of purchases have you used Buy Now Pay Later?
(See Section 6.2 for segmentation breakdown)



3 in 10 said they would use BNPL for essential purchases in future. This is a 50% increase compared to past usage. Nearly all participants said they would consider using BNPL again for at least one type of purchase in future.

For what types of purchases would you consider using BNPL again?



3.3 The use of multiple credit products and the potential risks and benefits associated with BNPL

Credit cards remain the most widely used credit products for building a credit profile, while higher-cost credit products are least widely used and are seen as an emergency option

More widely used

Credit cards	0-50% APR	Credit cards are one of the most commonly used credit products. Consumers, especially from the younger population described the use of this as a transition to adulthood. It's seen as a way to smooth out spending but also to build their credit rating.
Overdrafts	19-40% APR	Consumers often see overdrafts as an extension of their current accounts. Some reported seeing this as their 'own' money in which they can freely access, especially as an easy option to cover spending towards the end of the month.
BNPL products	Majority 0%	Similarly, BNPL products are seen as a way to smooth out spending. Consumers also find it a widely available and easily accessible option.
Informal / unregulated loans	Varied	Informal loans, e.g. loan from family and friends, are seen as a safe and 'relaxed' option. However, consumers also expressed borrowing from informal contacts/loan sharks would be their last resort, mostly due to the high interest rates and the shame of having to borrow from close contacts.
Higher-cost retail credit products	10-30% APR	Consumers viewed higher-cost retail credit products to be something that used to be convenient, but have been replaced by newer options (e.g. BNPL). This is still seen as a convenient means for unexpected or large purchases from retailers, despite concerns about the higher interest rates.
Higher-cost credit products	Up to 1,500% APR	Higher-cost credit products are described as an option for emergency situations where consumers need money quickly, if they need to repay other credit products to avoid interest, or when access to other options is not available.

Less widely used

Source: [Britain Thinks report](#); [MoneyHelper](#); [MoneySupermarket](#); [RetailCU](#);

The ‘disconnect’ between BNPL and credit cards could impose risks to individual’s financial wellbeing and the wider economy

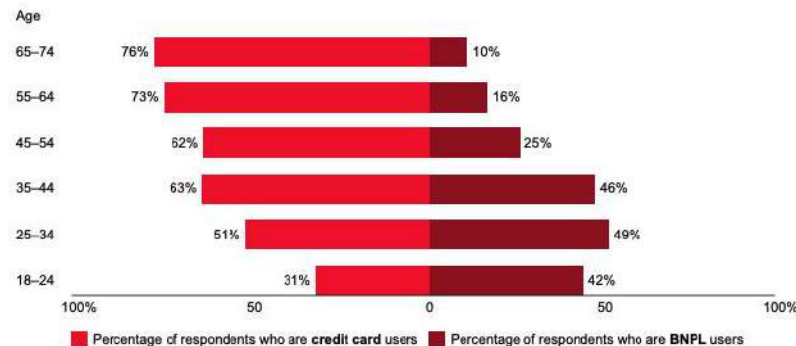
As discussed in the previous slide, a credit card is one of the most commonly used credit products consumers use for their purchases. While it shares many of the same use cases with BNPL, consumers do not always consider BNPL credit as debt. This disconnect between BNPL and credit cards could be problematic for several reasons:

! Challenging to identify those who are struggling: While the use of credit cards is still dominating across all age groups, there is an [increasing trend](#) for young consumers to adopt the use of BNPL products. With BNPL currently being unregulated, this means it could be challenging to evaluate an individual’s debt profile/credit rating and identify individuals who are struggling to manage multiple credit.

! Transferring BNPL debt to credit cards: Most BNPL providers accept credit cards as a repayment option, including Klarna, Laybuy and Clearpay. [4 in 10](#) people revealed they have borrowed money to pay off their BNPL debts. The rate was even higher in the 18-34 age group, where [half of the respondents](#) had done this. However, if a consumer is unable to meet their BNPL payments on-time, transferring BNPL debt to their credit card could result in an even higher level of debt. In fact, Capital One in Australia deemed the risks so great it has [banned consumers from charging BNPL to their global credit cards](#).

Figure 6: While buy now, pay later is most popular with younger consumers, it also appeals to many older ones as well

Percentage of online shoppers who are credit card or BNPL users



Source: Bain & Company survey of 2,002 UK consumers who shopped online in the past 12 months, conducted July 2021

Potential risk for BNPL: Without affordability checks and transparency on individual's credit history, debts could get out of control easily

1. Struggling to keep up with the repayments

Relevant to the [FCA's Consumer Duty](#):
Consumer principle

As BNPL currently falls outside of Financial Conduct Authority (FCA) regulation, BNPL providers are not obligated to run affordability checks on users. This means that consumers could end up taking more debt than they can afford. While [data](#) suggested that the total amount borrowed by each individual has only increased slightly, from an average of £120.35 in December 2020 to £125.32 in October 2021, consumers struggled to keep up with the repayments. For example:

- A [survey](#) in 2022 suggested that **almost one quarter of consumers are missing monthly payments (24%)** and **more than one quarter are skipping payments at least every few months (27%)**. In particular, those under the age of 35 struggled to keep up with their repayments the most.
- Similarly, 30% of UK consumers have used BNPL to buy goods, and of these, almost [a third \(31%\)](#) saying the lending had got them into problem debt

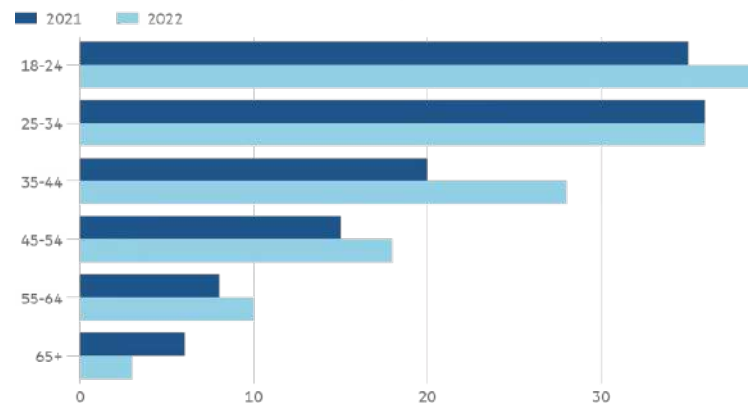


Missed (or late) payments is likely to have knock-on effects which affect individual's financial wellbeing. For example, amongst consumers who missed their BNPL repayment, [28%](#) were charged a late fee; [26%](#) fell behind on another payment, and [25%](#) fell behind on a bill.

In 2020, **BNPL users were charged a total of [£39 million](#) in late fees.**

Growing numbers affected by BNPL late fees

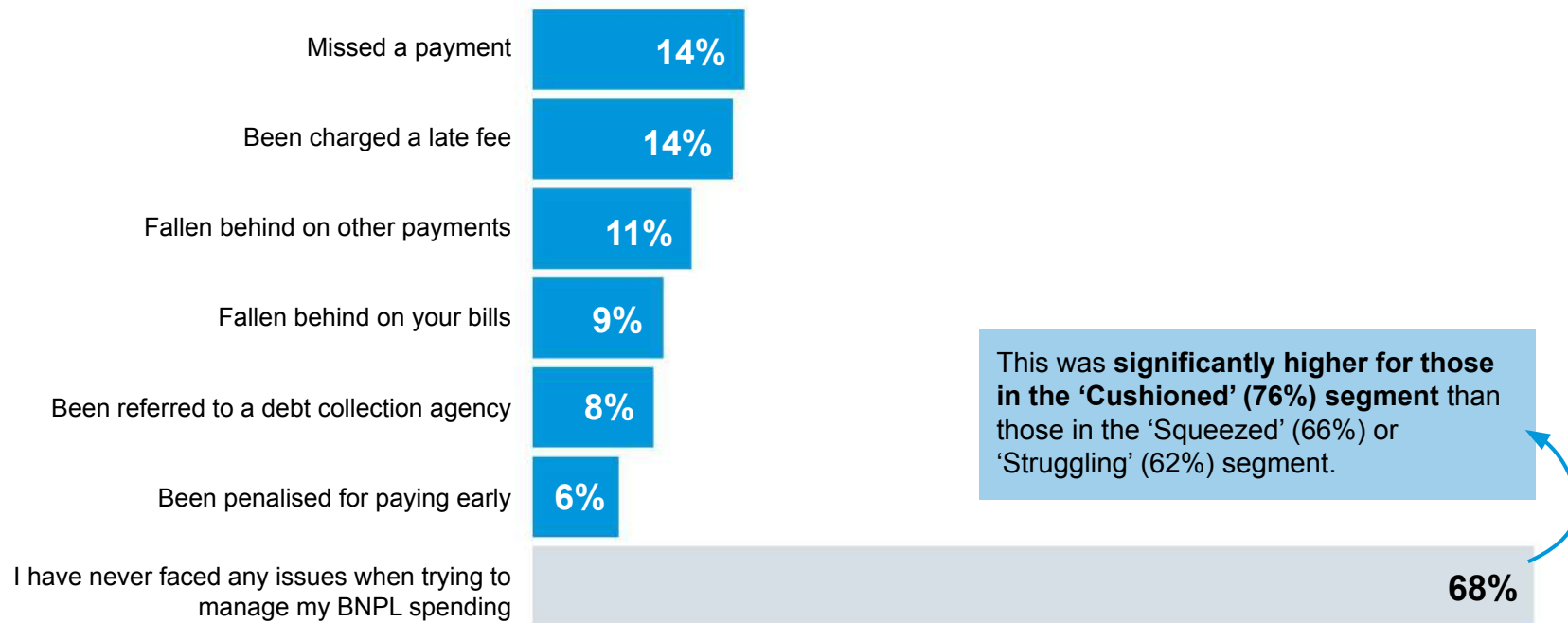
Respondents who said they had been charged late payment fees (%)



Sources: The Centre for Financial Capability, Savanta
© FT

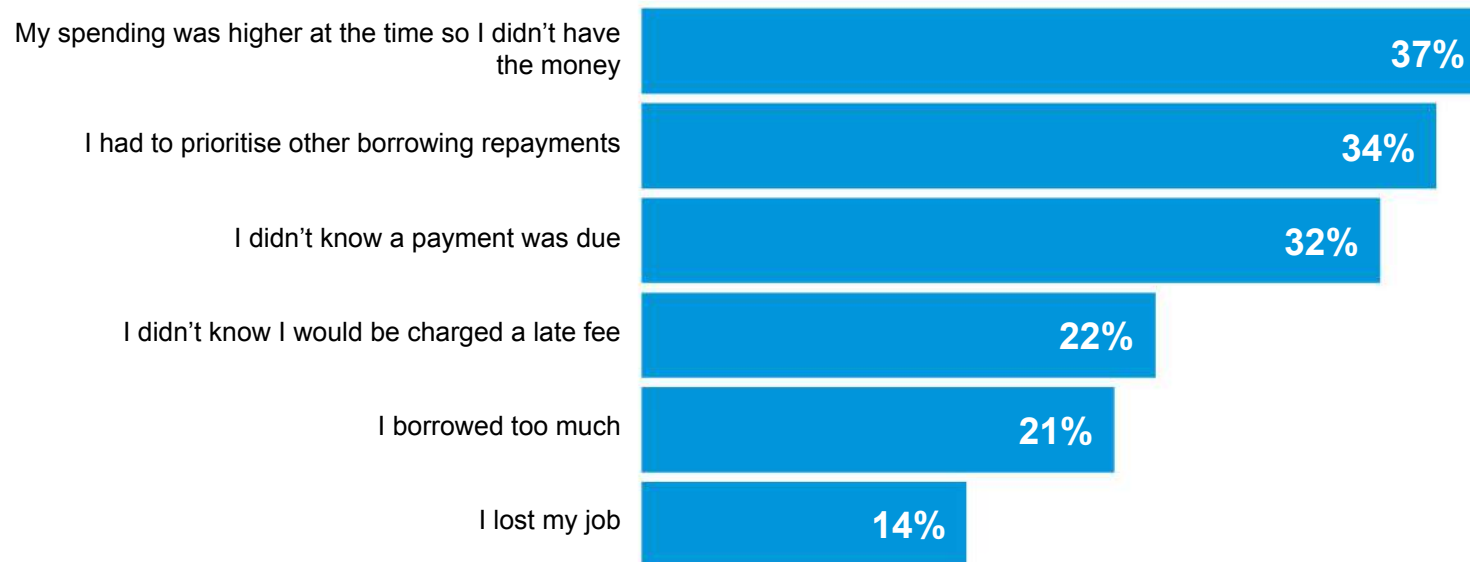
Our survey found that 3 in 10 said that they have experienced an issue when managing their BNPL spending, although this was higher for the Struggling (38%) and Squeezed (34%) segments compared to the Cushioned segments (24%).

Have you ever faced any issues when trying to manage your BNPL spending?



We found that those who had issues reported that it was because their spending was too high, they had other repayments or they didn't know their payment was due.

Of those who have faced an issue when managing their BNPL spending, *Why did you have problems managing your BNPL spending?* (n = 780)



Potential risk for BNPL: Those who struggle to keep up with repayments have reported to have negative impact on both their financial and mental wellbeing

2. Negative on individuals' (financial and mental) wellbeing

Relevant to the **FCA's Consumer Duty**:
Consumer principle; Cross-cutting rules

It's evident that engaging in (multiple) BNPL products could have a negative impact on individuals' financial and mental wellbeing, especially for young consumers who are struggling to keep up with BNPL repayment.

- **1 in 10** BNPL users have been chased by debt collectors in 2021, with **96% of people facing debt collection for BNPL debts reporting at least one negative impact.**
- Data from a recent YouGov poll indicated that **39% of those with BNPL debt reported that credit had recently had a negative impact on their health, relationships or work.** This compares to 22% of those who hold any credit product with an outstanding balance.
- **40%** of those with a BNPL loan had taken negative coping actions to keep up with credit repayments in the last 12 months, including using credit to repay credit, falling behind on housing payments or utility bills, asking family or friends for help or cutting back to the point of hardship. This compares to 21% of those who hold any credit product with an outstanding balance.
- Similarly, **17% of those who hold BNPL debt meet StepChange's definition of severe financial difficulty**, comparing to only 9% of those who hold any credit product and 6% of all UK adults.



54% turned to other forms of borrowing to pay off their debts, e.g. credit cards, loan



46% had sleepless nights



40% ignored text, emails, letters or calls in case they were about their debts

Potential risk for BNPL: Consumers might not always understand the BNPL products they have signed up for, and this could lead to missed/late payments

3. Consumers lack understanding of BNPL products

Relevant to the [FCA's Consumer Duty](#):
Cross-cutting rules; Consumer understanding outcome

Consumer's struggle to manage their BNPL credit could be due to the lack of understanding of the BNPL products. The seamless and user-friendly experience could contribute to the lack of understanding of what consumers have signed up for. In fact, a survey in 2022 found that **25% of BNPL users did not claim to know how much money was going out of their account monthly, as a result of paying off their loans**. This highlights the risk for consumers to spend beyond their means and/or struggle to keep up with their repayment schedule. In the long run, late or missed payments can attract a fee and negatively affect the individual's credit file. Common barriers / misunderstanding of BNPL include:



Consumers accidentally using it as it was selected as default

A [survey in 2020](#) found that 13% of BNPL users said they had accidentally used the service because it was selected as the default payment option at checkout.



Consumers don't see BNPL credit as debt, or unaware of the consequences of non-payment

[41%](#) of people who were aware of BNPL either didn't believe or didn't know that missing a payment could lead to the BNPL firm passing the debt on to a debt collection agency. In the case that the retailer falls into administration, you'll still have to continue meeting your repayments as normal if you want to keep the items.



Lack of information at checkout to alert consumers of the risks of missed/late payment

[None](#) of the UK top 100 retailers who offered BNPL warned consumers that they could be referred to debt collectors at checkouts. This was only mentioned separately in the T&Cs or fine prints. Extra steps to accessing information (e.g. open separate tab and read through small prints) act as barriers to people making an informed decision on whether the credit product is appropriate for them.

We found that 2 in 3 did not know that BNPL isn't always an agreement with them and the retailer they buy from. 4 in 10 did not know they may be approved for BNPL even if they could not afford it.

% who correctly identified the following statements to be True (n = 2,507)

- 90%** Buy Now Pay Later is a form of borrowing.
- 88%** Some Buy Now Pay Later providers may charge a late fee if you don't keep up with your repayments.
- 69%** Using Buy Now Pay Later can affect your credit score.
- 69%** BNPL can be used both online and in store.
- 57%** You may be approved for BNPL even if you can't afford it.

% who correctly identified the following statements to be False (n = 2,507)

- 69%** Buy Now Pay Later is the only way you can buy some products.
- 33%** When I use BNPL it is always an agreement between me and the retailer I buy the product from.
- 11%** Agreements that last less than 12 months are regulated by the Financial Conduct Authority (FCA), which means you are protected if something goes wrong.

61%

Average knowledge score*

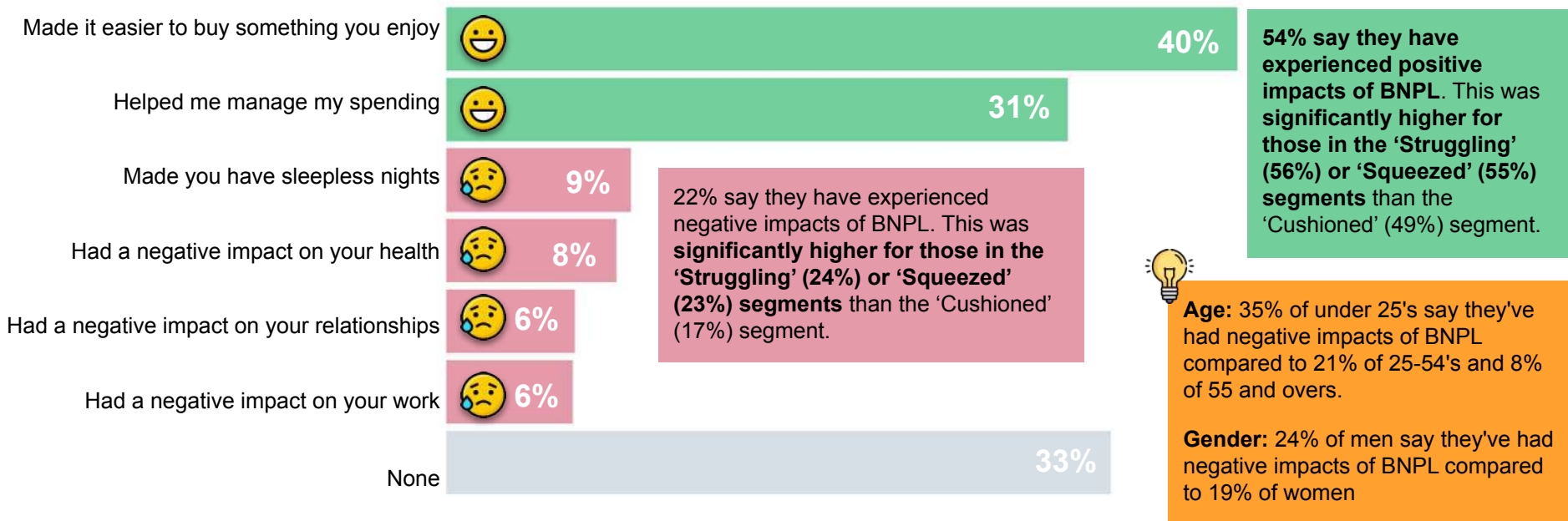
Overall knowledge was statistically significantly higher for those in the 'Cushioned' (62%) or 'Squeezed' (61%) segments than the 'Struggling' (60%) segment.

* Average knowledge score refers to the average percent of statements correctly stated as True or False.

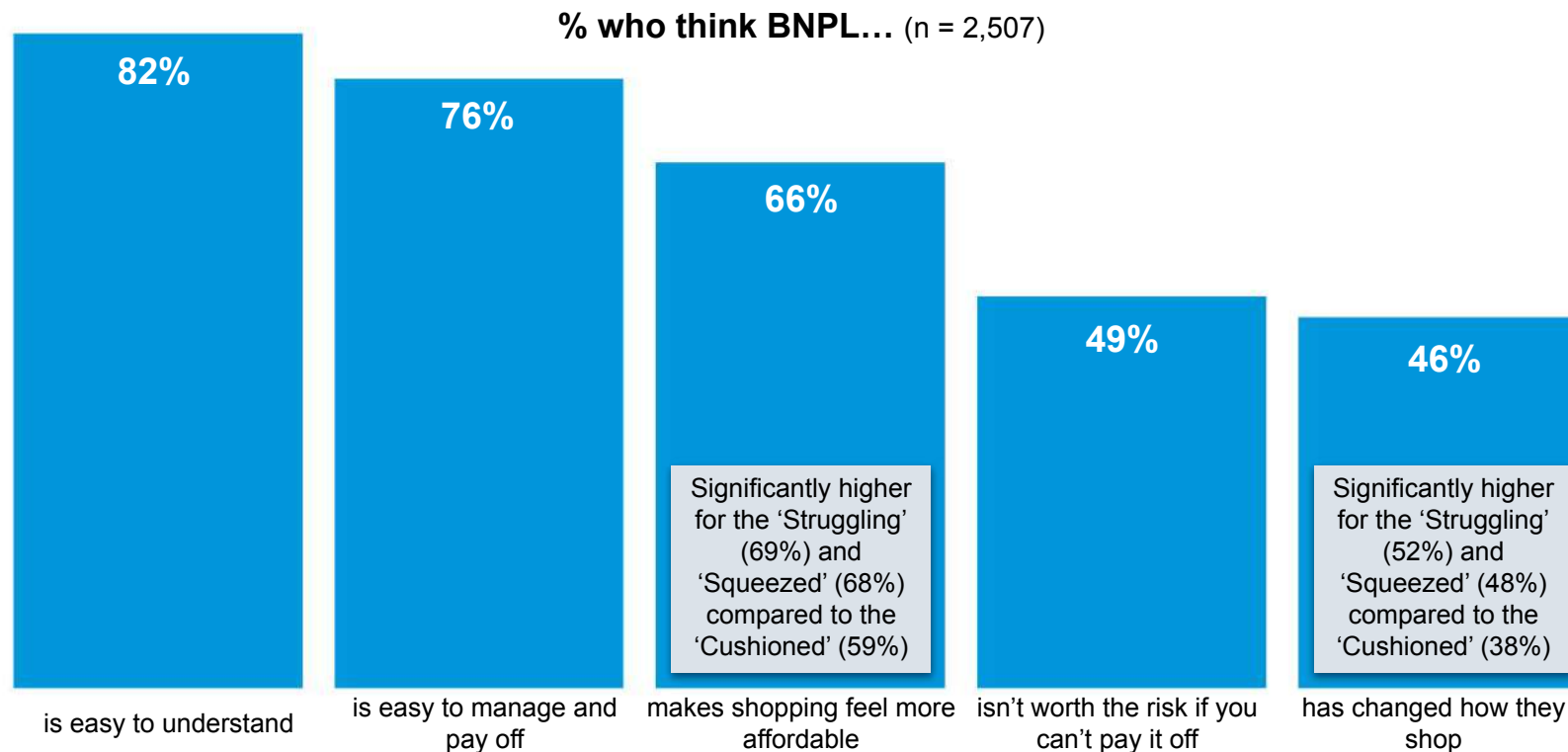
Data collected by BIT on 13-20 March 2023.

Our survey found that despite the risks, people have generally enjoyed the positive impacts of BNPL, with fewer experiencing problems.

Have your Buy Now Pay Later repayments ever caused any of the following?



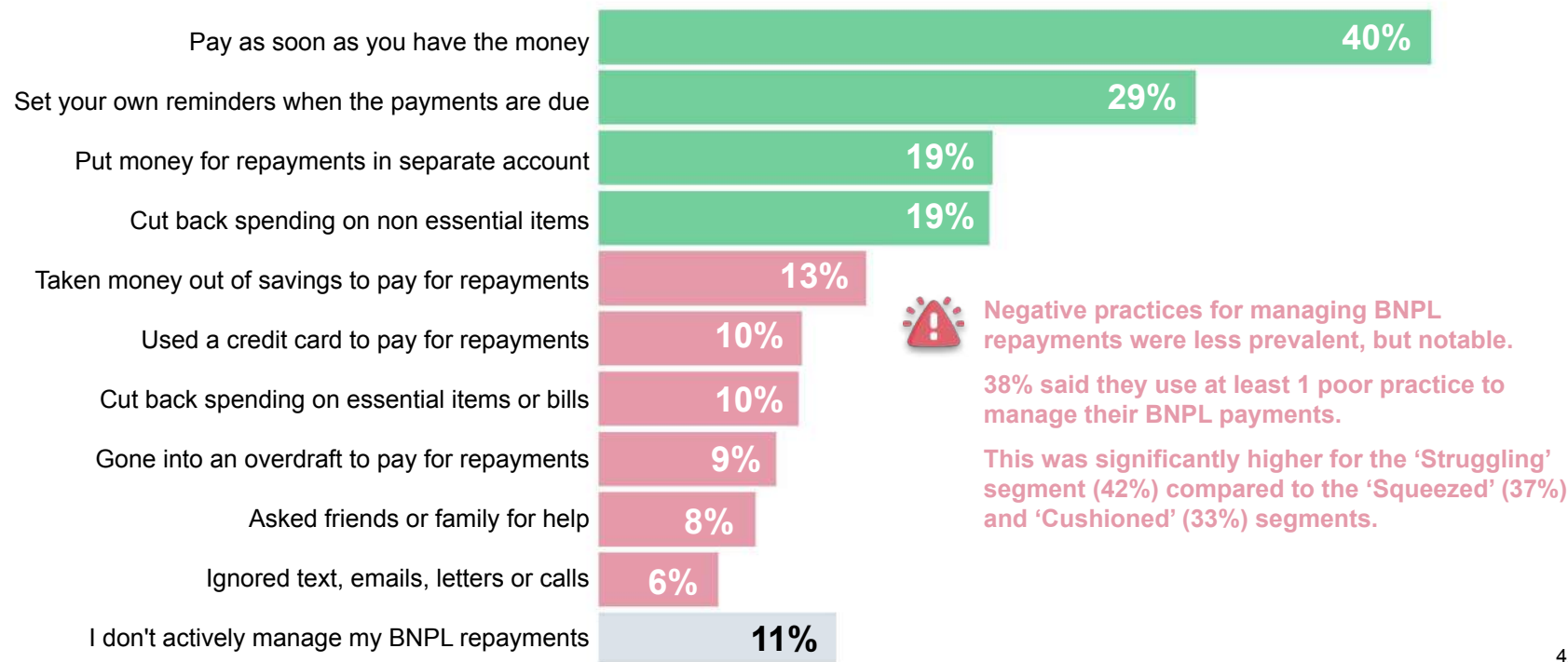
We also found that people generally had positive attitudes towards BNPL, although 1 in 2 felt the risks of not being able to pay it off were high.



Our survey suggested that good practices for managing BNPL were most common, although negative practices were notable.

How have you managed your BNPL repayments?

(See Section 6.2 for segmentation breakdown)



3.4 Existing good practice in BNPL products and ways to better support consumers

Since the UK government's announcement on the planned BNPL regulation, BNPL providers have taken steps to ensure consumers have a better understanding of their contract terms

Currently not all BNPL providers are regulated by the Financial Conduct Authority (FCA) under the consumer credit regulation. However, the UK government has recently announced plans to regulate BNPL providers, with lenders requiring FCA approval and having to offer affordability checks to potential customers. Encouragingly, **9 in 10 retailers welcomed the regulation proposal** and agreed that all credit providers (including BNPL) should have a good understanding of the credit industry and how it is regulated.

This has already driven positive changes in the industry. For example, in June 2022, [Klarna](#) has committed to report to credit reference agencies Experian and TransUnion. FCA have also been working with BNPL providers (e.g. Clearpay, Klarna) to [revise their contract terms](#), with the aim to make it fairer and easier for consumers to understand. These changes include:



1. Set out what happens if consumers cancel purchases funded by BNPL loan:

Consumers can exercise their statutory rights under the CCRs to cancel the online sales contract. They may also have a contractual right to cancel it.



2. Clarify terms which enable BNPL providers to terminate / suspend consumers' account or access to services:

Make it clear to consumers the circumstances which BNPL provider would terminate/suspend access to service, and corresponding consequences.



3. Right to set-off terms:

BNPL providers should not prevent consumers who have the right to offset or deduct money owed to them by the provider from instalments.



4. Continuous payment terms:

BNPL providers should make it clear how consumers can cancel continuous payment authority and how it would impact outstanding payments due.

How can we better support consumers: Regulation may be an effective way to ensure the choice environment that consumers are in is designed in a way that support multiple credit management

Drawing from evidence on BNPL and other credit products, we have summarised below the solutions and learnings that could support consumers to better manage their credit products:



What works: Regulation

- Following the UK government's proposal on BNPL regulation, it is estimated that **up to 876,000 UK consumers could be prevented from falling into problem debt in a year** if UK retailers demanded more responsible behaviours from their lending partners. For example, performing full credit checks and reporting lending to credit reference agencies, or switching to partnering with regulated finance providers.
- [Evidence](#) from US Credit Card Accountability Responsibility and Disclosure (CARD) Act suggested limits on credit card fees has **reduced overall borrowing costs by an average of 1.6%**. There was also a **5.3% reduction in consumers with a FICO scores below 660 (i.e. credit worthiness of fair or lower)**. While there was no evidence of a reduction in the volume of credit, it was estimated that the CARD Act **saved consumers US\$11.9 billion a year**.
- In June 2022, the EU Council decided to revise the [Consumer Credit Directive](#). Under the new rules, BNPL providers will be required to:
 - **ensure consumers have easy access to all necessary information about the credit and its total costs**, especially in digital and smart device friendly format that enables consumers to read all information contained in an advertisement or pre-contractual documentation.
 - **assess the consumer's ability to repay the credit**, by taking into account consumer's interest, income, expenses, and other financial and economic circumstances.

However, the effectiveness of the above changes on consumers credit management has yet to be evaluated.

How can we better support consumers: Regulation could be an effective way to ensure the choice environment that consumers are in is designed in a way that support multiple credit management



What works: Regulation (cont.)

- The Committee of Advertising Practice (CAP) has also issued [guidance](#) on the advertisement of BNPL products to prevent misleading information and, more importantly, to better support consumers' understanding of these products. Examples of the guidance include:
 - **Making clear that BNPL products are a form of credit:** Providers should ensure marketing for BNPL products makes it clear that they are a form of credit and does not state or imply otherwise.
 - **Making clear the consequences on credit scores and future payments:** Providers should not claim that their services will have no consequences or impact on credit score, unless they can demonstrate that use of the product will never affect a consumer's credit score or ability to access further credit.



How can this be used to inform BNPL credit

management? The use of regulatory approaches could be an effective way to target the choice environment that consumers are in when making decisions on credit products.

Regulation requires industry, i.e. BNPL providers, to develop products in a way that is likely to result in better consumer outcomes. For example, a regulation that requires BNPL providers to run affordability assessments before lending could prevent consumers from signing up to more debt than they could afford. This is in line with the [UK government's proposal](#) that requires lenders to ensure loans are affordable.

This has also encouraged BNPL providers to better support consumers to better manage their credit. For example, [Klarna](#) has introduced reminders to notify consumers of any upcoming payments. Similarly, [Lloyds bank](#) has introduced 'upcoming payment' functions to help consumers stay on top of their repayments.

How can we better support consumers: Behavioural nudges that compare repayment options could increase long term repayment



What works: Repayment nudges

The CARD Act also included a **repayment nudge** to encourage consumers to pay off a larger fraction of their balances and reduce their overall interest payments, which led to **small but significant increase in the number of people making the 36-month repayment value.**

- The nudge took the form of a payoff disclosure: consumers' monthly statements were required to prominently display the cost of repaying the balance when only making minimum payments compared with the cost when making payments that would pay off the balance within 36 months.
- Before the CARD Act, 40% of consumers with a FICO score below 620 repaid the minimum balance or less each month; on average, 27.7% of consumers repaid the minimum or less. The introduction of CARD Act led to a **0.4 percentage point increase in the proportion of consumers making payments close to the 36-month repayment value.**

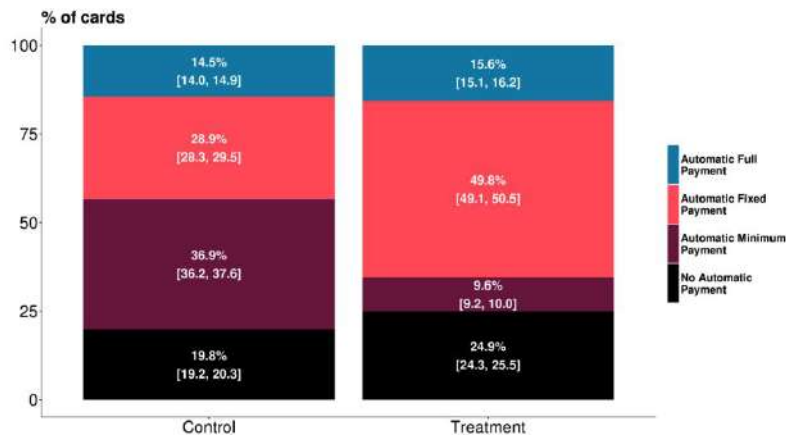
If you make no additional charges using this card and each month you pay ...	You will pay off the balance shown in this statement in about ...	And you will end up paying an estimated total of ...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings of \$1,052)

How can we better support consumers: Behavioural nudges that compare repayment options could increase long term repayment



What works: Repayment nudges (cont.)

Similarly, [experimental evidence](#) found that, by removing the option for consumers to automatically pay the contractual minimum for their credit card repayment, this lead to an **increase in the amounts consumers select for automatic payment**. This is likely due to the increased salience of the other automatic payment option, e.g. cardholders can select a fixed monthly payment, which is typically more than the contractual minimum. However, this does not change the total debt repayments because cardholders who increase their automatic payments tend to also reduce their manual payments.



How can this be used to inform BNPL credit management?

Comparing scenarios where consumers have missed 1, 2, or more payments could be an effective way to allow consumers to compare the amount of money they could potentially save by making payments on time. This is particularly relevant in cases where late BNPL credit could get transferred to their standard credit card balance. This comparison could leverage on loss aversion, i.e. the tendency to avoid losses, and act as incentive for individuals to better manage their credit.

However, multiple evidence (1, 2) showed that **availability of minimum repayment information alone does not contribute to higher probabilities of repayment** and some consumers choose to still repay the minimum amount. This is likely due to [anchoring bias](#), where the consumers' repayment patterns are psychologically tethered by the suggested minimum payment amount. [Studies](#) found that removing the minimum repayment information dramatically **increased repayment value by 70%**. Other [experimental evidence](#) (p.21) also found that a behaviourally-informed repayment slider could be effective in increasing average repayment in a hypothetical platform.

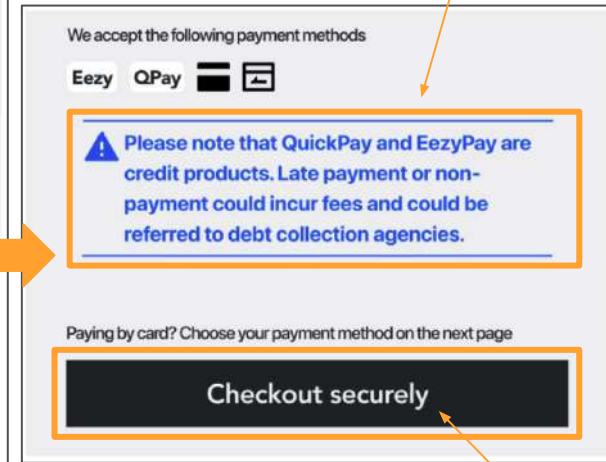
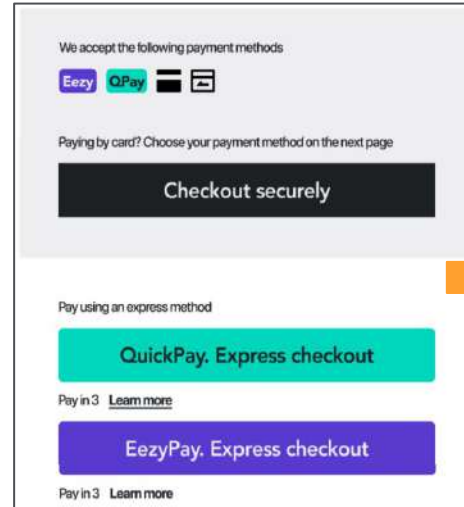
How can we better support consumers: Disclosure pop-up boxes could be effective in improving consumers' comprehension of BNPL products



What works: BNPL disclosure nudges

Recent [experimental evidence](#) highlighted the potential of disclosure pop-up boxes to improve comprehension and decision making around the use of BNPL. The study tested three behavioural interventions:

1. A **Disclosure Box** which makes key risk information more salient at every stage of the consumer journey;
2. A **Disclosure Pop-up** which adds in an extra decision point and includes key risk information on the payment screen;
3. A **Combined+** intervention which combines (1) and (2), as well as adding in a number of other changes (e.g. remove branding colours and logos, altered language to focus on BNPL being a credit product and remove "Express Checkout" option)



Making the risks of BNPL products more salient

Illustration of the Control (left) and Combined+ (right) at checkout screen.

Remove express checkout option

How can we better support consumers: Disclosure pop-up boxes could be effective in improving consumers' comprehension of BNPL products



What works: BNPL disclosure nudges (cont.)

Select your preferred payment method

Debit or Credit Card

QPay Buy now, pay in 3 with **QuickPay**

Eezy Buy now, pay in 3 with **EezyPay**

We accept the following payment methods: **Eezy** **QPa**

Select your preferred payment method

Debit or Credit Card

Available loan options

Borrow with QuickPay

Borrow with EezyPay

We accept the following payment methods: **Eezy** **QPay**

Illustration of the Control (left) and Combined+ (right) at checkout screen.

Ensure consumers understand they are taking out a credit product

Borrow now, pay later ×
with EezyPay

By continuing this purchase, I confirm that I have read the **terms and conditions** for EezyPay and I understand the consequences of missed or non-payments.

- QuickPay is a credit product
- We will charge you late fees for missed payments
- Non-payment may result in handover to debt collectors

Continue with QuickPay

Change

Explicitly mention BNPL as a credit product

Making the risks of BNPL products more salient

Illustration of the disclosure pop-up confirmation at the payment page.

How can we better support consumers: Disclosure pop-up boxes could be effective in improving consumers' comprehension of BNPL products

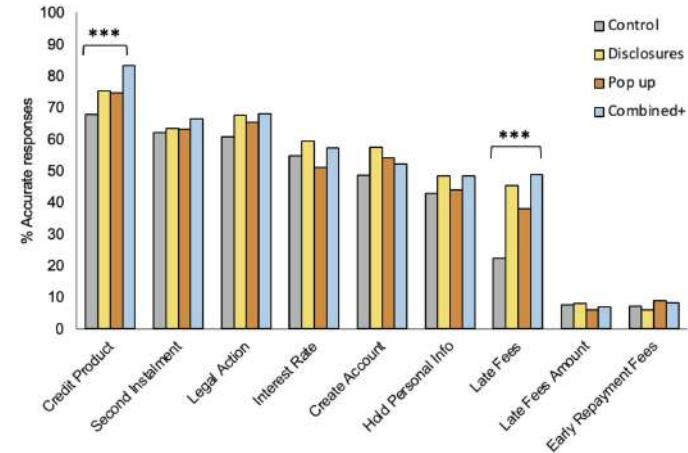


What works: BNPL disclosure nudges (cont.)

The study findings suggested that:

1. There was a **large and significant reduction in participants choosing to pay by BNPL in the Combined+ intervention**, from 26% in the Control to 17% in Combined+. However, there were no significant effects in the other two interventions.
2. **All interventions increased comprehension of BNPL products** compared to the control (business as usual). In particular, there was an **increased comprehension around BNPL being a credit product and late fees**.
3. Comprehension of the BNPL product was lowest in younger participants, in participants with the lowest household incomes, and in participants with the lowest levels of financial literacy.

Figure 3: Comprehension split by question and intervention



How can this be used to inform BNPL credit management?

Policy makers could explore ways to improve existing BNPL features to ensure they are designed in a way that promotes healthy credit management. Behaviourally-designed disclosure and pop-up boxes could be added to improve consumers' comprehension and prevent consumers from accidentally checking out with BNPL. For example, Klarna has included [detailed guidance](#) on their website on how to include disclosure messages.

How can we better support consumers: Interventions could explore the association between promotions and BNPL usage / spending to inform best practice

Below we have identified learnings from other areas which could inform us on how to better support consumers with managing multiple credit products:



Potential area to explore: Rewards (e.g. cashback)

Rewards, such as cashback, are routinely offered by credit card providers, and this has shown to effectively affect consumers' use of credit cards. For example, participation in the reward program **increases the probability of credit card use by 23%** and reduces the probability of using cash by **14%**.

Besides increased credit card adoptions, credit cards rewards also affect consumers' spending: **average spending and credit card debt has increased by \$79 and \$191 respectively** per month in the first quarter after the cashback program started. One explanation is that the reward program induces people to become debt revolvers benefitting the bank at a very low cost of giving trivial rewards. This effect is particularly strong for cardholders who do not carry debt prior to the program.



How can this be used to inform BNPL credit management? Given BNPL providers often provide discounts and offers to attract consumers, interventions could explore to what extent these rewards are associated with increased spending and debt on BNPL products, along with ways to reduce impulsive purchases as a result of rewards. This could then inform the best way to design regulation and behavioural nudges to support consumers.

How can we better support consumers: Behavioural principles (e.g. action planning, highlighting social norms, and self-imposed friction) could be effective in encouraging better credit management

In addition to learnings from other credit products, we have also suggested ways in which behavioural science could be applied to better support consumers in credit management:



1. Implementation intentions for repayment: [Implementation intention](#) is a strategy in which individuals are encouraged to make a “if-then plan” that would lead to better goal attainment. By encouraging BNPL consumers to consider the important behavioural steps towards how they are going to make their repayments, financial institutions can reduce the likelihood that consumers get into problem debts. While most of the BNPL products take repayments automatically, there are some products that still require manual repayment. This means that MaPS could work with BNPL providers to encourage consumers to explicitly plan the steps on how they are going to make repayments. Specifically, this could include questions about *how* they do it (e.g. set up direct debit), and *when* they do it (e.g. as soon as they make a purchase using BNPL).



2. Social norms about people who repay on time: People are more likely to engage in a behaviour when they believe it is in line with the behaviour of the majority, i.e. the [social norm](#). For example, [evidence](#) shows that when people were told in letters from HMRC that most people pay their tax on time, it increased significantly payment rates by up to 5 percentage points. Highlighting to individuals that the majority of the consumers make their repayments on time could be an effective way to promote better credit management.

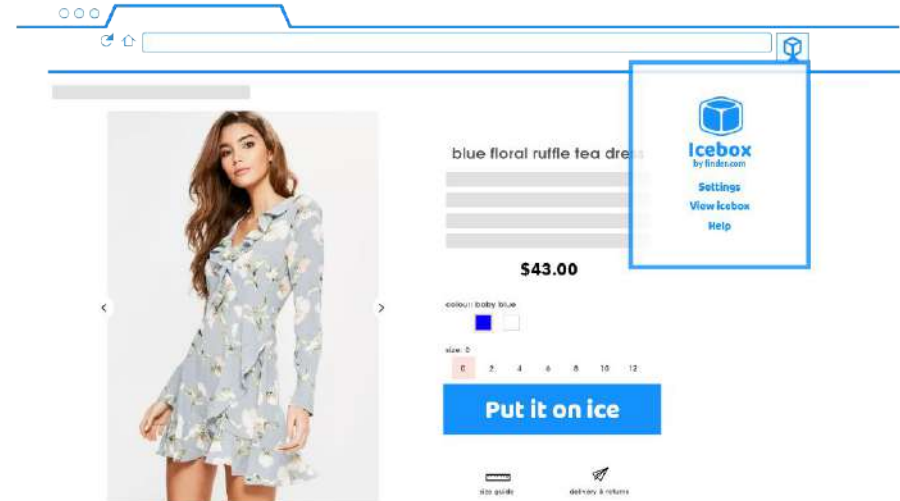
How can we better support consumers: Behavioural principles (e.g. action planning, highlighting social norms, and self-imposed friction) could be effective in encouraging better credit management

In addition to learnings from other credit products, we have also suggested ways in which behavioural science could be applied to better support consumers in credit management:



3. Self-imposed friction to limit BNPL use: One way to support consumers in better managing their credit is to encourage consumers to self-impose friction to limit BNPL usage. For example, [Finder.com developed Icebox](#), a free Google Chrome plugin that replaces the buy button on the most popular e-commerce stores. Instead of buying items, users can put items "on ice" for up to 30 days as they think through their purchase.

BNPL providers or other third parties could consider creating a tool that allow consumers to freeze their card in the BNPL app/website based on a time period, with friction to prevent impulse purchases.



How can we better support consumers: We showed participants one of three proposed interventions that aim to help consumers better manage their credit to see which one would be most acceptable

Imagine that the government set out new regulations aiming to help consumers better manage their credit. Buy Now Pay Later lenders must now...



Affordability checks

n = 611

...perform full credit checks and affordability assessments before lending to consumers.



Repayment nudges

n = 640

... remind you when your repayments are due.



Disclosure nudges

n = 631

...provide information on the potential risks of using their services at each stage of the process, explaining that BNPL is a credit product, and removing Express Checkout options.







No rewards

n = 625

...stop providing discounts or offers on products for consumers using their services





How can we better support consumers: People were most supportive of the repayment nudges, while they were least supportive of removing rewards. Around 6 in 10 said that affordability checks and disclosure nudges should be introduced.

	 Affordability checks (n = 611)	 Repayment nudges (n = 640)	 Disclosure nudges (n = 631)	 No rewards (n = 625)
% who...				
would still use BNPL if these regulations were in place	74%	87%	81%	64%
think the intervention would help them plan better to pay on time	50%	62%	53%	42%
think the intervention would help vulnerable consumers plan better to pay on time	64%	68%	64%	50%
think the intervention would help them make informed decisions when using BNPL services	56%	62%	58%	46%
think the intervention should be introduced	58%	72%	63%	45%

Green shading identifies statistically significantly highest (or joint highest) value within row, $p < .05$.

Data collected by BIT on 13-20 March 2023.

How can we better support consumers: Of those who were not supportive, people said that stopping rewards would take away the benefits of BNPL. Half worried that affordability checks would mean they wouldn't be accepted.

	 Affordability checks (n = 156)	 Repayment nudges (n = 86)	 Disclosure nudges (n = 117)	 No rewards (n = 226)
Of those who would not use BNPL if these interventions were in place, % who said it was because...				
it would be annoying	22%	23%	17%	21%
it takes away the main benefit of BNPL	32%	28%	24%	54%
it would take too long to use these services	24%	15%	23%	12%
it would make them worry about using these services	22%	20%	29%	19%
they worry that they wouldn't be accepted to use it	47%	22%	33%	18%

4. Discussion and recommendations

Summary of key findings



BNPL is a rapidly growing in users, merchants, and providers. While currently BNPL only accounts for 5% of the UK e-commerce market, market penetration is expected to double by 2024.



Majority of the users are under 40, but demand is increasing across all user groups. This is likely due to the targeted advertising over social media and the nature of the younger demographic (i.e. more likely to have a thin credit profile).



Awareness, accessibility, and affordability are three key drivers for the increase in BNPL adoption: In particular, consumers see BNPL products as a lower cost option and/or a way to smooth out spending. Costs are also considered low even when consumers have a late/missed payment.



People are increasingly likely to use BNPL for day-to-day essentials. 1 in 2 said that the recent rise in prices has changed how they use BNPL. Around 3 in 10 said they now use BNPL more often than they used to. This was significantly higher for the 'Struggling' and 'Squeezed' segments. 1 in 5 now use it more for essential purchases and for expensive purchases. There is also a gender differences, in which 33% of women would use BNPL on essentials, compared to 28% of men.



The 'Struggling' and 'Squeezed' are more likely to struggle to manage their BNPL payments. While good practices managing for BNPL payments were more common (e.g. 4 in 10 said they pay as soon as they have the money), 4 in 10 suggested they had struggled to manage their repayments in the past. For example, 1 in 7 have taken money out of their savings while 1 in 10 have used a credit card for repayments. This poor payment management was more common for the 'Struggling' segment.

Summary of key findings



Lack of understanding of BNPL products and limited transparency in individuals' credit profiles could pose a risk to individuals' financial well-being and the wider economy: Knowledge of specific aspects on BNPL is poor, as 9 in 10 people didn't know they would not be protected if something went wrong with their BNPL payments.



Regulations and behavioural nudges have shown to be promising in encouraging better credit management: Evidence from BNPL literature as well as wider credit products suggested regulations and behavioural nudges (e.g. disclosure pop-up boxes) could be a promising avenue to target the choice environment that consumers are in when making decision on credit products.



Of the interventions tested, people were most supportive of repayment reminders, which are already offered by some BNPL providers. Around 3 in 4 said they thought it should be implemented, as people felt this would best help them manage their repayments. BNPL users were also generally supportive of affordability checks and disclosure nudges.

Conclusion and recommendations

This report provided an overview of the scale and nature of the BNPL market in the UK, including findings on the type of products and usage, potential risks and benefits, and the impact of BNPL on users financial wellbeing and the wider UK economy. The report also identified good practice and potential solutions that MaPS could either implement or discuss with third parties to support BNPL users to better manage their credit.

We have suggested the following areas for MaPS to focus on:



1. Building the evidence base of the impact of behavioural interventions to support consumers in credit management. While there are some evidence to suggest interventions such as repayment nudges and disclosure nudges are effective in improving repayment and comprehension of credit products, there is limited evidence on how these improvements could be applied to BNPL products. For example, **policy makers can use randomised controlled trials (where possible, in an online environment and/or as a field trial) to build further evidence about what works to support consumers, especially those in the squeezed and struggling segments.**



2. Partnership with government and BNPL providers to develop 'code of conduct' aimed at supporting consumers with credit management. Given there are some positive changes already taking place in the industry, MaPS can partner with government and BNPL providers to develop 'best practice' guidelines on how BNPL should be communicated to consumers and how contract terms should be set out to ensure it is fair and easy to understand.

5. Appendices

5.1 Additional details on methodology

Methodology

Research questions

BIT and MaPS has agreed on the following research questions to guide the focus of the rapid evidence review and online survey:

1. What is the current scale and nature of the BNPL market in the UK?
2. What are the underlying causes of the recent market growth in BNPL products? Who are the providers, why do they offer them and what market gaps are they trying to address / fill in?
3. What are the key types and volumes of BNPL products and channels used by consumers? What types of credit do consumers hold alongside BNPL credit?
4. How do different financial resilience segments use BNPL products, for what reason and how do they manage their payments?*
5. What is the impact of BNPL products on users' financial and mental wellbeing, and particularly for the users of multiple BNPL products? What is the impact on the wider UK economy?
6. What are the current trends / how is the landscape of BNPL products changing & reacting to proposed regulation?
7. What works for consumers in better managing their credit commitments? In particular, what are some key learnings that could be relevant for the use of BNPL products? What are the most common pitfalls (e.g. behavioural, access related) and what are the most effective ways of tackling them? What can MAPS do to help BNPL users manage their debts effectively, in particular via its Money Helper digital service.
8. What are the key evidence gaps in understanding BNPL products and how to best prevent them?

Methodology

We recruited a sample of 2,507 UK BNPL users in the Predictiv online survey

BIT worked with Money and Pension Service (MaPS) to investigate how people use Buy Now Pay Later on an online representative sample of 2,507 UK BNPL users on 13 - 20 March 2023.

NOTE ON INTERPRETING RESULTS

1. The sample doesn't capture the digitally excluded, or people not inclined to complete online surveys.
2. Just because people say they would do something in an online experiment, this doesn't mean they always will in real life. We therefore interpret stated intent as a likely upper bound of real behaviour.
3. When we examine differences by subgroups (e.g. gender, ethnicity), we only do so when the sample size remains large enough to draw robust inferences from.

Gender		Region		Ethnicity		
Women	45%	South & East	31%	White	85%	
<th>Age</th> <td>North</td> <td>22%</td> <td>Asian</td> <td>7%</td>		Age	North	22%	Asian	7%
		Midlands	17%	Black	4%	
		Scot/NI/Wales	16%	Mixed / other	4%	
		55+	13%	London	15%	

Median time spent completing survey: 8m 22s
 Also collected data for all respondents for social grade, income, employment, education, and urbanicity.
 *MaPS' [financial resilience segmentation](#) uses age, gender and postcode to split participants into three groups: cushioned, squeezed, struggling.


Financial Resilience Segment*	
Cushioned	30%
Squeezed	37%
Struggling	25%
Not categorised	8%

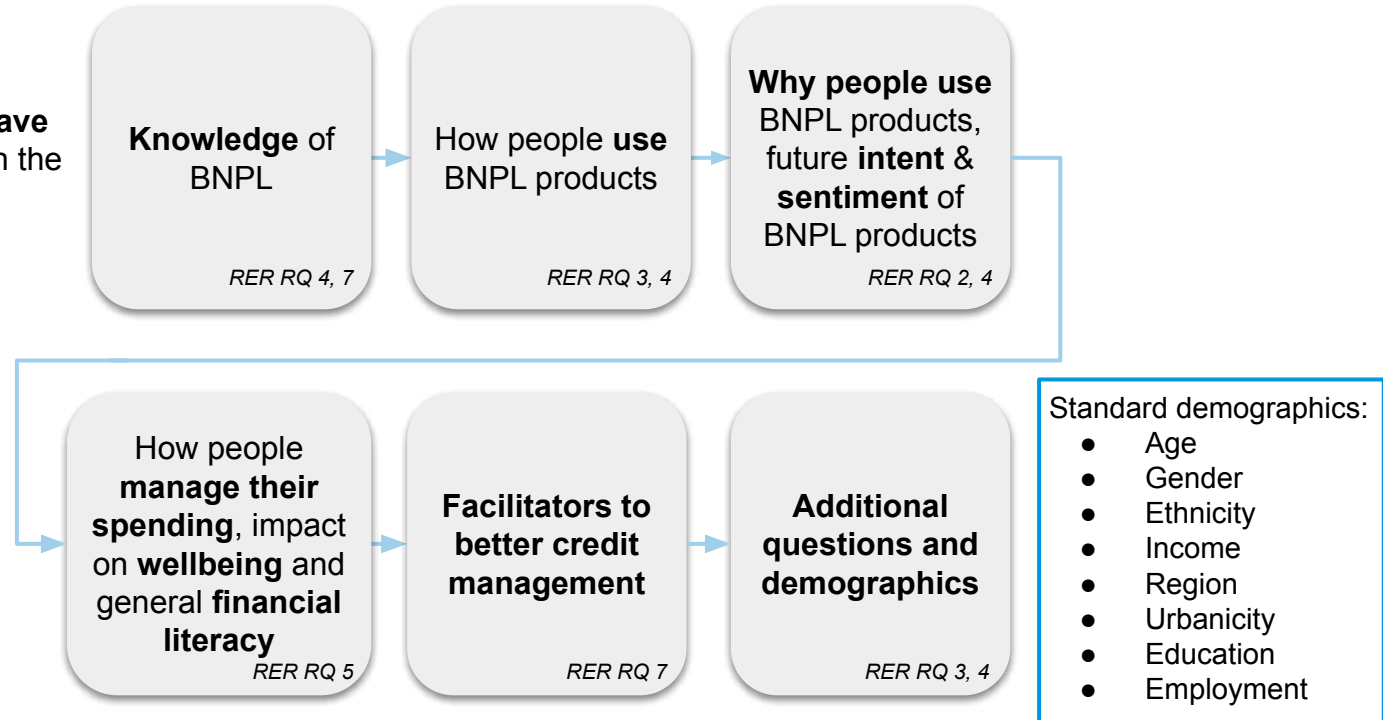
The segments identified using MaPS [financial resilience segmentation](#).

Cushioned (n = 749; 30%)	Squeezed (n = 923; 37%)	Struggling (n = 934; 25%)
<p><i>The most financially resilient group with the highest level of income and savings and the lowest proportion of over-indebted. They are most highly engaged with their finances.</i></p>	<p><i>Working-age consumers with significant financial commitments but relatively little provision for coping with income shocks. They are digitally savvy and have high media consumption but this is more for entertainment than financial information.</i></p>	<p><i>They struggle to keep up with bills and payments and to build any form of savings buffer. They are the least financially resilient and the most likely to be over-indebted.</i></p>

Methodology

Predictiv online survey flow

 Sample of 2,507
UK adults who have
used a BNPL product in the
last 12 months



5.2 Additional findings from the online survey

Additional findings from the online survey

Products people have used BNPL for by segment

% who have used BNPL on these types of purchases...	Overall	Cushioned (n = 749)	Squeezed (n = 923)	Struggling (n = 634)
Electronics	48%	48%	48%	48%
Clothes, shoes & accessories	47%	39%	48%	52%
Home appliances & furniture	37%	37%	36%	36%
Gifts	26%	22%	27%	29%
Entertainment	18%	15%	20%	18%
Health & beauty	17%	12%	18%	20%
Children's goods	16%	13%	17%	19%
Groceries	11%	8%	12%	12%
Toiletries & hygiene	8%	7%	9%	7%
Takeaways	7%	4%	8%	9%
Transportation	6%	4%	6%	6%
Household bills	5%	3%	5%	5%
Fuel	4%	4%	5%	4%

Additional findings from the online survey

How people manage their BNPL repayments by segment.

% who say they have...	Overall	Cushioned (n = 749)	Squeezed (n = 923)	Struggling (n = 634)
paid as soon as they have the money	40%	35%	42%	42%
set their own reminders when the payments are due	29%	28%	28%	29%
put money for repayments in separate account	19%	17%	18%	22%
cut back spending on non essential items	19%	13%	21%	19%
taken money out of savings to pay for repayments	13%	12%	12%	14%
used a credit card to pay for repayments	10%	10%	9%	10%
cut back spending on essential items or bills	10%	7%	11%	10%
gone into an overdraft to pay for repayments	9%	8%	9%	9%
asked friends or family for help	8%	8%	7%	9%
ignored text, emails, letters or calls	6%	5%	4%	8%
I don't actively manage my BNPL repayments	11%	16%	9%	9%

Additional findings from the online survey

Reasons people use BNPL by segment.

% who use BNPL because...	Overall	Cushioned (n = 749)	Squeezed (n = 923)	Struggling (n = 634)
It made it more affordable	41%	40%	41%	42%
There are no fees or interest	37%	43%	34%	36%
The purchase was expensive and I couldn't afford it otherwise	31%	26%	32%	34%
It helps me manage my finances	30%	34%	29%	29%
It was offered to me at checkout	23%	24%	23%	19%
I was waiting to get paid	19%	15%	22%	19%
The purchase was essential and I couldn't afford it otherwise	19%	16%	19%	22%
I wanted to try it out	17%	18%	17%	15%
It was easier to access than other credit products	17%	16%	16%	17%
It was recommended to me by a friend or family member	12%	9%	11%	13%
I wanted to improve my credit score	10%	8%	9%	14%
I have poor credit and this was a way of getting a short term loan	9%	6%	9%	11%
I wasn't sure if I was going to keep the item(s)	8%	8%	10%	7%
It was the payment method preselected for me at checkout	8%	7%	8%	8%
It was advertised to me on social media	7%	6%	7%	6%
It meant I got free delivery	7%	7%	7%	7%

Descriptives only, not tested for significant differences.

Data collected by BIT on 13-20 March 2023.

Additional findings from the online survey

Reasons people would prefer to use different kinds of BNPL providers.

% who use BNPL from this kind of provider because...	Overall (n = 1885)	Third-party provider (n = 1,118)	Directly from the retailer (n = 433)	Bank (n = 334)
it's easy to use	51%	46%	46%	39%
they've used them before and had a good experience	49%	44%	44%	24%
it's trustworthy	46%	37%	37%	56%
it's quick	42%	40%	40%	28%
they think they have the best chance of being approved	27%	27%	27%	27%
they can get support if they have trouble making repayments	24%	24%	24%	38%



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