

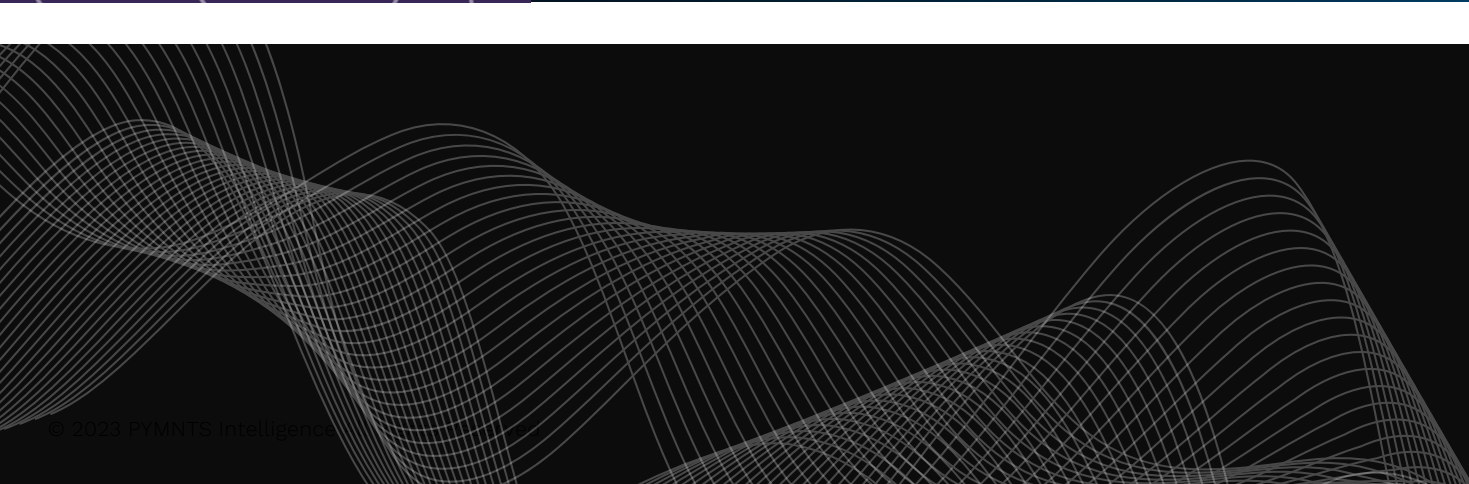


November 2023

Beyond the Headlines: Understanding BNPL's Impact on Consumers

FinTech Tracker® Series

Buy now, pay later services are reshaping more than just the checkout experience. But are they a boon or a bane for consumers?



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Acknowledgment

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Introduction

As the buy now, pay later (BNPL) model continues its forward march into digital checkout lanes everywhere, its impact on consumers' financial lives is transcending that of a mere payment method for retail goods. In both the United States and the United Kingdom, this story of a consumer finance solution challenging traditional models of lending has led to critics. In the U.K., there are calls for tighter regulation of BNPL, even as more consumers are opting for it. Meanwhile, in the U.S., BNPL is evolving from a luxury into a necessity, especially among younger consumers navigating high inflation and interest rates — a trend that is changing the face of spending habits.



Popularity Amid Scrutiny

Balancing the BNPL Scale

BNPL is balancing rising popularity among consumers with increasing regulatory and media attention. As more consumers employ this form of short-term financing, concerns are surfacing about debt risk and the need for stronger consumer protections — a dual narrative of opportunity and scrutiny in a financially challenging climate.



Government regulators and FinTech companies alike are working to ensure consumers have a clearer and more transparent BNPL experience.

BNPL is under the microscope in the U.S.

As America's Generation Z embraces [BNPL](#), experts are voicing caution about potential pitfalls. Critics are warning that users are often [financially vulnerable](#) and already carrying [credit card debt](#), elevating their risk of penalties from missed payments, of bank overdrafts from automated BNPL payments and of damage to credit for late payments. Is easy access to BNPL for young consumers a financial trap or a savvy move?



Popularity Amid Scrutiny

Alarms sound in the U.K. over the risks of BNPL.

The U.K.'s [Financial Conduct Authority](#) is sharpening its focus on BNPL, raising questions about potential risks for financially vulnerable consumers. Key concerns include contractual terms that may present financial hazards. In lockstep, BNPL providers such as PayPal are already collaborating with regulators, setting a precedent for greater transparency and user protections in the industry.

BNPL defies critics in the U.S. and the U.K.

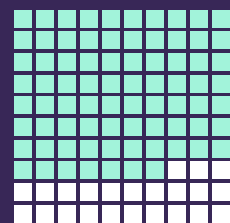
Despite heightened scrutiny, BNPL continues to gain traction among U.S. and U.K. consumers. The latest data shows a 10% surge in [BNPL usage](#) in the U.K. — a trend that has tracked with the Bank of England's rising interest rates. Meanwhile, the industry is set to record its biggest month ever in November 2023, with 20% of [American consumers](#) planning to use BNPL for an estimated \$9.3 billion in spending. This uptick underscores a strategic pivot by consumers toward more flexible credit solutions in a tightening economic environment.



From Luxury to Necessity

BNPL Gains Ground as a Smart Finance Alternative

The economic pain of high interest rates and high inflation are driving consumers to explore alternatives to traditional credit solutions. Enter BNPL. An unexpected financial haven for consumers in the U.S. and the U.K., BNPL is evolving beyond a mere payment alternative to become a crucial yet practical solution for helping to manage personal finances.



77%

Share of BNPL users in the U.K. who say it has shielded them from high-interest [credit card debt](#)

BNPL offers a practical solution to the U.K.'s financial challenges.

For many users in the U.K., BNPL has become more than simply a payment option. It's a financial lifeline. With nearly one-third of adults opting for this [payment method](#), its appeal lies in its affordability compared to other lines of credit. Notably, 77% of users report that BNPL has been instrumental in steering them away from the burdens of high-interest credit card debt, making it a popular choice in these times of soaring inflation and high interest rates.

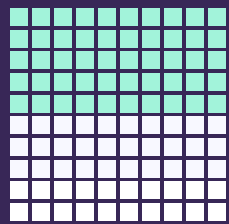
BNPL is high-interest debt's antidote.

In the United States, enthusiasm for wider availability of BNPL options is surging among users. Seventy percent of them praise BNPL for [reducing financial stress](#) on big-ticket purchases and for providing an alternative to high-interest credit card debt. In an economy fraught with financial challenges, BNPL is solidifying its position as a go-to option in the consumer finance toolbox.

Consumer Profiles

The Faces of BNPL

Younger U.S. consumers spanning multiple income brackets are increasingly embracing BNPL, utilizing it not only for casual spending but also for better managing their financial lives — signaling a notable departure from traditional financial behavior.



50%

Share of U.S. consumers ages 25-44 who have embraced BNPL



Under-45s in the U.S. flock to BNPL.

A portrait of BNPL's user base in the U.S. is one dominated by younger consumers: Half of shoppers between ages 25 and 44 have used BNPL at least once. The payment method's popularity even cuts across different income groups — a trend that highlights BNPL's broad appeal and goes far to debunk the myth that usage inevitably leads to financial harm.



Consumer Profiles

BNPL evolves from an optional splurge to a necessity.

Emerging trends in BNPL usage reveal a compelling narrative: It is no longer just a tool for discretionary spending but a vital [budget-management resource](#). Twenty-seven percent of American BNPL users employ these loans to tide them over to their next paycheck, while 21% use them for essential groceries — a strategy for fiscal survival rather than luxury spending.

BNPL's zero-interest edge hooks U.S. shoppers.

In the U.S., BNPL's low-to-no interest rates are proving to be a major draw, especially for consumers looking to optimize their cash flow. Indeed, nearly 28% of consumers have opted for [BNPL at checkout](#) primarily for the minimal or zero interest rates on offer, while roughly 71% either use or would consider using it to streamline their financial management.

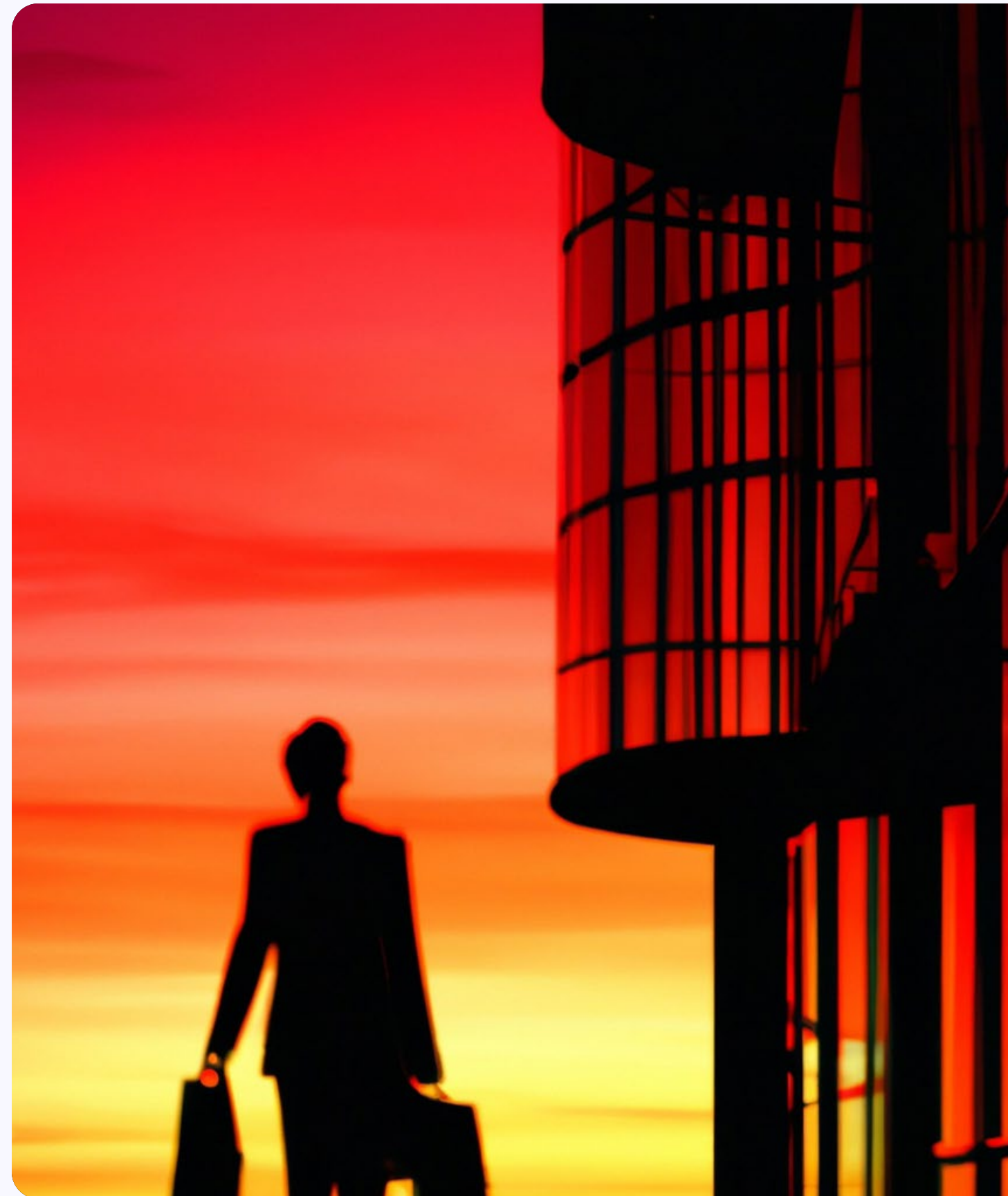


Call to Action

Maximizing Retail Potential With BNPL: A Strategic Playbook for Growth

Operating in the retail space can be ruthless: Consumer tastes are fickle and economic conditions can change rapidly. Amid this uncertainty, BNPL services can help retailers not only respond to consumer demands for flexible financing options but also open new avenues for customer engagement and growth — especially in a high-interest, high-inflation environment.

As BNPL reshapes purchasing habits and consumer expectations, the challenge for retailers is not whether to implement BNPL but how to strategically integrate this payment option to enhance customer experiences and drive sales.



Call to Action

PYMNTS Intelligence prescribes the following actionable roadmap:

Implement BNPL solutions across the board: Embed BNPL options at all checkout points in both digital and physical storefronts to attract a broader customer base. Doing so ensures your business caters to consumers who prefer modern alternative payment solutions over traditional credit methods.

Educate your customers: Run awareness campaigns to educate customers about the benefits and responsibilities of BNPL. Effective communication can build trust in your brand and facilitate informed usage, enhancing the customer experience and fostering responsible spending habits.

Analyze data to enhance personalization: Utilize BNPL transaction data to gain insights into customer preferences and spending patterns. This can inform targeted marketing efforts and foster personalized shopping experiences that resonate with your customers.

Offer tailored promotions: Leverage BNPL's popularity and your transaction data insights to design promotions and offers that encourage its use. This raises the likelihood of increasing average order values and strengthening customer loyalty.

Partner with reputable BNPL providers: Collaborate with established BNPL FinTechs to navigate compliance and regulation effectively while also ensuring that your business offers seamless and secure checkout experiences.

Integrating BNPL is more than simply responding to a payments fad. It is a strategic imperative for modern retailers. By embracing these practices, retailers can navigate economic volatility, meet evolving consumer expectations and secure a more enduring foothold in the retail space.

About

PYMNTS INTELLIGENCE

[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS TRACKER

Aitor Ortiz
Managing Director

Randall Brown
Senior Writer



[Sezzle](#) is a payments company on a mission to financially empower the next generation. Sezzle's payment platform increases purchasing power for millions of consumers by offering interest-free installment plans at online stores and in-store locations. When consumers apply, approval is instant, and their credit scores are not impacted unless the consumer elects to opt in to Sezzle's credit-building feature, Sezzle Up. This increase in purchasing power for consumers leads to increased sales and basket sizes for the more than 41,000 active merchants that offer Sezzle.

As the only B Corp in FinTech, Sezzle proves that all industries — even payments — can do their part to provide solutions and make a positive impact today and into the future. For more information visit [Sezzle.com](#).

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