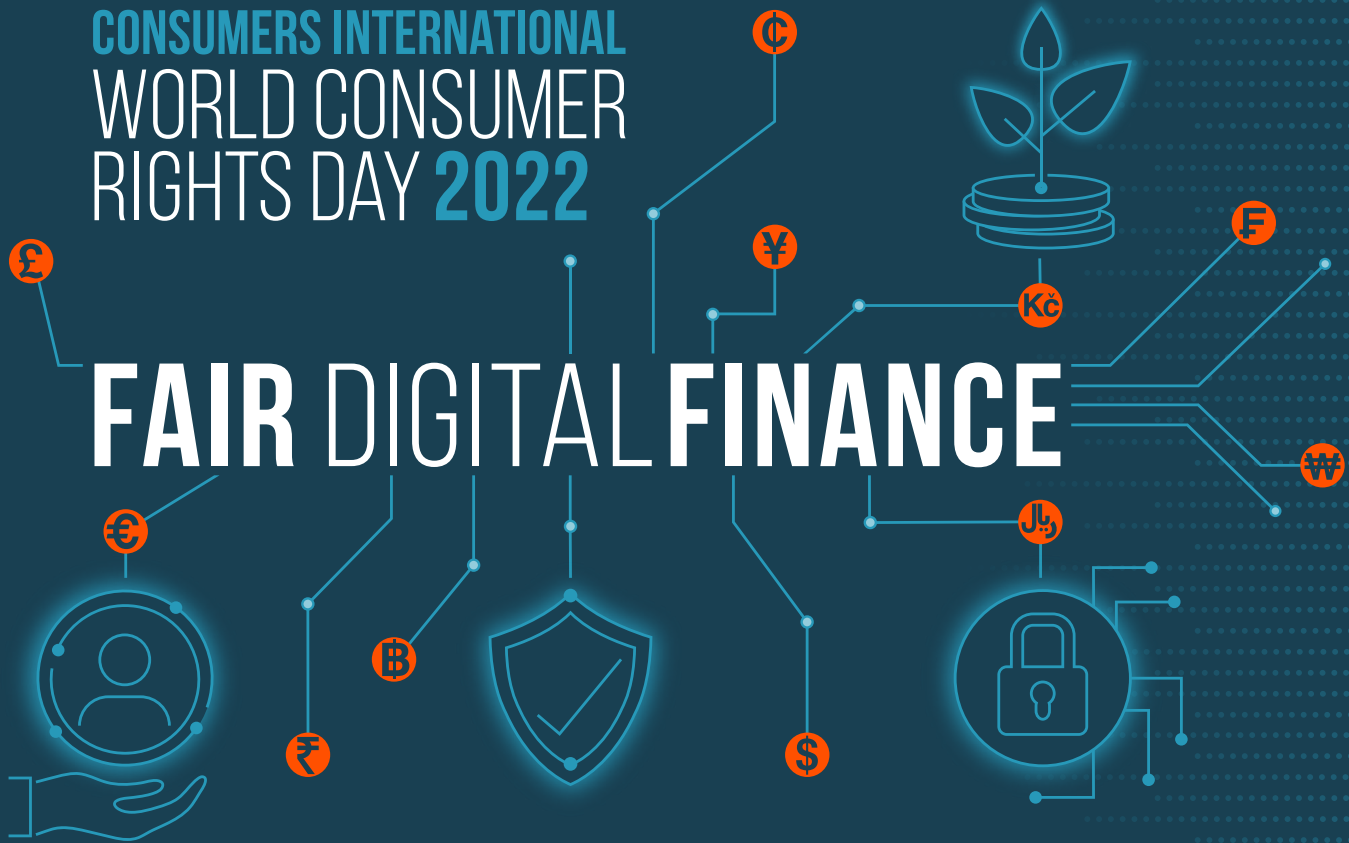


CONSUMERS INTERNATIONAL  
WORLD CONSUMER  
RIGHTS DAY 2022

# FAIR DIGITAL FINANCE



**LEADING CONSUMER  
ORGANISATIONS CALL FOR  
EFFECTIVE REGULATION  
OF BUY NOW  
PAY LATER PRODUCTS**

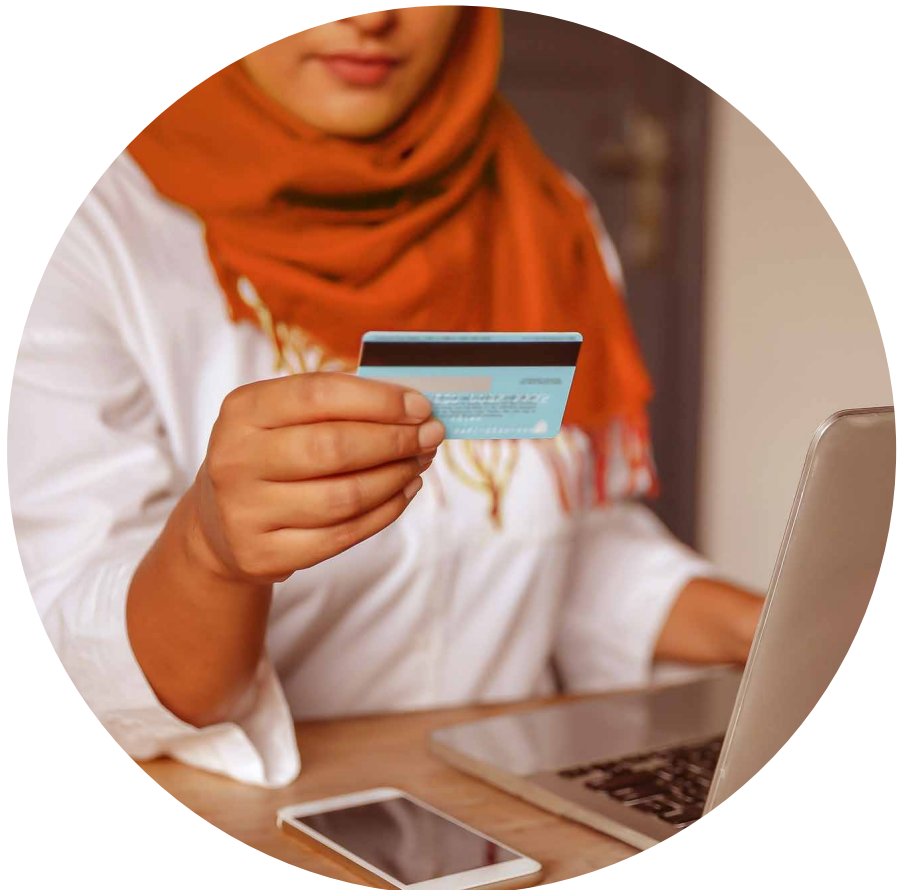
As organisations that represent the interests of consumers across 10 countries, working through Consumers International, we call for governments and financial services regulators to take effective action to protect consumers from the risks of Buy Now Pay Later (BNPL) products.

## WHAT IS BUY NOW PAY LATER?

Buy Now Pay Later products extend credit to consumers to pay for goods and services over time. The BNPL provider typically covers the cost of the goods or services upfront and asks its customer to pay back the amount in instalments.

### **BNPL providers typically make their money in two ways:**

- By charging businesses that allow consumers to pay using BNPL: Businesses are willing to pay BNPL fees because making BNPL available often increases sales.
- By charging consumers: Late fees, where a consumer misses an instalment, are an important source of revenue for some BNPL providers.



# WHY ARE CONSUMER ADVOCATES CONCERNED ABOUT BUY NOW PAY LATER?

Whilst these services assist people who are in financial difficulty, they can also lead to more and more people entering into difficulty because of BNPL products.

## **There are several key reasons for this:**

- A number of BNPL products have been designed in a way that means in many countries, they aren't captured by laws that regulate other credit products. This often means that BNPL providers aren't legally required to conduct proper checks on whether a person can afford to repay before they provide credit.
- Where a person isn't able to pay instalments on time, the late fees that they are charged can add up to much more than they would have been charged in interest on other forms of credit - even high-cost credit products like credit cards or payday loans.

Buy Now Pay Later debts are also getting bigger. While BNPL started off as a way to pay for small retail purchases like clothing, in many countries BNPL providers are now lending money for people to pay for essential services like energy and for large expenses like household improvements or cosmetic surgery.

Additionally, the relationship between BNPL and sustainability is a growing concern as it may lead to excess or over-consumption by encouraging people to buy more than they originally intended. We already consume more resources than the planet can generate, and if consumption continues at its current rate, we will need three planets worth of resources to sustain our lifestyles by 2050<sup>1</sup>. Digital financial services should be driving climate finance and incorporating environmental impact considerations in all decisions.

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<sup>1</sup> [Goal-12.pdf \(un.org\)](#)

## WHAT ACTION ARE WE CALLING FOR?

As technology evolves to create new products and services, governments and regulators need to ensure that consumers continue to be protected, without being exposed to additional risks.

We are calling for governments to ensure that laws provide adequate protection against the growing risks of Buy Now Pay Later products, and that regulators apply the powers available to them to protect consumers, especially those at risk of financial hardship.

### **Our six key asks for effective regulation of Buy Now Pay Later:**

1. Regulate Buy Now Pay Later products in the same way as other forms of credit. This includes ensuring that measures such as caps on fees and charges, restrictions on unsolicited marketing and obligations to help people in financial hardship that apply under national laws are extended to BNPL.
2. Require merchants to provide an option that allows a consumer to pay for a product in full at the time of purchase. For online purchases, this should be the first option that is presented.
3. Obligate Buy Now Pay Later providers to assess whether it is suitable and affordable to provide credit to people, without risk of causing financial harm.
4. Prohibit Buy Now Pay Later providers from marketing their products in ways that target children or people in financial hardship.
5. Enable consumers to have access to redress through fair and independent mechanisms when something goes wrong.
6. Ensure regulators monitor and report publicly on the impact of Buy Now Pay Later products for different groups of consumers. To support this, BNPL providers should be required to report publicly on key indicators mandated by regulators, including levels of late payments and numbers of customers in arrears.

## SIGNATORIES

This statement is supported by the following organisations:



*CHOICE (Australian Consumers' Association)*



*Forbrugerrådet Tænk (Danish Consumer Council)*



*Consumer Reports*



*Which?*



*Consumer NZ*



*UNCUREPA (National Union of Consumers and Users of Panama)*



*The Swedish Consumers Association*



*Consumers Federation of Australia*



*Financial Counselling Australia*



*Bulgarian National Association Active Consumers*



*Consumers Korea*