

Buy now, pay later: what happens if you can't pay later?

Millions of people in the UK use buy now pay later (BNPL) to split or delay payments. While this can be a useful payment method for some, the customer journey often lacks the necessary care, information and affordability checks to stop people falling into debt.

As a credit product, it's essential that people understand what they're signing up for, and what will happen if they're unable to make repayments.

However, too many people are being referred to debt collectors despite not being warned about this at the checkout.

Not only is this an issue with information provision at the checkout, it also points to the failure of BNPL firms to prevent people from taking out credit they can't afford.

**citizens
advice**

2 in 5 BNPL users struggled to meet a BNPL repayment in the last year.

This is especially the case for young people, with over half of 25-34 year olds struggling to make a repayment.

People struggling the most to meet their BNPL payments are left at risk of making a late payment, or missing a repayment altogether.



1 in 3 BNPL users have missed a payment or made a late payment in the last year.

Current affordability assessments don't seem to be working

Of BNPL users who missed or made late payments in the last year:



56% had been refused a credit card in the last year



61% had been refused another BNPL product

A system of affordability checks that's fit for purpose would have spotted that these people would struggle to repay before offering them credit.

Missed and late payments have knock on consequences

People who missed payments or made late payments in the last year faced the following impacts as a result:

- **28%** were charged a late fee
- **26%** fell behind on another payment
- **25%** fell behind on a bill

In the last year, BNPL users were charged a total of £39 million in late fees.



1 in 10 BNPL users have been chased by debt collectors in the last year

Whether or not BNPL providers charge late fees, problems with missing or making late payments can have serious consequences.

1 in 4 people who missed a BNPL payment ended up in contact with debt collectors.

Being chased by debt collectors for BNPL purchases significantly impacts people's everyday lives

96% of people facing debt collection for BNPL debts reported at least one negative impact.



54%

turned to other forms of borrowing to pay off their debt eg. a credit card or loan



46%

had sleepless nights



40%

ignored texts, emails, letters or calls in case they were about their debts

Checkouts don't have enough information to make people aware of risks

Consumers need clear information to know what they're signing up for and what the risks are if they can't pay. But too many BNPL providers make accessing this information needlessly difficult.

We looked at BNPL checkouts across the UK's Top 100 retailers:*

None of the checkouts warned people they could be referred to debt collectors. This was only flagged separately in the T&Cs, if at all.

Only 8 checkouts warned shoppers upfront they were taking out a credit agreement. The remaining 66 put this information in the small print or the T&Cs.

*38 retailers offered payment using BNPL, with 22 offering more than two BNPL options, meaning there were a total of 74 BNPL checkouts.

Extra steps to accessing information, like having to open a separate tab and scroll through T&Cs, or reading through the small print, act as a barrier to people making a considered choice on what product is right for them.

At the sharp end, this results in people struggling to make repayments, facing debt collectors and taking out other forms of credit to repay their BNPL debts.

Liz's Story

Liz decided to buy some plant seedlings online worth £23. She tried to pay for her items and nothing happened, so she assumed the transaction was void.

Liz then received an email saying that she'd signed up for a buy now pay later service. She didn't understand how she did this, or who the company were.

The BNPL provider began demanding money from Liz and threatened to send debt collectors. Liz tried to explain the situation, but the company became hostile. She couldn't sleep and was worried about her health.

To protect customers like Liz, regulation should focus on:

1. Ensuring product design facilitates, rather than hinders, informed decision making.
2. Making key information clear, engaging and easy to access - especially at the checkout.
3. Making effective affordability checks central to buy now pay later products.
4. Ensuring customers in financial difficulty are treated in a fair and consistent way.