


What an influx of holiday borrowers means for payment providers

Article



The data: About **36%** of **US consumers** incurred debt during the 2021 holiday season, averaging **\$1,249**, **per** a LendingTree survey.

- Although the percentage of holiday borrowers rose from 31% in 2020, the average debt load decreased 10%.

- More holiday borrowers put their debt on credit cards (**62%**) than on any other loan product.
- Nearly **40% of US consumers used buy now, pay later (BNPL)**, up from 37% in 2020.

What this means: Consumers had a greater risk appetite for spending compared with the previous holiday season.

- In **2020**, consumers may have been more wary of taking on credit card debt given the greater uncertainty regarding the pandemic: COVID-19 vaccines weren't widely available yet, and many consumers still had stimulus funds and built-up savings at their disposal.
- Although this past holiday season also came with pandemic-related uncertainties, spending remained strong: We **forecast** that **US 2021 holiday retail sales would grow 9% YoY** and hit \$1.147 trillion.

What's the catch? Greater risk appetite could be a double-edged sword for payment providers.

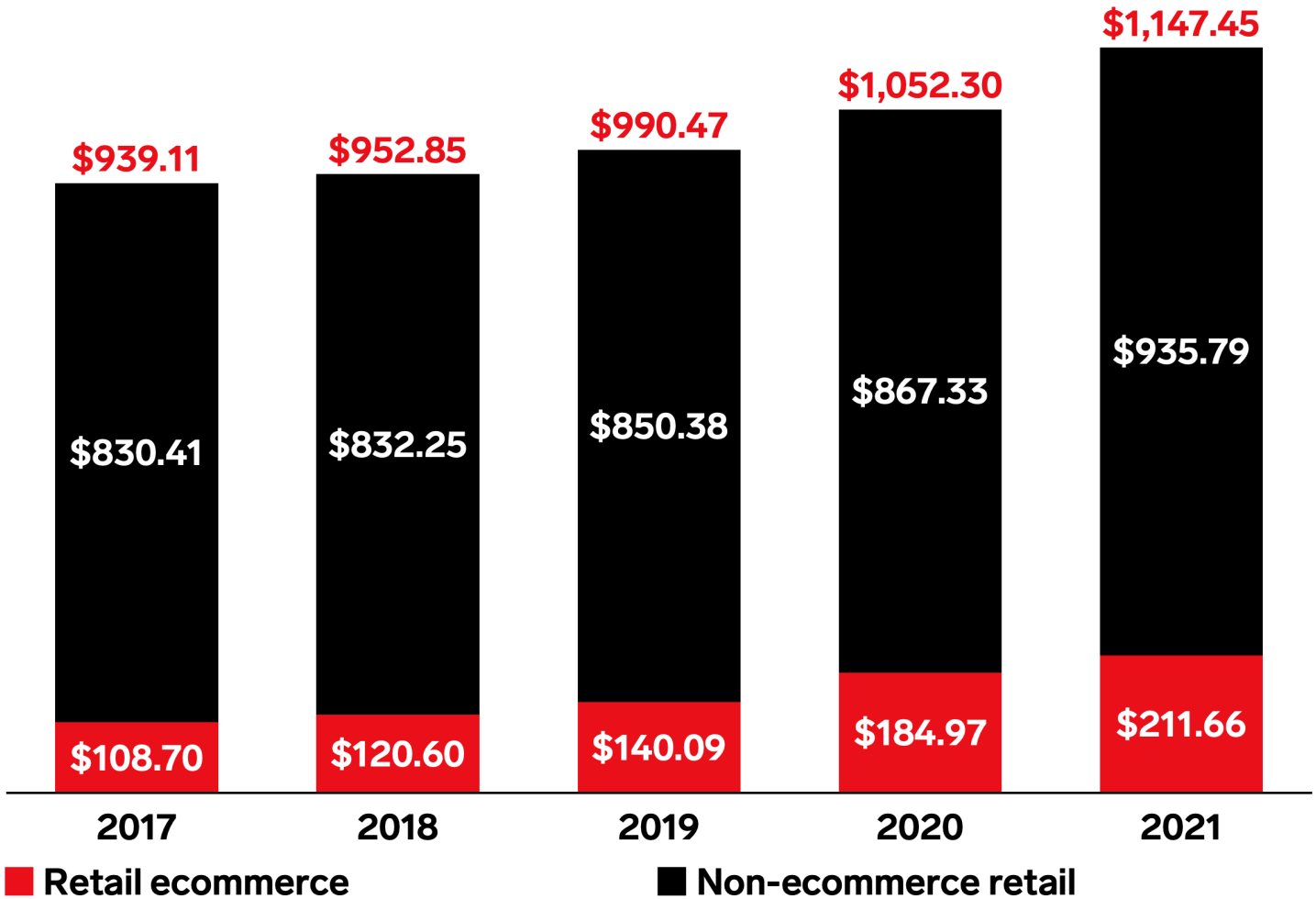
- **Credit card issuers could benefit from more holiday spenders—but borrower profiles could be critical to repayment.** High earners (those making more than \$100,000) who took on debt were most likely to plan on financing holiday purchases, but low earners (people making less than \$35,000) were least likely to plan the debt they accrued, per LendingTree. Low earners who didn't plan to take on debt may struggle to pay off their credit card balances—potentially increasing the risk of defaults, which could hurt issuers.
- **The rise in holiday BNPL users is good news for providers, but it may attract greater scrutiny from regulators.** In late December, the Consumer Financial Protection Bureau **opened** an inquiry into five major BNPL providers to determine the risks and benefits of their products. In its statement, the consumer watchdog cited BNPL's ascendant popularity in the last year and said debt accumulation would be one of the risks it investigates. The uptick in holiday BNPL use might fuel pushes to regulate the space in **2022**.

Related content: Interested in learning more about holiday payment habits? Check out our recent coverage:

- [Holiday shopping spending trends shed light on consumer payment preferences](#)
- [2021 holidays could be an inflection point for buy now, pay later usage](#)

US Retail & Ecommerce Holiday Season Sales

billions



Note: Sales are for Nov. and Dec. of each year; excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), food services and drinking place sales, gambling and other vice good sales; includes products or services ordered using the internet, regardless of the method of payment or fulfillment. eMarketer benchmarks its retail sales and retail ecommerce sales figures against US Department of Commerce data, for which the last full year measured was 2017.

Source: eMarketer, October 2021

Methodology: Estimates are based on the analysis of data from benchmark source US Department of Commerce, estimates from other research firms, historical trends, reported and estimated revenues from major online retailers, consumer online buying trends, and macro-level economic conditions.

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