

# CFPB plans to tighten grip on BNPL providers, sets regulatory machinations in motion

Article

**The news:** The Consumer Financial Protection Bureau (CFPB) plans to regulate buy now, pay later (BNPL) companies similarly to credit card issuers, per a press release.

The consumer watchdog [released](#) an 80-page report outlining BNPL's growth and the consumer risks involved with the payment method following a nearly [yearlong investigation](#). The report outlines three major risks:

- **Inconsistent consumer protections.** The report said the industry lacks standardized credit disclosures and billing dispute and resolution rights. Some BNPL providers also force customers to use autopay and charge aggressive late fees.
- **Data harvesting and monetization.** BNPL apps let providers build user data profiles that may threaten consumers' privacy, security, and autonomy. This trend may also consolidate market power to a few BNPL providers, which can erode innovation, consumer choice, and price competition.
- **Debt accumulation and overextension.** Inconsistent reporting means consumers can “stack” BNPL loans (obtaining loans from multiple providers), and BNPL's increasing ubiquity at checkout can put them at high risk of delinquency and defaults. Consumers are also likely to spend more with BNPL than they would otherwise.

**Our take:** We correctly [predicted](#) that the CFPB would identify deceptive or abusive practices in the space and apply or adapt existing regulations to providers in our February spotlight report on BNPL regulation—like the CFPB's allusions to the Truth in Lending Act and Regulation Z. We also said the consumer watchdog would levy fines or penalize BNPL providers that violate regulations.

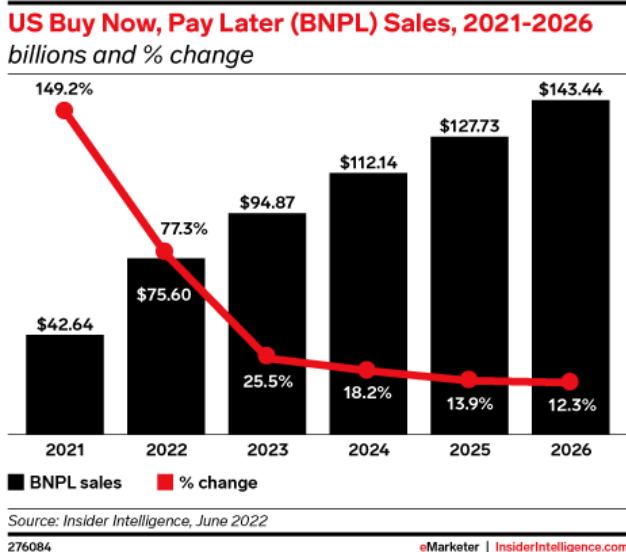
The regulatory push could hurt the customer experience by adding friction to the checkout process. And a better understanding of BNPL's consequences could turn some consumers away from the payment method.

Both these cases could hurt providers' revenues. But more transparency could also increase user trust, which may bolster BNPL traffic.

- **This year, US BNPL payment volume is expected to grow 77.3% year over year (YoY) and hit \$75.60 billion, [per](#) Insider Intelligence forecasts.**
- But volume growth is expected to slow dramatically in the coming years: By 2026, BNPL payment volume will increase just 12.3% YoY.

**Next steps:** CFPB Director Rohit Chopra outlined next steps for the bureau's staff to help shape BNPL regulation.

1. They will issue guidance for BNPL providers to make sure they adhere to standards that Congress has already enacted for credit card companies. Staff will also get input from investors and BNPL entrants on how to level the playing field.
2. Staff will identify the types of demographic, transactional, and behavioral data that BNPL firms collect for nonlending purposes. The CFPB will also coordinate with the Federal Trade Commission to create a rule-making process to monitor BNPL companies.
3. The bureau will align with credit reporting companies to standardize BNPL loan reporting.
4. It will ensure that BNPL providers are subject to supervisory examinations, like credit card companies are. These examinations will help identify potentially harmful business practices.
5. The CFPB will work with the Federal Reserve System to include BNPL loans in household debt burden measurements.



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