

# Zilch partners with debt charity to help customers get through cost-of-living crisis

Article

**The news:** British buy now, pay later (BNPL) fintech **Zilch** partnered with debt advice charity **StepChange** to identify and support customers in financial distress, according to a press

release.

- After customers are flagged for missing repayments, Zilch suspends their credit, and they are referred to StepChange for free advice.
- StepChange will also work with Zilch's vulnerability team to improve the firm's debt advice referral processes.
- Zilch will make donations to support the charity's UK operations.

**Why now?** The UK's cost-of-living crisis and [the highest interest rates since 2008](#) are making it harder for consumers to repay debts.

- **More than 3 million low-income households can't afford to heat their homes**, per the Joseph Rowntree Foundation.
- **About 2.3 million households missed an essential payment in January**—up 400,000 month over month, according to Which?.

This is pushing some shoppers to borrow more: **Consumer debt rose by one-third in 2022**, per the money.co.uk debt index. That's helped boost the growth of [flexible payment options like BNPL](#). But critics allege that BNPL exploits users and can increase debt problems.

- [More than 2 in 5 UK BNPL customers borrowed](#) money to make repayments, per Citizens Advice.
- BNPL also encourages users to spend more: It "causes a permanent increase in total spending of around \$60 per week," per a Harvard Business School working paper.
- [Politicians slammed British supermarket Iceland](#) for its BNPL offering, which it claimed would help shoppers pay for food.
- And consumer advocacy groups like [Citizens Advice](#) want more oversight to protect BNPL consumers.

## Adults in Great Britain and the US Who Are Willing to Use Buy Now, Pay Later (BNPL) Credit to Make a Purchase, by Product Category, Feb 2022

% of respondents in each group

	Great Britain	US
Major appliances (e.g., refrigerators, washing machines)	44%	46%
Electronics (e.g., cellphones, laptops, televisions)	35%	43%
Home furnishings (e.g., beds, sofas, tables)	32%	34%
Cars	29%	32%
Health services (e.g., private medical care, surgery, dental work)	18%	29%
Travel and tourism (e.g., plane tickets, hotel accommodation, all-inclusive holidays)	20%	19%
Clothing and fashion items	12%	16%
Video game consoles (e.g., Xbox, PlayStation, Nintendo Switch)	14%	16%
Groceries	6%	13%
Entertainment (e.g., tickets to a live theatre show or an amusement park)	8%	12%
Cosmetic items (e.g., makeup, skincare products)	7%	8%
None	37%	23%
Don't know	3%	4%

Source: YouGov as cited in company article, Feb 23, 2022

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**Will it work?** Partnering with StepChange can help Zilch's customers manage their debt, and the fintech's stance could win it new users and bolster its reputation. It could also keep Zilch ahead of [impending legislation](#) and cut the chance of FCA penalties.

However, needing to involve debt charities highlights BNPL's major flaw: It can potentially exacerbate shoppers' financial woes by normalizing unsustainable borrowing. And supporting struggling users won't eradicate this problem.

**Keep reading:** Find out more about the challenges BNPL firms face in our [Era of Uncertainty: Buy Now, Pay Later report](#).

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