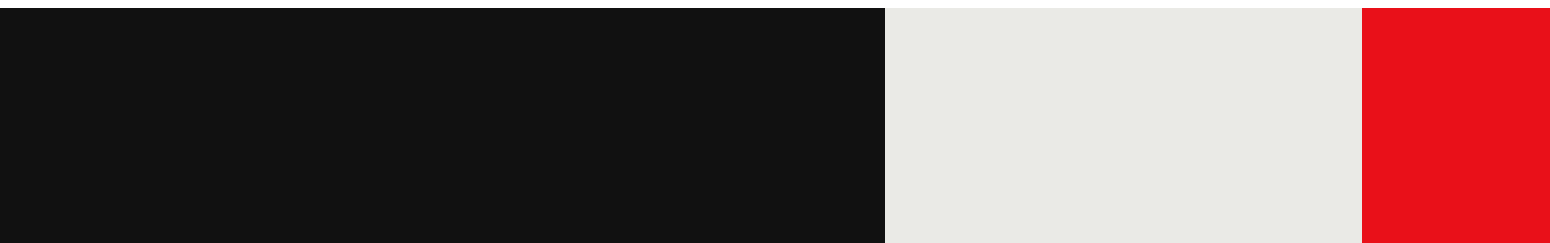



Gen Z and payments titans move in on BNPL—but so do watchdogs

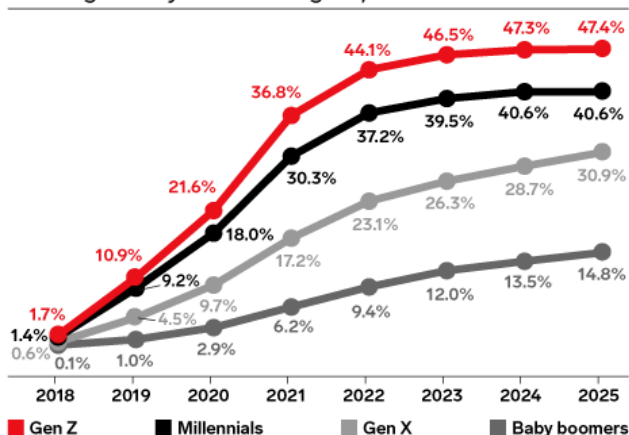
Article



Growth will come from Gen Z's interest in buy now, pay later (BNPL) and incumbents' push to outspend and outinnovate competitors. But regulatory scrutiny means providers could end up paying down the road.

US Buy Now, Pay Later (BNPL) User Penetration, by Generation, 2018-2025

% of digital buyers in each group



Note: internet users who have accessed a BNPL account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services; Gen Z are individuals born between 1997 and 2012; millennials are individuals born between 1981 and 1996; Gen X are individuals born between 1965 and 1980; baby boomers are individuals born between 1946 and 1964

Source: eMarketer, May 2021

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eMarketer | InsiderIntelligence.com

The BNPL wave will keep growing: Nearly **one-third** of US shoppers will use BNPL as a payment option in the coming year, per our forecast. Gen Z digital buyers are leading the charge, with **44.1%** expected to use the technology in 2022. However, **more than a third** of millennial digital buyers and nearly a quarter of Gen Xers will also use BNPL credit options. While BNPL currently makes up around **1%** of US retail ecommerce dollars—per our calculation based on BNPL estimates from consultancy Oliver Wyman and our ecommerce forecast—fast growth means merchants are noticing an opportunity to grab sales. Incumbents, meanwhile, see the fintech-dominated space as a threat to core offerings, such as credit cards; **Chase** will spend “whatever [it has] to spend” to counter this threat, according to CEO Jamie Dimon.

Many of the largest banks are already doubling down on their BNPL offerings: Look for more to follow their lead in 2022. Entrants will offer new features to help capture growth. **Capital One’s** forthcoming launch could set off the tide. Application programming interface- (API-) and open banking-based services from major networks like **Visa** and **Mastercard** may also open the floodgates. Their simple implementation across wide networks helps increase BNPL acceptance. Meanwhile, neobanks, such as **Upgrade** and **Revolut**, are blending BNPL with digital money management tools, moving the needle on innovation.

Higher risk attracts scrutiny and threatens to slow growth. BNPL may attract those with poor credit as well as consumer-protection watchdogs. In what may be an attempt to

preempt regulation, industry leaders have suggested a set of standards, including clearer penalties and data-sharing that limits double dipping. **Klarna's** UK adoption of more transparent marketing, a new “pay now” option—which also just launched in the US—and stronger credit checks, could be a sign of what's to come.

Prediction

BNPL's lending and disclosure practices will come under scrutiny from the Consumer Financial Protection Bureau (CFPB). The bureau has already warned consumers of the risks of using BNPL, and under the leadership of Rohit Chopra, a staunch consumer advocate, the bureau is expected to take an aggressive stance to ensure that BNPL solutions comply with existing consumer protection regulations.

[Read the full report.](#)