

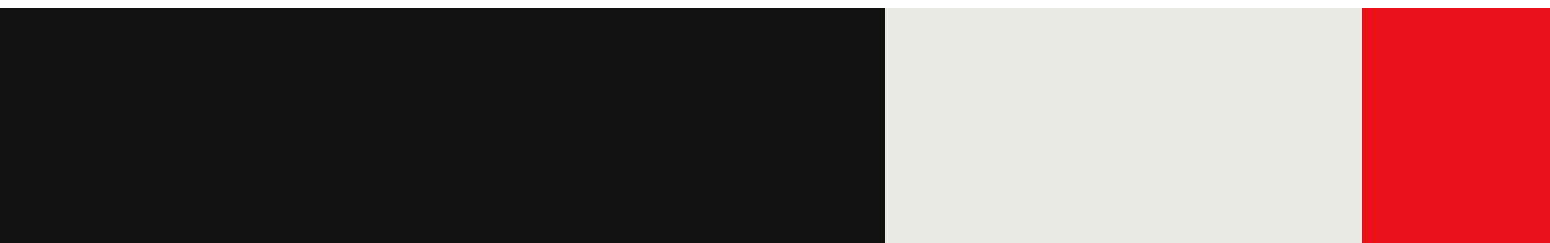
Credit unions and small banks can use BNPL to compete with big banks

Article



The news: Smaller card issuers are missing out on the card-linked installment opportunity, per the Financial Brand.

What's happening? As **buy now, pay later** (BNPL) use rises, it's taking potential volume away from credit cards, leaving issuers to miss out on this growth and important interchange income.



- More than one-third (34.4%) of US internet users will pay via BNPL this year, according to our forecast.
- We **forecast BNPL payment value will total \$108.43 billion in 2025.**

Smaller issuers are also competing for volume with card-linked installment options from larger issuers, which have been growing in popularity.

- **Chase launched Travel Now, Pay Later** in July, an installment offering for its travel cards, which first rolled out with the **Marriott Bonvoy Bold** card.
- And in September, **Citi made Flex Pay available on its travel booking platform**, without its usual fees or interest.
- **Synchrony** also made its **Pay Later option available directly in Apple Pay** in January.

The bigger picture: Card-linked installment plans have an edge against traditional fintech BNPL plans. Their higher customer satisfaction levels make them a strong investment opportunity.

- The **top three ranked installment plans in J.D. Power 2025 US Buy Now Pay Later Satisfaction Study** were card-linked plans. **Plan it by American Express** came in first, followed by Chase's **Pay Over Time** and Citi Flex Pay.
- **Klarna** had the highest score of any fintech, coming in fourth place.

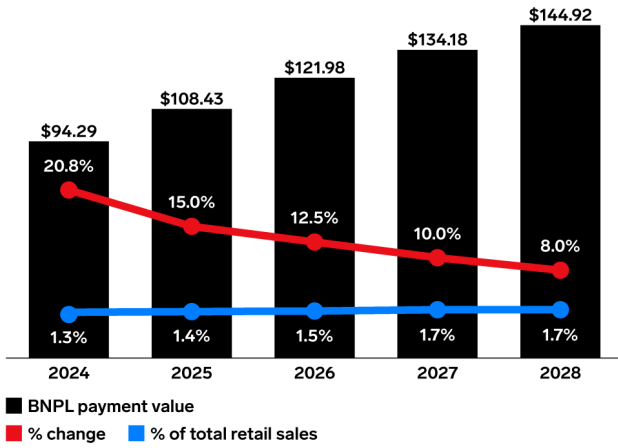
Our take: Investing in debit card-linked offerings can help smaller banks and credit unions avoid losing out on payment volume and make them more competitive with larger issuers.

- It would give them an early mover advantage: **Chase** is the only top issuer with an installment offering tied to its debit cards.
- They also have a better chance of competing on debit than credit: It's difficult for smaller issuers to offer the same expansive credit card rewards that larger issuers have.

To do this, they could work directly with **Mastercard One Credential** or **Visa Flexible Credential** or with one of those solutions' partners, like **i2c** and **Marqeta**. They could also work with **FIS**, which **recently teamed up with Affirm** to bring the fintech's BNPL solution to its bank partners.

Buy Now, Pay Later Transaction Value Will Grow by 15.0% in 2025

billions in US buy now, pay later (BNPL) payment value, % change, and % of total retail sales, 2024-2028



Note: includes products or services paid with a buy now, pay later service platform; excludes payments such as bill pay, taxes, or money transfers, gambling and other vice goods sales
Source: EMARKETER Forecast, Aug 2024

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