

UK wants industry feedback on proposed BNPL regulation

Article

The news: The UK government is one step closer to enacting buy now, pay later (BNPL) regulation after the Treasury released draft legislation on Tuesday.

The government invited industry stakeholders to provide feedback during an [eight-week consultation](#) period for the text, which would bring BNPL providers under the purview of the

Financial Conduct Authority (FCA).

Key context: The FCA examined the UK's BNPL market and the financial risks that BNPL products can pose to consumers in the 2021 [Woolard Review](#). The report concluded that the BNPL sector urgently needed to be regulated.

The UK Treasury has since published several consultations on how to best approach BNPL regulation and used that feedback to inform the draft text:

- Some proposed rules include requiring BNPL providers to carry out eligibility checks and making it easier for consumers to report complaints.
- The legislation also plans to amend financial marketing rules to ensure [BNPL advertisements aren't misleading](#).

Why it's worth watching: UK BNPL demand ratcheted up during the pandemic and then again in recent months as consumers found their finances strained. Growing demand under these circumstances may be fueling the push for BNPL regulation in the UK.

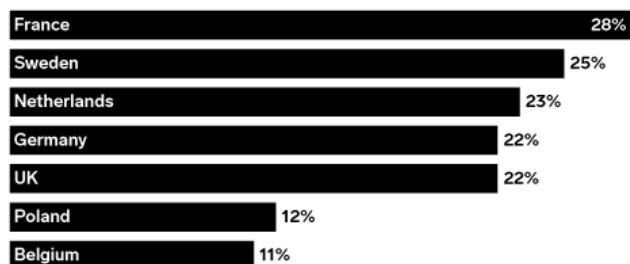
- About 12% of UK consumers used BNPL to make a purchase in 2021, [according to](#) a UK Finance report. By the end of 2022, [more than one-third of UK consumers reported using BNPL](#), per a Savanta and Centre for Financial Capability survey.
- **And more than 2 in 5 BNPL customers have had to borrow money to repay their BNPL loans, per** Citizens Advice.

The UK's cost-of-living crisis has only exacerbated BNPL affordability and debt concerns: Among current and prospective BNPL users, **27% said [inflation played a role](#)** in deciding to use BNPL. Another **29% blamed their inability to afford the purchase price**.

What this means for BNPL providers: Targeted regulation on the BNPL industry may force providers to tweak their operations, which could hurt revenues in the short term. But transparent terms and thorough eligibility checks could set providers on the path to long-term success by fostering consumer trust and minimizing delinquencies.

Adults in Select Countries in Europe Who Have Used A Buy Now Pay Later (BNPL) Service, Sept 2022

% of respondents



Note: n=13,184 ages 18-75

Source: PayPal, "PayPal e-Commerce Index Europe" conducted by ACA Research, November 16, 2022

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