

# FCA warns BNPL firms over misleading ads as debt crisis fears mount

## Article

**The news:** The UK's Financial Conduct Authority (FCA) warned buy now, pay later (BNPL) firms over "misleading adverts" that breach rules and could encourage shoppers to take on unmanageable debt.

- The watchdog [outlined](#) concerns to BNPL providers and said it would use "criminal and regulatory" powers to enforce rules.

- The FCA said it has forced firms to change or scrap **more than 4,000 promotions** due to rule breaches this year alone.

**Stronger oversight:** The FCA and UK government have been trying to address concerns in the BNPL industry.

- In June, the UK government outlined plans to regulate the space, which included strengthening financial marketing rules around misleading advertisements. The new rules are planned for mid-2023.
- The FCA also pushed firms to change potentially unfair and unclear terms in BNPL contracts and published stronger rules for advertising “high-risk” investments.

**Consumer debt fears grow:** The UK’s cost of living crisis has raised concerns of borrowers taking on unsustainable debt. BNPL firms are under the spotlight over worries they could exacerbate this problem.

- **BNPL users tend to be younger and riskier customers** than general borrower demographics, a TransUnion survey found.
- **And more than 40% of BNPL customers in the UK borrowed money to make BNPL repayments**, according to charity Citizens Advice.
- Ads promoting BNPL products without warnings are compounding the problem. Supermarket **Iceland** was criticized for “exploiting” customers after it claimed its BNPL product was “easing the cost of living crisis” for shoppers.

**What’s next?** BNPL’s popularity is partly due to demand for flexible, interest-free payments. As fears of a recession grow and the cost of living in the UK skyrockets, that demand will likely rise. But as the payment method surges in popularity, regulators are concerned that missed payments and repayment issues will also jump, driving their increasingly hands-on approach.

Regulators in the US are warning BNPL firms over similar issues, which could portend what’s to come in other markets.

## 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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