

BNPL improves financial inclusion but presents risks to the consumers it helps

Article

By the numbers: Buy now, pay later (BNPL) is widely available to all consumers, yet uptake is disproportionately among those who are financially insecure, [survey data](#) from the Federal

Reserve Bank of New York revealed.

- Overall, 19% of US consumers use BNPL. But for those with credit scores below 620, **the share jumps up to 43%**.
- And 37% of those who were 30 days or more delinquent at some point during the past year used BNPL.
- 42% of consumers who were denied other types of credit over the past year also used BNPL.
- Only 52% of BNPL users said they could come up with \$2,000 in one month to cover an emergency, compared with 66% across all respondents. BNPL users are also more likely to borrow from friends, family, banks, or credit cards to come up with that money rather than pull from savings.

Marketing tactics' role in BNPL use: BNPL promotion is widespread—64% of all consumers have been offered a BNPL plan.

- Female and younger respondents are more likely to be offered BNPL, as were higher-income households.
- But those with credit scores below 620 and those who had a credit application rejected or were delinquent on a loan in the past year are also more likely to have been offered BNPL.
- These differences likely result from the availability of BNPL at different retailers and possible targeting of the payment option, combined with baked-in interest and awareness of BNPL options.

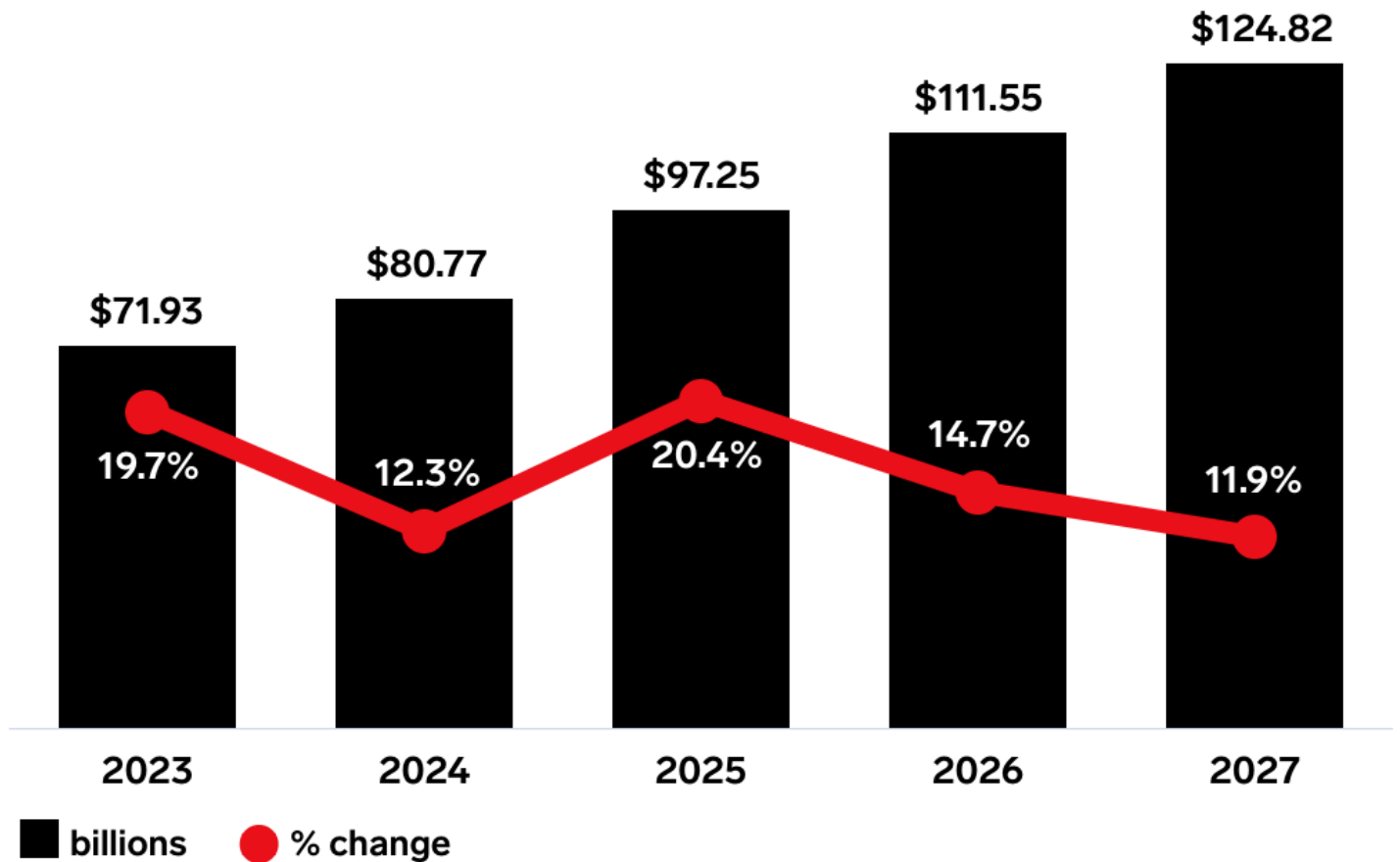
The takeaway: BNPL's skew toward consumers who are already facing financial difficulties could be cause for concern.

- There is a risk of overextension. Frequent BNPL use could lead to excessive debt accumulation that affects consumers' ability to meet non-BNPL obligations.
- And because many BNPL lenders don't share data with the major credit reporting agencies, this risk could get inflated. Other credit providers are unaware of a borrower's BNPL liabilities when underwriting new lines of credit.
- Another risk is that BNPL can enable financially insecure consumers to spend more than they otherwise would.

More insight into the financial health of BNPL users is raising some red flags. And it could lead to long-awaited regulation to ensure the safety of these consumers.

Buy Now, Pay Later Payment Value

US, 2023-2027



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: Insider Intelligence | eMarketer, July 2023

Insider Intelligence | eMarketer

This article originally appeared in Insider Intelligence's Payments Innovation Briefing—a three-times-weekly recap of top stories reshaping the payments industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.

- *Are you a client? [Click here to subscribe.](#)*
- *Want to learn more about how you can benefit from our expert analysis? [Click here.](#)*