

Klarna introduces operational changes in the UK to mitigate BNPL concerns

Article

The news: Buy now, pay later firm **Klarna** made a number of changes to the way it conducts business in the UK, per a company press release.

Here's what you need to know:

- Klarna brought its Pay Now product, which lets customers pay the full purchase amount at checkout wherever Klarna is available, to the UK. Previously, UK customers had to choose a BNPL plan when checking out with Klarna.
- The company will use open banking so customers can share income and spending data from their bank accounts. This gives Klarna more insight into whether shoppers can afford future BNPL repayments.
- Klarna clarified the language in its terms and conditions as well as at checkout to inform customers that BNPL solutions are credit products and that there are risks involved with late payments.
- It also did away with late fees on all its products, including long-term BNPL solutions.

How we got here: Last year, almost half of UK BNPL users between the ages of 18 and 34 said they missed a BNPL payment, according to a November 2020 Capco report.

Some BNPL firms have also engaged in controversial marketing tactics: In December, the UK's Advertising Standard Authority **banned** a social media campaign run by Klarna that urged customers to splurge as a means of self-care during the pandemic.

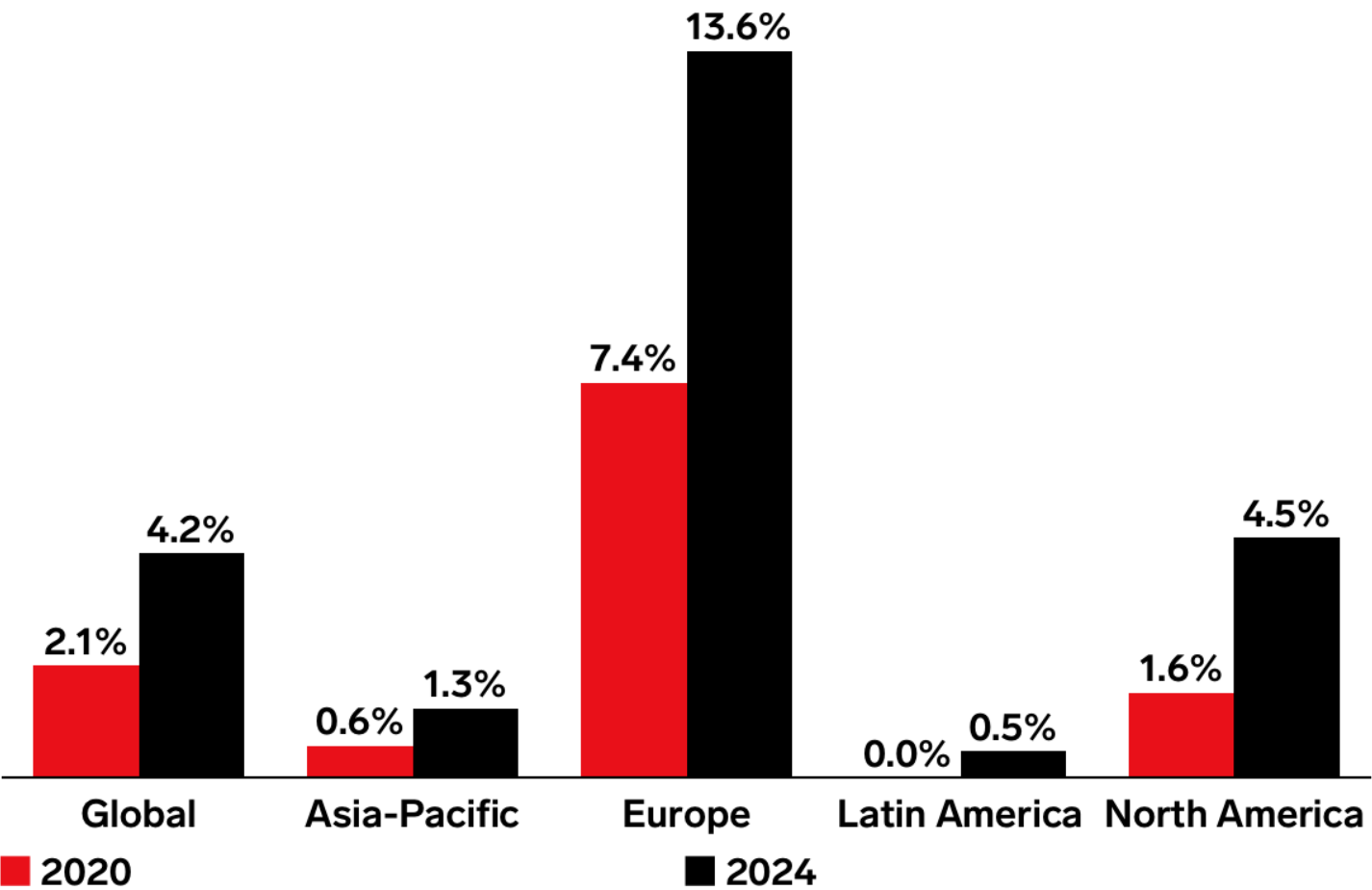
Amid mounting concerns regarding the financial risks involved with BNPL, the UK's Financial Conduct Authority (FCA) **announced** in February that it would regulate these products—which **54% of UK consumers** wanted, per the Capco report—and called for BNPL firms to carry out customer eligibility checks.

The big takeaway: Adding customer safeguards on top of government BNPL mandates can help Klarna avoid regulatory heat and might also help it gain more trust among consumers. Given the **surge** of banks entering the BNPL space, Klarna may also be trying to stay on par with these institutions, which are already subject to stringent consumer credit oversight.

What's next? Klarna may decide to roll out the same initiatives in other markets, like **Australia**, especially as BNPL regulation takes shape globally. Making these changes ahead of formal regulation could help Klarna stand out from incumbent rivals like **Afterpay** or **Affirm** and potentially lead more customers to use its products.

Related content: Check out our **[chart report](#)** on global BNPL use and growth—and how regulation may affect the space.

Share of Ecommerce Transactions Made Using Buy Now, Pay Later Services



Note: percent of BNPL transactions made online
Source: Worldpay from FIS, "The Global Payments Report," February 2021
Methodology: Data is from the February 2021 Worldpay from FIS report titled "The Global Payments Report," which measures transactions across 41 countries.