

Is Buy Now, Pay Later A Good Idea For Consumers?

What is buy now pay later and how does it differ from traditional credit cards

1. Spreading out payments over a short period of time usually for small purchases instead of paying everything all at once
2. They offer short term interest free payments
3. Sometimes long term payments with some interest
4. BNPL users used BNPL 5 or more times a year
5. Buy now pay later happens at the point of purchase
6. Buy now pay later is 19% in Germany
7. In UK, Buy now pay later is 5% of e-commerce
8. Nearly 10 million consumers used BNPL in UK in the past 12 months
9. Those figures are going up rapidly because BNPL providers are on boarding new merchants into ecosystem at a rapid pace
10. More and more merchants are hopping on-board
11. Affirm(BNPL financing institution) reported that 102,000 merchants opted for BNPL
12. The company just launched a partnership with the world's most popular online shopping site Amazon
13. BNPL also give shoppers with less than ideal credit history access to funds as many of these services use their own algorithms to determine a borrower's ability to pay not just a traditional credit score
14. BNPL is one of the major part of growth plan over next year
15. BNPL can even be beneficial for payment processors like visa and master card
16. Because customers make payments to BNPL companies with debit cards
17. During pandemic, consumers ran into debts, some couldn't afford to pay that back
18. Third of BNPL users reported falling behind at least one payment according to credit karma

19. Out of those 72% reported a hit to credit score for doing so
20. BNPL can charge more fees for late payments
21. They could even handle debt to collectors
22. So many BNPL partners don't report payment history at all
23. BNPL can also make it easier to buy things you cannot necessarily afford
24. BNPL is a scheme you are in debt and should be paid on time in order not to run into penalties
25. 57% of users said that they regretted their purchase before BNPL as the item was too expensive
26. According to the study by CNR research that 2/3rds of shoppers believe that BNPL is quite financially risky
27. BNPL services are safer than using a credit card

When should you use Buy now pay later?

1. According to Kim Palmer, a personal financial expert at Nerd wallet said that we should use a debit card if we have the money
2. If you have credit card, you may qualify for 0% financing
3. If you don't have credit history or credit card, BNPL would be the best option for payments over a fixed period
4. There are critics regarding BNPL that the protection levels and regulation levels are a bit low
5. The credit sales were structured specifically to avoid consumer protections
6. But the truth is regulation for these businesses in U.S. is suspectable
7. BNPL services are not technically loans but instalment plans
8. These products also raise important questions about use of consumer data
9. The exploitation around spending patterns, the applications of spending laws and the protection for unsustainable levels of consumer debt
10. U.K. can provide U.S. a road map for regulation
11. There's a lot of progress regarding regulation in U.K.