



Banc Ceannais na hÉirean
Central Bank of Ireland
Eurosystem

Consumer Research Bulletin

Buy Now Pay Later

Consumer Insights Update

November 2023



Executive Summary

Buy Now Pay Later (BNPL) is a form of consumer credit which has been growing in recent years. It represents a type of short-term unsecured borrowing that allows consumers to purchase goods now and pay for them at a future date.

As a newer form of consumer credit often associated with impulse purchases availed of through online shopping, BNPL is bringing products to the retail consumer market that exhibit different features, terms and conditions, than those typically associated with traditional credit products.

Under our mandate, one of the core objectives of the Central Bank is the proper and effective regulation of financial service providers and markets, while ensuring that the best interests of consumers of financial services are protected. We are required under statute to exercise our powers, amongst other things, in a way that is consistent with the orderly and proper functioning of financial markets and the public interest and the interest of consumers.

Innovation in financial services can bring many benefits to consumers, including improved functionality, convenience and flexibility. New financial products offer consumers improved access and choice. Digitalisation enables newer products to be provided through new delivery channels including online. We want to foster innovation in financial services while mitigating risks and seeking to ensure firms act in the best interests of consumers by securing customer interests.

It is in this context that we decided to carry out targeted consumer research in relation to BNPL products. Our research enables an improved understanding of consumer knowledge, attitudes and behaviours towards newer financial products such as BNPL, given they contain features that differ from traditional forms of credit.

How BNPL typically works

Buying a product with BNPL typically involves a phased payment arrangement. The total cost payable by the consumer tends to be paid across multiple instalments with the first portion paid at the point of purchase. The remaining balance owed is borrowed as a form of short term credit from a BNPL lender. Typically, no interest is charged on the credit made available, although many BNPL agreements can include administration fees including for late or missed payments.

Legislative and regulatory framework

In May 2022, the Central Bank of Ireland announced an extension to existing regulatory regimes following the commencement of the Consumer Protection (Regulation of Retail Credit and Credit Servicing Firms) Act 2022. The legislation allowed the Central Bank to close a consumer protection gap so that consumers who enter into hire purchase including PCP, consumer hire and indirect credit (e.g. BNPL) agreements can be protected by the Central Bank's consumer protection framework including key provisions of the Consumer Protection Code 2012, the Minimum Competency Code 2017, and the Minimum Competency Regulations 2017.

The findings of our research will inform our policy considerations regarding the ongoing review of the Consumer Protection Code. Given the growth and potential risks to consumers, the Central Bank of Ireland is considering the application of all Consumer Protection Code provisions to BNPL to ensure that all consumers of credit products are afforded the same protections.

Our Research Approach

We have structured our consumer research under the following four broad-based questions concerning consumer understanding, attitudes and behaviours:

1. What do Irish consumers think of BNPL?
2. Who is using BNPL now and in the future?
3. What do users buy using BNPL?
4. Why did users choose BNPL when buying goods and services?

Our research involved a mixed methodological approach of qualitative depth interviews and a large scale nationally representative online survey among 3101 consumers. Within this survey, we captured the opinions of 469 BNPL users¹ and 429 consumers considering using BNPL².

¹ People who have ever used BNPL, and/or currently have a BNPL credit or used BNPL within the past 12 months

² People who never held a BNPL, but who are considering the product in the future

Summary Findings

As a new and emerging form of credit, BNPL is not fully understood by consumers. The research found there is a lack of understanding that this is a form of credit rather than a payment arrangement, and that there are risks for consumers in using BNPL to pay for goods and services.

As a consumer credit concept BNPL is still developing. There is **limited experience amongst Irish consumers of BNPL** at present - with only 15% of Irish adults reporting that they currently use BNPL or have ever used it previously. However, **BNPL is increasingly being considered by Irish consumers** with 24% reporting they would consider it to fund a purchase in the future.

Our research found that the **users of BNPL tend to be younger in age** (25-44 years). We found that those who will consider using it in the future are more likely to be **female and in the ABC1 social class**. Those who currently or have previously used BNPL are also more **likely to be accessing other forms of credit**, reporting higher rates of borrowing compared to the rest of the population.

BNPL is typically accessed by consumers when **shopping both in store and online** to pay for what is considered **larger purchases**. Common examples of products purchased include **household appliances, furniture, electrical products and mobile phones**. Many consumers are availing of BNPL products in order to purchase items such as **clothing, footwear, beauty and cosmetic products**. Consumers are also using BNPL to help pay for services such **medical and dental treatments**.

Accessibility to credit may be the most important consumer benefit of BNPL, especially for consumers with limited means. 23% of BNPL users reported "I would not have bought the product if BNPL was not available".

The perceived **affordability, ease and convenience of access**, also feature strongly as benefits for those who use and would consider using BNPL. Consumers indicate a perception that BNPL is more affordable than other forms of credit such as moneylender loans, overdrafts, credit cards and personal or credit union loans.

Our research identified potential risks associated with BNPL among consumers. BNPL appears to be associated with instances of **impulsive shopping or unplanned, excessive spending**. 38% of BNPL users agree that BNPL has made them "more likely to purchase things they don't need" and 43% agree they 'often spend significantly more money than planned when they use BNPL'.

Our findings indicate **a lack of understanding** on the part of consumers availing of BNPL credit. Consumer knowledge of BNPL tends to be limited, with 22% of users reporting not having a full understanding of the credit product.

There are **fundamental consumer misconceptions** regarding what BNPL actually is. Our research has identified that many BNPL users (36%) seeing it **as a payment method rather than a form of credit**. We found that when availing of BNPL, consumers tend to be focused more on the monthly payment amount (than the total amount borrowed at the point of purchase reflecting a misconception regarding that it is a payment method). Consumers reported that **BNPL experience lacks the formality of borrowing for a loan**.

Finally, we found consumers when accessing BNPL are also not considering other important product features such as the **charging of fees**.

What do Irish consumers think of BNPL?

Key misconception is that BNPL is not a “serious” credit product such as a loan or credit card. For some consumers, BNPL is perceived as a payment method, rather than a credit product.

Consumer perceptions of BNPL

More than half of BNPL users consider BNPL a form of credit, however a sizeable number of users see it as a payment method. Our survey results indicate that a sizeable group of consumers are unaware that BNPL is actually a credit product:

Which one of these best describes your understanding of BNPL?		
	BNPL Users	Considering BNPL
Form of credit	59%	54%
Payment method	36%	36%
Do not know	5%	10%

Question: Which one of these best describes your understanding of BNPL? Base: all BNPL users/ consider BNPL n.870

Why do some consumers consider BNPL to be a payment method instead of a form of credit?

In our qualitative research, consumers reported that when they are considering an online purchase, their focus is typically on the purchase of their desired product. Respondents noted that the application process for BNPL and the payment method are closely connected.

Furthermore, consumers reported that their experience of loan applications typically involved disclosure on a range of financial and personal information and that BNPL does not typically require this. Consumers reported that BNPL lacks the formality of a loan. As purchase (or loan) amounts are smaller for the category of products typically purchased, these relatively smaller ‘borrowing’ amounts compound the perception that it is less about credit and more like a payment method.

As a result, some consumers tend to see it as a payment method rather than a form of credit.

Level of understanding among BNPL users

When we explored consumer understanding in greater detail, our research shows that there are a significant number of consumers who are using BNPL without fully understanding the nature of the credit product. Consumers’ knowledge of BNPL products is far from complete across a number of important aspects:

Level of understanding among BNPL users and considerers:		
	BNPL Users 'Agree' %	Considering BNPL 'Agree' %
"I don't fully understand BNPL but would still use it to purchase a product"	22%	29%
"I understand enough elements of BNPL that I would feel confident using it to buy products"	59%	61%
"I fully understand how BNPL works and I would feel confident using it to buy products"	18%	10%

Question: Which one of these statements best describes your understanding of BNPL? Base: all BNPL users/ consider BNPL n.870

We presented respondents with specific aspects relating to BNPL and asked if they were correct or incorrect. Our research shows that some BNPL users report not knowing key features associated with BNPL:

Is the below aspect of BNPL correct or incorrect?	% Do not know
"BNPL agreement involves administration fees or other charges"	28%
"Missing a payment or being late will affect their ability to borrow in the future"	17%
"Fees are charged if a payment is late or missed"	15%

Question: Below are various aspects of a BNPL product. Please indicate whether each aspect is correct or incorrect? Base: all BNPL users n.455

Reading terms and conditions of BNPL agreements

Nearly all BNPL users (91%) report to have received the terms and condition documents when they arranged their current BNPL but only 26% report to have read them in detail:

Did you read these terms and conditions of the BNPL agreement?	%
"In detail"	26%
"Have mostly read"	39%
"I have briefly read"	26%
"I have not read them"	9%

Question: Did you read these terms and conditions of the product? Base all received T&Cs n.240

Who is using BNPL now & in the future?

Although current usage levels of BNPL are currently modest, it is expected to grow in popularity with nearly 25% of Irish consumers reporting they will consider using it in the future.

Approximately 1 in 7 people have used BNPL

Our research shows that 15% of Irish consumers reported using BNPL in the past.

15%

Ever used BNPL

Nearly 1 in 4 Irish consumers would consider using BNPL in the future

24% of Irish consumers report they are likely to use BNPL in the future. Among those who have not used BNPL to date, 16% report they are likely to use BNPL in the future. Among those who have used BNPL in the past, 68% report they are likely to use it again in the future.

24%

Consider using
BNPL in the future

BNPL is more likely to be used and considered by those aged 25 to 44 years

Our research shows that those aged 25-44 years old are most likely to currently use and consider BNPL in the future. There is also a skew to females (59%) and socio-economic class ABC1 (55%) among those who will consider using BNPL in the future.

25-44

Age most likely
to use BNPL

BNPL users are more likely to have taken out other forms of credit.

On average a BNPL user has 3.4 existing credit products compared to 2.6 among our total population.

3.4

Existing credit
products among
BNPL users

What do users buy using BNPL?

BNPL is used for higher cost items and unplanned purchases

BNPL is used across a wide range of goods and services

BNPL is typically used by consumers for higher cost items rather than the day-to-day expenses. The overall tendency is for BNPL to be used to buy items such as household appliances (49%), electrical products (47%), clothing and footwear (41%) furniture (39%) and mobile phones (36%).

A smaller amount of BNPL users report using it for other items such as medical/dental treatment (27%), homewares (25%), beauty/ cosmetic products (19%), concert tickets (20%) and groceries/takeaways (14%).

Access to BNPL can influence impulsive buys

Our survey showed that using BNPL can prompt spontaneous or impulsive buys among consumers. 24% of BNPL users report purchasing items that they did not originally plan to purchase. The research shows that access to BNPL influences some consumers to buy products or services that they would not have otherwise purchased if BNPL was not available to them. 23% of BNPL users report “I would not have bought the product if BNPL was not available”.

Usage and Provider frequency

BNPL users report to have used BNPL on average 2.9 times in the past 12 months. Current BNPL users appear comfortable returning to this form of credit, with 54% reporting they have used it more than once in the past month.

With multiple occasion use, BNPL users tend to use more than one provider. Current BNPL users also report that on average they have used more at least two providers in the past 12 months (average 2.1 BNPL providers used).

49%

BNPL users report using it to purchase household appliances

42% agree

“When shopping I often end up purchasing items that I wasn’t originally planning on buying because of BNPL”

On average BNPL is used:

2.9 times a year

across

2.1 BNPL providers

(Consumers who have used BNPL in the past 12 months)

Why did users choose BNPL when buying goods and services?

The transactional nature of BNPL means that consumers’ focus is on the monthly repayment amount instead of the total cost. They are also found to prioritise affordability and access to products, as well as ease of use.

Factors considered by BNPL users when making a purchase

The cost of monthly repayments dominates consumers thinking when considering BNPL. 32% of BNPL users reported that they considered the monthly repayment as most important when arranging their most recent BNPL purchase. Other important factors such as the total amount of money to be repaid, the repayment term, the amount being borrowed and the interest rate, are less likely to be considered by BNPL users:

Factors considered by consumers:	%
The monthly repayment amount	32%
The total amount of money to be repaid	14%
The repayment term	12%
The amount borrowed	9%
The interest rate	8%

Question: Which of the below factors did you consider when arranging your most recent BNPL? Which one factor did you consider above all else when arranging your most recent BNPL. Base: all current BNPL users n.263

Motivations to use BNPL

We explored consumers’ motivations for choosing to use BNPL when they buy goods or services. Our research indicated that BNPL users identified a range of reasons for using this form of credit. Users see BNPL as creating affordability and access to products they want and also identified the ease and convenience associated with BNPL:

Motivations to use BNPL:	%
“It was the only way I could get the product”	29%
“It is easier than other forms of borrowing”	32%
“The repayment structure looked affordable for me”	36%
“The process was very straightforward”	36%
“I liked that you do not have to pay the full amount at the time”	41%

Question: Listed below are reasons why people might use BNPL instead of another payment method to buy a product? Which reasons are true for you when you used BNPL Base: all BNPL Users n.455

The perceived affordability offered by BNPL compared to other forms of credit also features strongly among consumers:

How affordable is BNPL for you compared with other forms of credit?	
	% agree BNPL is more affordable
Loan from a money lender	68%
Credit Card	60%
Overdraft	53%
Personal Loan	55%
Credit Union Loan	49%

Question:

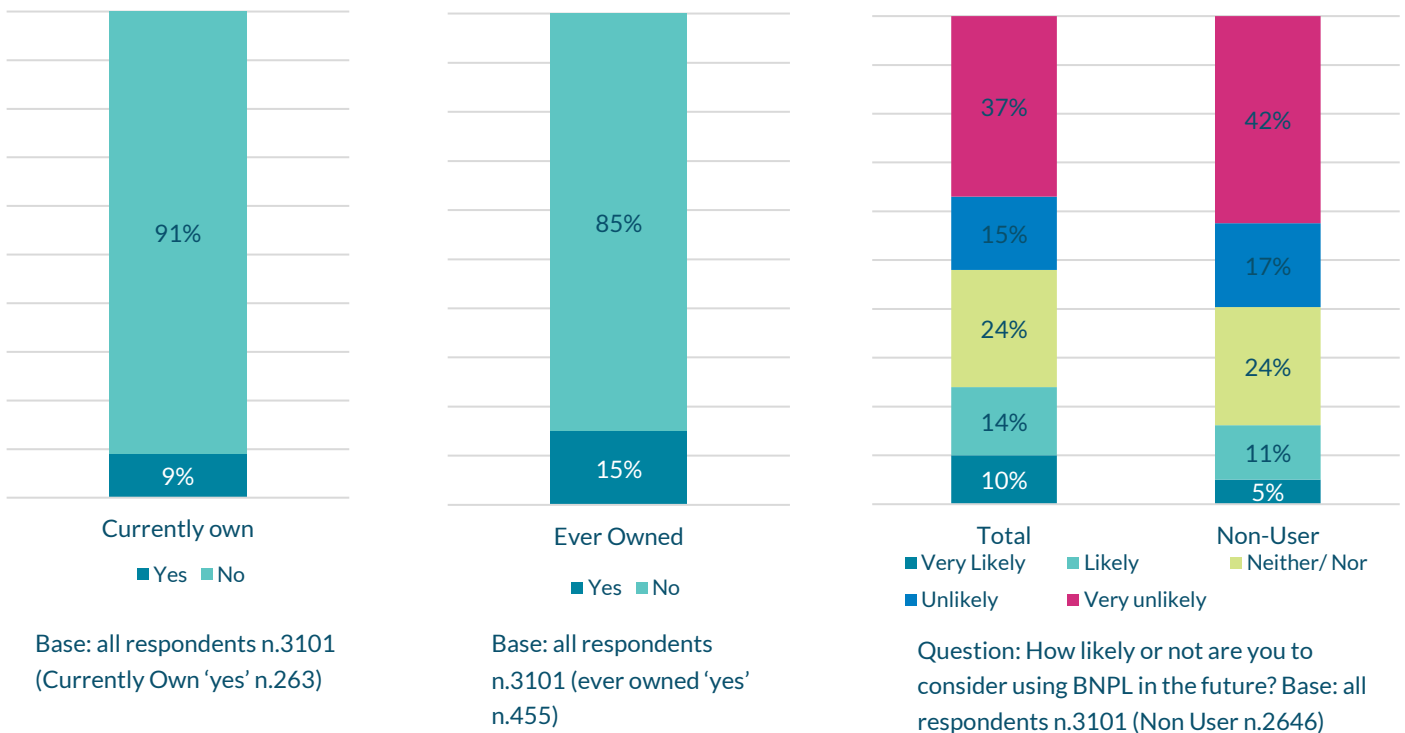
How affordable is BNPL for you compared with other forms of credit? Base: all BNPL users/ consider BNPL n.870

Research Methodology

We captured the views and opinions of consumers through qualitative in-depth interviews and an online survey.

- Qualitative in-depth interviews among 8 BNPL users
- Quantitative online survey among a nationally representative sample of 3101 people aged 18+
- Fieldwork was conducted between 16th May to 26th June 2023³
- 29-minute survey
- Our survey captured:
 - 469 BNPL Users - people who have ever used BNPL, and/or currently have a BNPL credit or used BNPL within the past 12 months
 - 429 Considering BNPL -people who never held a BNPL, but who are considering the product

Sample description:



³ Fieldwork was conducted by Core Research on behalf of the Central Bank of Ireland