



# **The Money Charity Response – Buy Now Pay Later Draft Legislation (April 2023)**

The Money Charity is a Financial Wellbeing charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.<sup>1</sup>

We welcome the opportunity to respond to HM Treasury's consultation on the draft legislation for Buy Now Pay Later firms and services.

---

<sup>1</sup> See box on back page.

## Overall Comments

It is clear that there is an urgent need for firms offering Buy Now Pay Later (BNPL) products to be regulated. BNPL firms owe much of their staggering success to their popularity amongst young people. Young people, who typically have lower incomes, may be attracted to BNPL as these products allow them to make purchases they wouldn't have been able to afford if they had to pay all of the cost upfront. However, this may cause some people to find themselves with increasingly larger monthly repayments for a number of different purchases, that quickly become unaffordable and negate the original reason for choosing to use BNPL. Research has shown that while 24% of all BNPL users are missing their repayments monthly, this figure increases to 41% of BNPL users aged 18-24<sup>2</sup>. Therefore, despite the majority of BNPL firms offering interest-free credit, there is still a strong risk of users accumulating an unmanageable amount of debt.

However, like other credit products, when used appropriately and safely BNPL products can act as a useful tool to help people manage their money. It is important that these products and other forms of affordable credit remain accessible to people who need and want to use them, including to young people. We agree that the exemptions laid out in the consultation paper are appropriate and will ensure that some forms of credit are not categorized as BNPL, meaning that they will continue to be available to those who need and want them, often those consumers who have lower incomes or are vulnerable in other ways. On the other hand, the legislation that relates directly to the firms that will come under regulation strikes a good balance between protections for consumers and encouraging firms to enter and remain in the market, ultimately making it more likely that consumers will continue to have access to BNPL products but in a safer, regulated environment. Overall, we agree with the proposals and recommendations made in the consultation paper.

---

<sup>2</sup> Forbes Advisor, November 2022, <https://www.forbes.com/uk/advisor/credit-cards/buy-now-pay-later-statistics/>

The Money Charity is the UK's Financial Wellbeing charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

Tel: 0207 062 8933

hello@themoneycharity.org.uk

<https://themoneycharity.org.uk/>