

Regulation in retail finance

5 things you need to know if your brand offers credit to consumers



1 How is the consumer credit landscape changing?

Millions of shoppers rely on retail finance to offset rising living costs

Deferred Payment Credit (DPC) is commonplace and rising – one in five adults bought goods using DPC in the 12 months to May 2024*

*source: FCA Financial Lives 2024 Survey

DPC is now distinct from Buy Now Pay Later (BNPL)

DPC is interest-free credit, with payments deferred for a short period (usually up to 30 days) or split across up to 12 instalments; BNPL offers a longer-term payment period from 3-12 months

Regulating the market marks a critical shift for consumer finance

Forthcoming regulatory changes to DPC seek to strike a balance between consumer protection and access to credit

Consumer brands need to be ready for new FCA rules from 15 July 2026

Previously DPC was unregulated in the UK and lacked the consumer protections available through other retail finance options, including mandatory affordability checks and redress if something goes wrong



2 Benefits of retail finance for consumer brands

Retail finance, including DPC, which gives the customer the option to spread the cost of purchase at checkout, can offer significant advantages for consumer brands – including:



Driving higher sales volumes



Increasing basket size



Delivering a competitive edge

3 Implications of regulation on the DPC market

While demand for DPC is likely to remain strong, potential implications include:

Impact on consumer buying behaviour

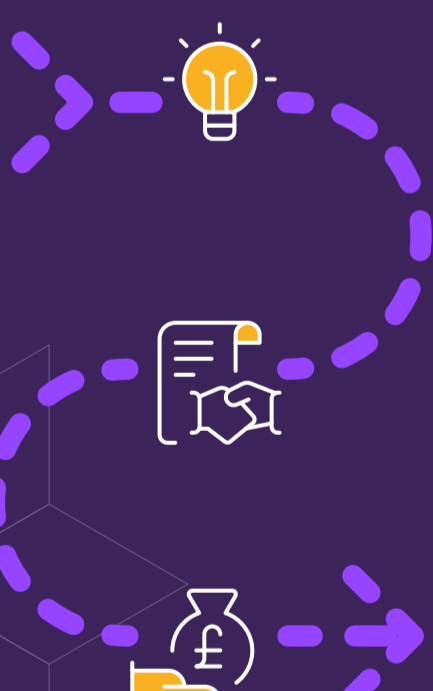
- Higher consumer awareness of costs and the implications of using credit
- More selective usage of DPC and less impulse purchases
- Potential increase in sales journey abandonment
- Greater consideration of alternative ways to pay
- Demand for ways to spread the cost of purchases still likely to remain

Impact on lending by DPC providers

- Increase in compliance costs - potentially passed on in the form of higher fees
- Stricter affordability and credit approval processes
- Potential move towards more interest-bearing offers to protect commercial viability
- Changing market dynamics – if firms can't meet compliance requirements

4 How should your brand prepare for the new regime?

Where are you on your journey?



Yet to offer DPC

Find a reliable and experienced partner to guide you on offering DPC and other retail finance offerings

Recently launched a DPC offering

Work with a DPC-compliant partner to undertake due diligence, adapt marketing strategies and explore other retail finance options

Offer long-standing embedded finance offerings

Ensure your financing partner is fully compliant with DPC regulation, monitor commercial implications and focus on ensuring a smooth customer journey

5 Why work with a licensed banking partner?

Research from NatWest Boxed shows:

54%

of brands have concerns about their embedded finance provider in regards to compliance and regulatory issues

57%

of brands want to promote their embedded finance provider as a trusted name

NatWest Boxed offers a comprehensive suite of retail finance solutions that can be seamlessly integrated with your customer journey, to enhance loyalty, boost checkout conversion and unlock new revenue streams.



Find out more

Read our whitepaper on the new FCA regulation to learn more

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