



Which? MoneySavingExpert

18 July 2023

Dear Chancellor,

RE: Buy Now Pay Later regulation

We are writing as a coalition of consumer advocates and debt advice providers to urge you to reconsider reported plans to shelve the regulation of Buy Now Pay Later (BNPL). Such a move would be especially disappointing given that draft legislation is already published, it has had cross-party support, and the UK Government could therefore act swiftly to protect consumers.

With the mounting pressure of the cost of living crisis, the provision of interest free credit might look like part of the solution for people struggling with bills. But unaffordable credit which can lead to spiralling debt is never a solution. Citizens Advice's most recent cost of living tracker shows over 1 in 6 people with BNPL say they are currently behind on payments. This rises to over 1 in 3 when we look at people on Universal Credit.

This is why regulation is more important than ever. Government must ensure that BNPL lenders are obliged to carry out affordability checks to protect against unsustainable borrowing. Whilst many are turning to BNPL to pay for essentials, it is also compounding people's financial hardship in the cost of living context. We are particularly concerned that those already struggling to make ends meet are most likely to use BNPL because there are currently no safeguards in place to prevent people already grappling with debt to sign up.

Government should be acting to protect consumers by ensuring people are given proper information which makes it clear that BNPL is a credit product and spells out the consequences of not being able to make repayments. Without regulation of the sector, consumers risk being left unaware about the potentially serious consequences of BNPL

borrowing. Too often consumers sign up for BNPL without realising that they are taking on debt, and could face late payment fees and debt collectors if they can't pay.

As you will be aware the proposals have already been subject to extensive consultation with stakeholders to ensure that they are proportionate. In 2021 the FCA's Woolard Review concluded that BNPL should be brought under FCA regulation urgently in order to protect consumers and make the market more sustainable. Having seen the impact of the growth of BNPL in recent years on the people who use our services, we welcomed the Government's commitment to bring BNPL products into regulation. To pause now, or to delay the process by merging it with the longer timelines of the review of the Consumer Credit Act, would leave people needlessly exposed to harm. We are calling for the Government to stay the course on this and for the draft legislation to be implemented at pace to protect consumers.

We are clear that BNPL is part of the consumer credit industry and must be regulated as such to protect consumers. We urge you to accelerate proposals to protect consumers during the living standards crisis.

Yours sincerely,

Dame Clare Moriarty

Chief Executive, Citizens Advice

Vikki Brownridge

Chief Executive, Stepchange Debt Charity

Joanna Elson CBE

Chief Executive, Money Advice Trust

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