

Buy Now, Pay Later (BNPL)...On Your Credit Card

Benedict Guttman-Kenney (Chicago Booth)

with Chris Firth & John Gathergood (University of Nottingham)

Lab for Inclusive FinTech (LIFT) and International Finance Corporation (IFC), 12 December 2023



Lab for
Inclusive
FinTech
at UC Berkeley



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities

Economics & Psychology of Buy Now, Pay Later (BNPL)


BNPL on Credit Cards

BNPL for Financial Inclusion

1. Economics & Psychology of Buy Now, Pay Later (BNPL)

Buy Now, Pay Later (BNPL) is FinTech credit product enabling consumers to defer payment into 1+ interest-free installments





Payment

Billing Country/Region 

United States [Edit](#)

Do you have a gift card, product voucher, or promo code? 

Select payment method


-  Credit or Debit Card
-  **PayPal**
-  **Klarna.** 4 interest-free payments
- 

Billing address same as shipping

Shipping Address


chicago booth
5807 S Woodlawn Ave
Chicago, IL 60637, US

- ✓ Pay now or Pay in 4. Interest-free.
- ✓ Earn rewards every time you shop.
- ✓ Trusted by 25 million Americans.

 [Learn more](#) about your payment options

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Economic Value of BNPL: Is BNPL good or bad?

Bad?

Economic Value of BNPL: Is BNPL good or bad?

Bad?

Good?

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BUY MORE STUFF

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BUY MORE STUFF

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PAY LESS INTEREST

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BUY MORE STUFF

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PAY LESS INTEREST

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COMMITMENT TO CLEAR DEBT

BUY MORE STUFF

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PAY LESS INTEREST

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COMMITMENT TO CLEAR DEBT

INCREASE COMPETITION

52 ü

Decoupling “pain of payment”

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Decoupling “pain of payment” “Anchoring” 5; ü-

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Decoupling “pain of payment” “Anchoring” 5; ü-

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2. BNPL on Credit Cards

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Buy now, pay later (BNPL) ...on your credit card[☆]

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Buy Now, Pay Later (BNPL)...On Your Credit Card

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Growth in BNPL on credit cards in UK

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Growth in BNPL on credit cards in UK

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Repeated usage common:

52%

Why does putting interest-free BNPL put on interest-bearing credit cards matter?

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Why does putting interest-free BNPL put on interest-bearing credit cards matter?

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Credit cards:

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Why does putting interest-free BNPL put on interest-bearing credit cards matter?

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Credit cards:

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Potential debt spiral:

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Who puts BNPL on credit cards?

Consumers in 20s and 30s

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Who puts BNPL on credit cards?

Consumers in 20s and 30s

Consumers in more deprived areas

52.5%

52.5%

3. BNPL for Financial Inclusion

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Thank you!

 www.benedictgk.com

 benedict@chicagobooth.edu



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Limited academic research to inform regulation

To effectively regulate BNPL, regulators need to know

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To effectively regulate BNPL, regulators need to know

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Behavioral mistakes:

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BNPL as gateway product

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Effective digital disclosures = $\ddot{u} = =$

What happens next to BNPL lenders?

Macroeconomic climate # "

Regulatory uncertainty

" Competition ü -