CFPB Research Reveals Heavy Buy Now, Pay Later Use Among Borrowers with High Credit Balances and Multiple Pay-in-Four Loans

More than 60 percent of users had simultaneous loans, borrowers held higher balances on other credit lines, and most loans went to consumers with subprime or lower credit scores

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WASHINGTON, D.C. – Today, the Consumer Financial Protection Bureau (CFPB) released a study of Buy Now, Pay Later (BNPL) borrowers, finding that more than one-fifth of consumers with a credit record used BNPL loans in 2022, with most of those consumers having subprime or deep subprime credit scores. The CFPB research also revealed that more than three-fifths of BNPL borrowers held multiple simultaneous BNPL loans at some point during the year, and one-third had loans from multiple providers. BNPL borrowers were also more likely than other consumers to have higher balances on other unsecured credit lines such as credit cards. Because lenders do not typically report BNPL loans to nationwide consumer reporting companies, data about BNPL use—especially about borrowers with multiple loans and on total consumer debt balances—is limited. Today's study helps fill the data gap by pairing a matched sample of BNPL applications from six large firms with deidentified credit records.

BNPL credit is a type of deferred payment option that generally allows the consumer to split a purchase into smaller installments, typically four or fewer, often with a down payment due at checkout. The application process is quick, involving relatively little information from the consumer, and the product often comes with no interest. Lenders have touted BNPL as a safer alternative to traditional credit card debt, along with its ability to serve consumers with limited or subprime credit histories.

To better understand the emerging BNPL market, the CFPB issued market monitoring orders in March 2023 to collect information from several companies offering no-interest, pay-in-four BNPL loans, including Affirm, Afterpay, Klarna, Paypal, Sezzle, and Zip. The CFPB matched the loan-level and deidentified consumer information it received with consumer credit records to study the prevalence of BNPL use. Today's report finds that, in 2022:

- **More than one-fifth of consumers used BNPL:** Among consumers with a credit record, 21.2 percent financed at least one purchase with a BNPL loan, up from 17.6 percent in 2021. About 20 percent of borrowers in 2022 were heavy users originating more than one BNPL loan on average each month, an increase from 18 percent in 2021. The average number of originations per borrower increased from 8.5 to 9.5.
- **Most BNPL borrowers took out multiple simultaneous BNPL loans:** Approximately 63 percent of borrowers originated multiple simultaneous loans at some point during the year, and 33 percent took out loans from multiple BNPL lenders.
- **Nearly two-thirds of BNPL loans went to borrowers with lower credit scores:** Among these applicants with subprime or deep subprime credit scores, BNPL lenders approved 78 percent of loans in 2022.
- **BNPL borrowers were more likely to hold higher balances on other credit accounts:** These borrowers held higher balances of other unsecured consumer debt, including personal loans, retail loans, student loans, credit cards, and subprime alternative financial services lenders. Before first-time BNPL use, consumers' average credit card utilization rates increased, suggesting that less available credit card liquidity may encourage consumers to use BNPL.
- **Younger borrowers held more BNPL debt as a percentage of their total consumer debt:** Among borrowers ages 18-24, BNPL purchases made up 28 percent of total unsecured consumer debt compared to an average of 17 percent among borrowers of all age groups, during the months in which they borrowed.

Read today's report, Consumer Use of Buy Now, Pay Later and Other Unsecured Debt. (cfpb.gov/data-research/research-reports/consumer-use-of-buy-now-pay-later-and-other-unsecured-debt/)

Today's report builds on previous CFPB work related to BNPL lending. In May 2024, the CFPB issued an interpretive rule (cfpb.gov/about-us/newsroom/cfpb-takes-action-to-ensure-consumers-can-dispute-charges-and-obtain-refunds-on-buy-now-pay-later-loans/) confirming that BNPL lenders must provide consumers some key legal protections and rights that apply to conventional credit cards. Previously, in March 2023 (cfpb.gov/about-us/newsroom/cfpb-publishes-new-findings-on-financial-profiles-of-buy-now-pay-later-borrowers/), the CFPB published research about BNPL borrowers based on CFPB survey data, and in September 2022 (cfpb.gov/about-us/newsroom/cfpb-study-details-the-rapid-growth-of-buy-now-pay-later-lending/), the CFPB released findings based on an earlier market monitoring inquiry of BNPL lenders.

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Employees who believe their company has violated federal consumer financial protection laws are encouraged to send information about what they know to whistleblower@cfpb.gov. To learn more about reporting potential industry misconduct, visit the CFPB's website (cfpb.gov/enforcement/information-industry-whistleblowers/).

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive. For more information, visit www.consumerfinance.gov (http://www.consumerfinance.gov/).

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