



March 25, 2022

Rohit Chopra, Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Re: Comment Regarding the CFPB's Inquiry Into Buy-Now-Pay-Later (BNPL) Providers (CFPB-2022-0002)

Consumer Reports appreciates this opportunity to comment on the Consumer Financial Protection Bureau's inquiry regarding "Buy Now Pay Later (BNPL)" products. These are products, provided by firms such as Afterpay, Klarna, Zip, Paypal, and Sezzle, that are designed to provide consumers shopping online or at retail stores with point-of-sale loans, typically issued at 0% interest, to be paid back within four payments over two months. However, some firms such as Klarna, Affirm and Paypal also offer longer-term, interest bearing loans that may also be described as BNPL loans by the companies who market them, and perceived as comparable BNPL products by consumers. While BNPL products provide many consumers with easy access to short-term credit at affordable terms, there are a number of potential consumer harms that urgently need to be addressed.

Potential Harms to Consumers

- 1. Most BNPL loans are designed in a way that avoids classification as credit under the Truth in Lending Act (TILA) and other banking laws.**

BNPL products may lack required billing, disclosure and error correction protections provided under the Truth in Lending Act, and an ability to repay standard, for example as required for credit cards under the CARD Act.¹ Most BNPL providers only run a soft credit check to determine eligibility for installment loans. Even if BNPL loans are made at 0%, without a formal determination and legal standard for the borrower's ability to repay, lenders may make loans for principal amounts alone that could be unaffordable for consumers to repay, and create unreasonable risks for delinquency and default. This in turn could lead to debt collection and damaged credit standing.

64% of BNPL users have incomes of less than \$50,000 per year, and 81% have incomes of less than \$75,000, according to an industry study by Cardify. The study also reported that many consumers initially try BNPL after they have already utilized a significant portion of their credit capacity. While most customers could afford to pay the full price of the purchased item upfront, 21% of consumers did not have enough funds in their checking/savings accounts to cover the full price of their purchase.² Because

¹ Levitan, Adam. *What is "Credit?" Afterpay, Earnin and ISAs*, 07/7/19, Student Borrower Protection Center, available at: <https://protectborrowers.org/what-is-credit/>

² *COVID-19 and the Surge of "Buy Now, Pay Later,"* Cardify, 7/29/20, available from: <https://www.cardify.ai/reports/buy-now-pay-later> See also: *Affirm: The Morality of Money*, The Generalist, 12/05/20, available at: <https://thegeneralist.substack.com/p/affirm-the-morality-of-money?s=r>

borrowers may take out multiple BNPL loans, and also have other credit products they are using, there is a distinct possibility that many users could become overextended on credit obligations. Approximately 20% of Afterpay users took out 6-10 loans or more each year. Of that amount, nearly 4% took out 16 loans or more each year.³

If consumers cannot afford the burden of repaying one of multiple BNPL loans, either by themselves or in combination with other credit card debt or loans they have, they may overdraw their bank accounts and debit cards. This could lead to expensive overdraft fees, in addition to the BNPL late payment fees. Furthermore, overdraft fees may in turn result in borrowers being blacklisted by the ChexSystems credit reporting bureau, making it more difficult for them to get a bank account in the future.

According to a recent national survey of 2,200 adults, users of BNPL services are much more likely to overdraw their bank or credit union accounts than the public at large. 33% of BNPL users reported incurring an overdraft in January 2022, compared to a rate for 15% for non-users. This high rate of overdrafting raises concerns that BNPL users may be overextended on credit payments and household expenses, and be at risk of regularly incurring late fees and overdraft fees.⁴ If BNPL companies were required to more fully assess user ability to repay, similar to traditional credit products, users would likely be at lower risk of missing payments and incurring expensive fees.

2. BNPL products lack standardized disclosures of terms and fees, leaving consumers often confused.

Because of the proliferation of different BNPL products, and varying web and digital app designs, consumers may become confused about terms of loans, repayment dates and other product attributes, resulting in inappropriate product selection and backend fees and interest charges. BNPL apps do not consistently present the terms of the loan in a standardized format, and it isn't clear that these apps have been tested to make sure consumers can easily find information to understand how the product works and make effective product comparisons.

Consumers who are shopping online and/or downloading apps may not be able to find basic information regarding: interest rates, dates at which payments will be due, late fees, origination fees,⁵ soft vs. hard credit pull, debt collection practices, credit reporting practices, and customer service contact information. Further, because consumers may be in a hurry to complete transactions, they may rapidly click through permission screens and overlook key information about how the product works, and its unique features, terms and risks.

Consumers may also not realize they are entering into transactions with a third-party payment company, which could make it more difficult to effectively dispute and resolve issues relating to the quality of goods, goods never shipped or received, returns and refunds. Consumers may first encounter

³ Ibid.

⁴ Williams, Claire. Morning Consult, *'Buy Now, Pay Later' Users Significantly More Likely to Overdraft than Nonusers*, 3/2/22, available at: <https://morningconsult.com/2022/03/02/buy-now-pay-later-bnpl-overdraft-data/>

⁵ Uplift, a travel-focused BNPL provider, charges a 2% origination fee for some loans. See Felton, Ryan, *The Trouble with Travel Loans*, Consumer Reports, 12/20/19, available at: <https://www.consumerreports.org/loans/the-trouble-with-travel-loans/>

the BNPL loan in website shopping carts, and assume it is a service offered as a courtesy by retail merchants themselves.

Further, some BNPL providers (e.g. Affirm, Klarna) have multiple loan products, some of which are 0% and some of which are interest bearing loans. Consumers might switch between point of service loan products between or within companies, without fully realizing the differences between them.

Stories collected by CR suggest that some consumers think certain products such as PayPal Credit are BNPL, when they are actually deferred-interest credit. Consumers need to be able to quickly recognize and tell the differences between different types of point of service loans -- especially which products are 0% pay in four, and which are not. The significant positive publicity and promotion related to 0% Pay in 4 loans projects an attractive halo over the entire universe of BNPL products, obscuring the reality that some products are significantly more costly, and in some cases as expensive or even more expensive than credit cards. For this reason, it may be desirable to define exactly which products strictly qualify as "BNPL," so consumers can easily recognize a low-cost product vs. a potentially high-cost product.

3. Consumers may have challenges making returns and/or receiving refunds for payments already collected.

Many consumers have reported difficulties making returns and receiving refunds for BNPL payments already made for goods and services. While the problem may be less serious at larger retailers, consumers who use BNPL with smaller companies or less reputable websites may face a higher frequency of difficulties. The problem may be compounded by difficulties in contacting customer service for both the retailer and the BNPL company, so that customers have a significantly longer path to error resolution than if they were just dealing with the retailer directly.⁶

In addition, the consumer need to return merchandise appears to have increased during the COVID-19 pandemic. U.S. retailers, for example, have seen merchandise returns climb to an average of nearly 17 percent in 2021, up from nearly 11 percent the previous year, according to a survey by the National Retail Federation and Appriss Retail.⁷ Similarly, over the last two years, consumers making travel plans have unexpected surges in travel cancellations, because of the COVID-19 pandemic and spikes in infection rates, creating potential needs for refunds of travel purchases financed with BNPL loans.

In a 2021 article, Consumer Reports reported on the difficult return experience of one BNPL borrower:

For LT Horhn, 48, a Los Angeles resident, obtaining a refund from Sezzle for a \$200 handbag turned out to be a long ordeal.

"I was shopping online last September and clicked—then I had second thoughts, since I didn't know the retailer," says Horhn.

⁶ Bays, Ken. American Banker, *Buy Now Pay Later Carries Myriad Challenges for Return Policies*, 03-17-21, available at: <https://www.americanbanker.com/payments/opinion/buy-now-pay-later-carries-myriad-challenges-for-return-policies>

⁷ Alini, Erica. *Returning Online Orders is Already A Nuisance: Buy Now Pay Later Plans May Make it Worse*, The Globe and Mail, 2/9/2022, available at: <https://www.theglobeandmail.com/investing/personal-finance/household-finances/article-returning-online-orders-is-already-a-nuisance-buy-now-pay-later-plans/>

She tried to cancel the purchase, but she could not reach the retailer by phone, and Sezzle's customer representative told her that all requests must go through the merchant directly. Horhn sent back the bag, which was poor quality, she says. But the address given to her by the retailer turned out to be false, and the package was returned as undeliverable. Unable to get a refund from Sezzle, she canceled payments through her bank, but the first one for \$51 had already gone through.

Upon being contacted by Consumer Reports, Sezzle CEO Charlie Youakim reviewed Horhn's account, and she received a refund. Youakim also says Horhn should have initiated a dispute. Horhn responded that she did not understand where to do this on the website.⁸

Some consumers have also reported difficulties contacting customer service and getting timely responses when they are having a problem. In contrast with other payment methods, consumers using BNPL may have to contact both the merchant and the payment company, instead of just working with the merchant to process a refund payment. In the meantime, consumers can be left on the hook for making payments for an item they no longer want, and/or has already been returned.

With some lenders, consumers may have to temporarily keep making payments as set out in their BNPL agreements even after they've returned what they bought. Afterpay, for example, warns users it may take several days for a merchant to process a refund. Until then, consumers are held to their original payment schedule, although they can postpone their next payment by up to two weeks, according to the company's site. The same is true for Uplift, which allows customers to pay for flights, cruises and vacation packages in installments.⁹

Gisela, a CR member from New Jersey, told us:

I bought an almost \$500 vacuum from Shark using the pay in four payments options. But I had to return the item because it was defective. It took almost three months and several calls to get the refund.

Consumers using BNPL plans could also be put at risk if goods are never shipped, or damaged in transit. In a 2022 article Consumer Reports discussed the story of a consumer who ordered goods who only received part of his order:

When KZ Win spotted an attractive set of Lunar New Year plates and other items on the Williams Sonoma website last April, he quickly added them to his shopping cart.

Then, at checkout, he saw a buy-now-pay-later button, which would let him spread out the \$230 cost of his purchases over three months, with no fees and interest.

Win, a 51-year-old IT engineer in Dallas, clicked on the deferred payment option, which was offered through Affirm, a third-party financing company. He soon received part of his order. But shortly after he made his final payment, he was told that delivery of the Lunar New Year plates would be delayed.

⁸ Wang, Penelope. The Hidden Risks of Buy Now, Pay Later Plans, Consumer Reports, 2/14/21, available at: <https://www.consumerreports.org/shopping-retail/hidden-risks-of-buy-now-pay-later-plans-a7495893275/>

⁹ Op. cit. note 10.

“I figured I would wait as long as necessary,” he says. “I understood the pandemic was causing shipping delays.”

But in mid-December, Win was told his remaining order was canceled because payment had not been received. He repeatedly called and emailed both Williams Sonoma and Affirm seeking a refund for the plates. But Affirm told him the 60-day deadline to claim a refund had passed, and Williams Sonoma said he had to contact Affirm for a refund.

“Neither company seemed willing to talk to the other or help me get my money back,” Win says. But when contacted by Consumer Reports, Affirm quickly issued him a refund.¹⁰

According to a January 2022 nationally representative survey of 2,174 U.S. adults carried out by Consumer Reports, 5% of Americans who used BNPL services reported that they had difficulty getting into contact with customer service for the BNPL provider; and 4% reported that they had difficulty processing a return or refund specifically because they paid for the product with this service.¹¹

As of March 25, 2022, there were 5,839 complaints submitted by consumers to the Better Business Bureau (BBB) about major BNPL lenders, including: Klarna (1,610 complaints), Zip (1,607) Affirm (1602), Afterpay (702), and Sezzle (318). This represents an increase of 4,911 complaints since March 25, 2020, when there were 928 complaints for these five companies listed on the BBB site. Many of the complaints listed on the website relate to issues regarding returns, refunds and billing and payment issues.¹²

Unless a public oversight process is put in place to closely monitor customer service practices for returns and merchant disputes, consumers could be held captive to poor customer service by either the retailer or the BNPL company or both, with either side potentially denying responsibility for resolving returns and payment issues.

4. Consumers lack effective remedies for disputes with retailers.

Under the Fair Credit Billing Act (FCBA), credit cards and other “open end” revolving credit accounts provide “[chargeback rights](#)” for disputes with retailers, where goods or services were defective or were not delivered. BNPL loans do not provide consumers with chargeback rights, so when they have a dispute about the quality or delivery of services, they do not have an effective remedy to dispute the

¹⁰ Wang, Penelope. *How COVID Has Turned Buy Now, Pay Later Upside Down*, Consumer Reports, 2/22/22, available at: <https://www.consumerreports.org/shopping-retail/how-covid-has-turned-buy-now-pay-later-upside-down-a4434659796/>

¹¹ Consumer Reports, January 2022 American Experiences Survey, prepared by CR Survey Research Department, February 2022, attached.

¹² Better Business Bureau, www.bbb.com

Afterpay: <https://www.bbb.org/us/ca/san-francisco/profile/payment-processing-services/after-pay-1116-897251/complaints>

Affirm: <https://www.bbb.org/us/ca/san-francisco/profile/payment-processing-services/affirmcom-1116-445613/complaints>

Klarna: <https://www.bbb.org/us/ca/san-francisco/profile/payment-processing-services/after-pay-1116-897251/complaints>

Sezzle: <https://www.bbb.org/us/mn/minneapolis/profile/online-retailer/sezzle-0704-1000027079/complaints>

Zip: <https://www.bbb.org/us/ny/new-york/profile/payment-processing-services/zip-0121-177249/complaints>

unfair or fraudulent charge. Some providers provide voluntary dispute resolution, but it is generally far weaker than under the provisions of the FCBA, which give consumers the right to withhold payment for disputed charge and any financing charges for 60 days, while the loan issuer and merchant investigate the dispute.

Under the FCBA, consumers have the legal right to dispute “billing errors” such as:

- unauthorized charges. (Federal law limits borrower responsibility for unauthorized charges to \$50);
- charges that list the wrong date or amount;
- charges for goods and services the borrower didn't accept or that weren't delivered as agreed;
- math errors;
- failure to post payments and other credits, like returns;
- failure to send bills to the borrower’s current address — assuming the creditor has the borrower’s change of address, in writing, at least 20 days before the billing period ends; and
- charges for which the borrower asks for an explanation or written proof of purchase, along with a claimed error or request for clarification.¹³

The lack of chargeback rights is especially concerning when it comes to purchases of travel services, where cancellations of flights, hotel and cruise reservations may put consumers at risk for large sums of money.¹⁴

5. Excessive Risks of Late Fees

A 2021 survey conducted by Credit Karma found that 34% of respondents who used BNPL plans reported falling behind on one or more payments.¹⁵ Of those who admitted to having missed at least one payment, 72% said they believe their credit score declined as a result of missing the payment(s), with 31% of those saying their credit score declined significantly.¹⁶ Another survey found that 47% of young consumers ages 18-24 reported that they missed a payment and incurred a late fee.¹⁷

The CFPB data request will likely result in much more complete data regarding the volume and amount of late fees. Multiple BNPL services use late fees as a key part of their revenue model, and may charge late fees that exceed typical interest rates on similar credit products such as credit cards.

¹³ Federal Trade Commission, *Disputing Unfair Credit Card Charges*, available at: <https://consumer.ftc.gov/articles/disputing-credit-card-charges>

¹⁴ Felton, Ryan, *The Trouble with Travel Loans*, Consumer Reports, 12/20/19, available at: <https://www.consumerreports.org/loans/the-trouble-with-travel-loans/>

¹⁵ Credit Karma, *Buy Now Pay Later Surges Throughout Pandemic, Consumers’ Credit Takes a Hit*, 09/09/21, available at: <https://www.creditkarma.com/about/commentary/buy-now-pay-later-surges-throughout-pandemic-consumers-credit-takes-a-hit>

¹⁶ Ibid.

¹⁷ Backman, Maurie. *Study: Buy Now, Pay Later Services Growing Quickly Among U.S. Consumers*, The Ascent/Motley Fool, 3/22/21, available at: <https://www.fool.com/the-ascent/research/buy-now-pay-later-statistics/>

6. Consumers Report Unauthorized BNPL Charges Sometimes Appear on Their Bank and Debit Card Accounts

Some consumers have complained to both CFPB and the Better Business Bureau that they never signed up for BNPL, but nevertheless found charges for BNPL loans on their debit cards, or delinquent loans reported on their credit reports. This may be an identity theft issue similar to that for other goods and services, but the low barriers to entry for BNPL credit may create new risks of account fraud.

For example, Stephanie, a CR member from Washington state, told us a fraudulent charge appeared on her husband's BNPL account:

My husband used to use Affirm for his RC (Radio Controlled) aircraft hobby. It was quick, easy, and we always made our payments on time so we didn't get finance charges. Then a charge appeared on his account for an overnight stay at a Hilton hotel. We called Affirm and said this wasn't us, that either the charge was misbilled or someone used his account. They promised to look into it. Next thing we knew, we were getting late fees for not paying for the purchase we didn't make. We called again and were told they couldn't find any evidence of fraud, and we had to pay it. We pointed out that we had never, EVER used the Affirm account for anything other than RC purchases, and that we could prove we were nowhere near the Hilton that charged the account on the night in question. They didn't care. We paid the fraudulent charge and the late fee, closed the account, and will never use Affirm again. Lesson learned.¹⁸

(As mentioned above, if BNPL loans provided chargeback rights similar to credit cards, Stephanie's husband could have formally disputed the unauthorized charge, and the lender and the hotel would have been required to investigate it. He could also have withheld payment for the unauthorized charge and any finance charge for 60 days while the investigation was going on.)

7. New Types of BNPL Products Are On the Way

In addition to the points mentioned above, BNPL loans are appearing in new product forms, and spreading to diverse areas of the economy. For example, Klarna recently announced the planned introduction of a Klarna Card which is a physical VISA card issued by Webbank, which will enable users to purchase items using the Pay in 4 method for any in-store or online purchase.¹⁹ The Klarna Card connects to the Klarna app, enabling consumers to track and securely manage their card payments. The card can also be added to Apple Pay and Google Pay. A number of banks and credit card companies have also created BNPL services which are linked to bank-issued credit cards, such as American Express, Chase, and Citibank, incorporating the BNPL payment method into already existing credit card accounts.²⁰

¹⁸ CR Member story, received February 2021, available at: <https://www.consumerreports.org/stories?questionnaireId=252>

¹⁹ *Klarna Opens Waitlist for Highly Anticipated Klarna Card to U.S. Consumers*, <https://www.klarna.com/international/press/klarna-opens-waitlist-for-highly-anticipated-klarna-card-to-us-consumers/>

²⁰ Paul, Trina. *Credit cards offer 'buy now, pay later' options — but is it better than carrying a balance?* CNBC Select, 03-22-22, available at: <https://www.cnbc.com/select/credit-cards-offering-buy-now-pay-later-options/>

In addition, BNPL payments are spreading beyond retail and online merchants to other sectors including travel, health care, higher education programs²¹, veterinary services, home improvement lending, rental housing, groceries and gas purchases.^{22 23} Some of these sectors may pose unique challenges or issues because of the nature of the goods and services being financed. For example, using BNPL loans for groceries or gas purchases raises concerns about potential risks relating to the financing of regularly recurring household expenses. While BNPL might help borrowers to navigate an occasional shortfall or unexpected expense, overuse could expose them to debt and delinquency.

Policy Recommendations and Solutions:

Based on the foregoing, we recommend the following potential solutions to make BNPL loans work better for consumers:

- All BNPL loans should be legally defined as a form of credit, and made subject to the same underwriting standards for credit cards and other regulated loans, including an ability to repay standard that considers both the borrower’s income, and expenses and obligations.
- CFPB should issue a larger market participant rule to define the BNPL market, and then actively supervise large BNPL lenders to ensure, at a minimum, that they are not engaged in unfair, deceptive and abusive practices, or unlawful discrimination. In addition, CFPB should also use its marketing monitoring authority to collect, analyze and publish data from the largest providers (anonymized) to better identify risks within the market.²⁴
- CFPB should create standardized disclosures similar to “nutrition labels” for BNPL products that put the important information consumers need to know about these products upfront, in a format that will allow consumers to understand the product more easily, and compare the terms of loans that are offered by different providers. In the past, CFPB has worked very effectively to create “Know Before You Owe” mandatory disclosures for financial products such as mortgages and prepaid cards.²⁵ Because the standardized BNPL disclosures will be viewed primarily in online shopping and smartphone apps, CFPB should also make sure that they are

²¹ Student Borrower Protection Center, *Point of Fail: How a Flood of Buy Now Pay Later Student Debt is Putting Millions at Risk*, March, 2022, available at: https://protectborrowers.org/wp-content/uploads/2022/03/SBPC_BNPL.pdf

²² Felton, Ryan. *I Bought a Burrito from Chipotle for Four Easy Payments*, Consumer Reports, 03-04-22, available from: <https://www.consumerreports.org/shopping-retail/the-downsides-of-expanding-buy-now-pay-later-plans-a2840564542/>

²³ Singletary, Michelle. *Gas and Go. Pay Later. How Some Drivers Are Dealing With the Rise in Fuel Costs*, Washington Post, 3/23/22, available at: <https://www.washingtonpost.com/business/2022/03/23/klarna-gas-up-pay-later/>

²⁴ As proposed by the Center for Responsible Lending. See: Torres, Marisabel. *Buy Now Pay Later, “Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL and Other Emerging Fintech Cash Flow Products*, Testimony of the Center for Responsible Lending to the House Financial Technology Task Force, 11/02/22, available at:

²⁵ Consumer Financial Protection Bureau, *CFPB Finalizes Strong Protections for Prepaid Account Consumers*, 10/5/2016, available at: <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-strong-federal-protections-prepaid-account-consumers/#:~:text=Know%20Before%20You%20Owe%3A%20Prepaid%20Disclosures&text=Consumers%20cannot%20always%20tell%20what,and%20make%20well%20informed%20decisions>

subjected to usability testing to ensure users can find key terms and definitions, to facilitate user understanding and comprehension of product terms, fees, and the repayment process.

- CFPB should review the data it receives and investigate whether BNPL providers are imposing late payment fees at high frequency, and investigate the reasons this may be happening. If the reasons are related to underwriting practices, unclear timetables for collecting payments, or other issues relating to lender-consumer communication, CFPB may want to develop regulations to help reduce the risks of late payments and late fees.
- Related to the above, CFPB should require clear and conspicuous disclosure of BNPL third-party status, so consumers understand they are applying for and receiving BNPL financing from a company that is legally and operationally separate from the retailer or online merchant, that has a separate process for customer service inquiries relating to refunds, loan repayment and complaints.
- To make sure consumers can make effective product choices, CFPB should consider ways to clearly identify the products that are 0% interest only, perhaps by creating tighter definitions of “BNPL” vs “Point of Service Loans,” or other terminology. More specific definitions of what actually constitutes a low-cost BNPL product could help consumers more effectively anticipate the terms and costs when they choose a payment method, and help them to avoid high-cost products, when more affordable alternatives are available. Sharper product definitions would also help consumers to choose more effectively from products WITHIN the portfolios of lenders like Affirm, Klarna and PayPal, who offer both 0% Pay in 4 AND interest bearing loans which can have APRs as high as 30%.. Without more specific, popularly-understood definitions, consumers may select the wrong product for their needs, if they do not carefully read the terms and fine print for each product within those brand families.
- CFPB should create a public monitoring system to collect ongoing data on returns, refunds, identity fraud complaints, and other customer service issues related to BNPL loans. Further, CFPB should create performance benchmarks for making sure customer service representatives are available and accessible, and that customer service inquiries and requests are handled promptly. All providers should have adequate capacity to handle customer inquiries, and be available and accessible by phone and email contact to respond to customers in a timely way. Any company that cannot commit to high quality customer service should lose their ability to make BNPL loans.
- Congress should extend “chargeback rights” to BNPL loans. As the volume of BNPL loans grows, consumers are likely to experience a similar volume of disputes with merchants and service providers that they experience with credit cards. They need to have the same legal rights to challenge unfair charges for goods never shipped, damaged goods, travel services or counterfeit products. It will be difficult for consumers to have confidence in BNPL financing products if they do not provide effective remedies for disputes with retailers and service providers.

Conclusion

While Buy Now Pay Later loans may have many benefits for consumers, including a fast application process, frequently affordable terms, and convenient repayment options, they also have a variety of

unexpected features and risks that urgently need to be addressed. Consumer Reports commends the CFPB for seeking detailed data and information from BPNL providers to provide a basis for further investigation and ongoing oversight of this rapidly expanding segment of the financial services marketplace. By addressing the key issues identified above, CFPB can help anticipate and prevent serious friction points that could harm consumers and undermine public confidence in this popular emerging new payment method.

Sincerely,



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Syed Ejaz
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Appendix A.**Consumer Reports Articles Regarding Buy Now Pay Later Loans**

1. Felton, Ryan, *I Bought a Burrito from Chipotle for Four Easy Payments*, Consumer Reports, 03/04/22, available at: <https://www.consumerreports.org/shopping-retail/the-downsides-of-expanding-buy-now-pay-later-plans-a2840564542/>
2. Wang, Penelope, *How COVID Has Turned Buy Now, Pay Later Upside Down*, Consumer Reports, 2/18/22, available at: <https://www.consumerreports.org/shopping-retail/how-covid-has-turned-buy-now-pay-later-upside-down-a4434659796/>
3. Wang, Penelope. *The Hidden Risks of Buy Now, Pay Later Plans*, Consumer Reports, 02/14/21, available at: <https://www.consumerreports.org/shopping-retail/hidden-risks-of-buy-now-pay-later-plans-a7495893275/>
4. Picchi, Aimee, *What to Know About Buy Now Pay Later Loans*, Consumer Reports, 5/30/19, available at: <https://www.consumerreports.org/loans/buy-now-pay-later-online-loans-what-to-know/>
5. Felton, Ryan, *The Trouble With Travel Loans*, Consumer Reports, 5/20/19, available at: <https://www.consumerreports.org/loans/the-trouble-with-travel-loans/>

Appendix B.

January 2022 American Experiences Survey (BPNL excerpt), Consumer Reports Survey Research Department, January 2022. (attached)



American Experiences Survey:

A Nationally Representative Multi-Mode Survey

January 2022 Omnibus Results: Buy Now Pay Later Section

Overview of Methodology

Each month, Consumer Reports fields the American Experiences Survey (AES) to track consumer attitudes and behaviors over time. January results are based on interviews conducted from January 7 – 20, 2022. This document includes one section from the omnibus survey for this month: Buy Now Pay Later services.

The survey was administered by NORC at the University of Chicago through its AmeriSpeak® Panel to a nationally representative sample. Interviews were conducted in English and in Spanish, and were administered both online and by phone. In total NORC collected 2,174 interviews, 2,061 by web mode and 113 by phone mode, 2,114 in English and 60 in Spanish. Final data are weighted by age, gender, race/Hispanic ethnicity, housing tenure, telephone status, education, and Census Division to be proportionally representative of the US adult population.

The margin of error for results based on the total sample is +/-2.84 percentage points at the 95% confidence level. Smaller subgroups will have larger error margins, and only those subgroups for which there are at least 100 unweighted cases are included.

TOPLINE RESULTS

The January omnibus contained six blocks of questions (items on COVID-19, credit reports, food safety, Buy Now Pay Later services, cryptocurrency, and sustainability). Respondents saw the COVID-19 block first, with the other five sections in a randomized order. **This document contains the Buy Now Pay Later items only.**

The questions presented below were shown to respondents in this order unless otherwise noted. Where appropriate, question verbiage, response answer choices, or direction of scales were randomized or rotated and those instances are noted below.

Prepared by CR Survey Research Department, January 2022

www.cr.org

BUY NOW PAY LATER

BNPL1.

This section is about online Buy Now Pay Later services, such as Affirm, Afterpay, and Klarna. These services often appear as a payment option on a website and allow you to make a down payment at the time of purchase, then pay off the rest in installments.

How familiar are you with this type of service?

	Total
	%
I have never heard of this type of service	32
I have heard of this type of service, but never used it	51
I have used a Buy Now Pay Later service	18
Base: All respondents	2,173

BNPL2. [SHOW IF BNPL1 = 'I HAVE USED A BUY NOW PAY LATER SERVICE.' RANDOMIZE ITEMS, HOLDING 'OTHER' AT END.]

You said that you have used a Buy Now Pay Later service to pay for at least one purchase. Which, if any, of the following are reasons you decided to use this service rather than charging the purchase to a credit card?

Select all that apply.

	Total
	%
I'd rather pay in installments instead of one lump sum	55
I didn't have enough money to purchase what I wanted, so this enabled me to afford it	47
I thought it would have lower interest rates than a credit card	24
I was curious about the service	23
I thought it would be easier than using a credit card	20
I did not have a credit card	12
Other, please specify	3
Base: Respondents who have used a Buy Now Pay Later service	386

BNPL3. [SHOW IF BNPL1 = 'I HAVE USED A BUY NOW PAY LATER SERVICE.' RANDOMIZE ITEMS, HOLDING 'OTHER' AND 'I DID NOT HAVE ANY PROBLEMS' AT END IN THAT ORDER.]

You said that you have used a Buy Now Pay Later service to pay for at least one purchase. Which, if any, of the following issues did you have with this service?

Select all that apply.

	Total
	%
I bought one or more products on impulse that I regretted purchasing later	9
I had difficulty getting in contact with customer service for the Buy Now Pay Later provider	5
I was charged a higher rate of interest on late payments than I expected	5
I was charged a late fee	4
I had difficulty processing a return or refund specifically because I paid for the product with this service	4
I accidentally overdrew my account	1
Other, please specify	1
I did not have any problems related to the Buy Now Pay Later service	80
Base: Respondents who have used a Buy Now Pay Later service	386

BNPL4.

Imagine a situation where you found a product that you wanted to purchase, but it cost more than you were able to pay comfortably all at once.

Would you consider using a Buy Now Pay Later service in that situation?

	Total
	%
Yes	40
No	31
Not applicable; I wouldn't consider buying something I can't pay for in full at the time of purchase	28
Base: All respondents	2,161

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