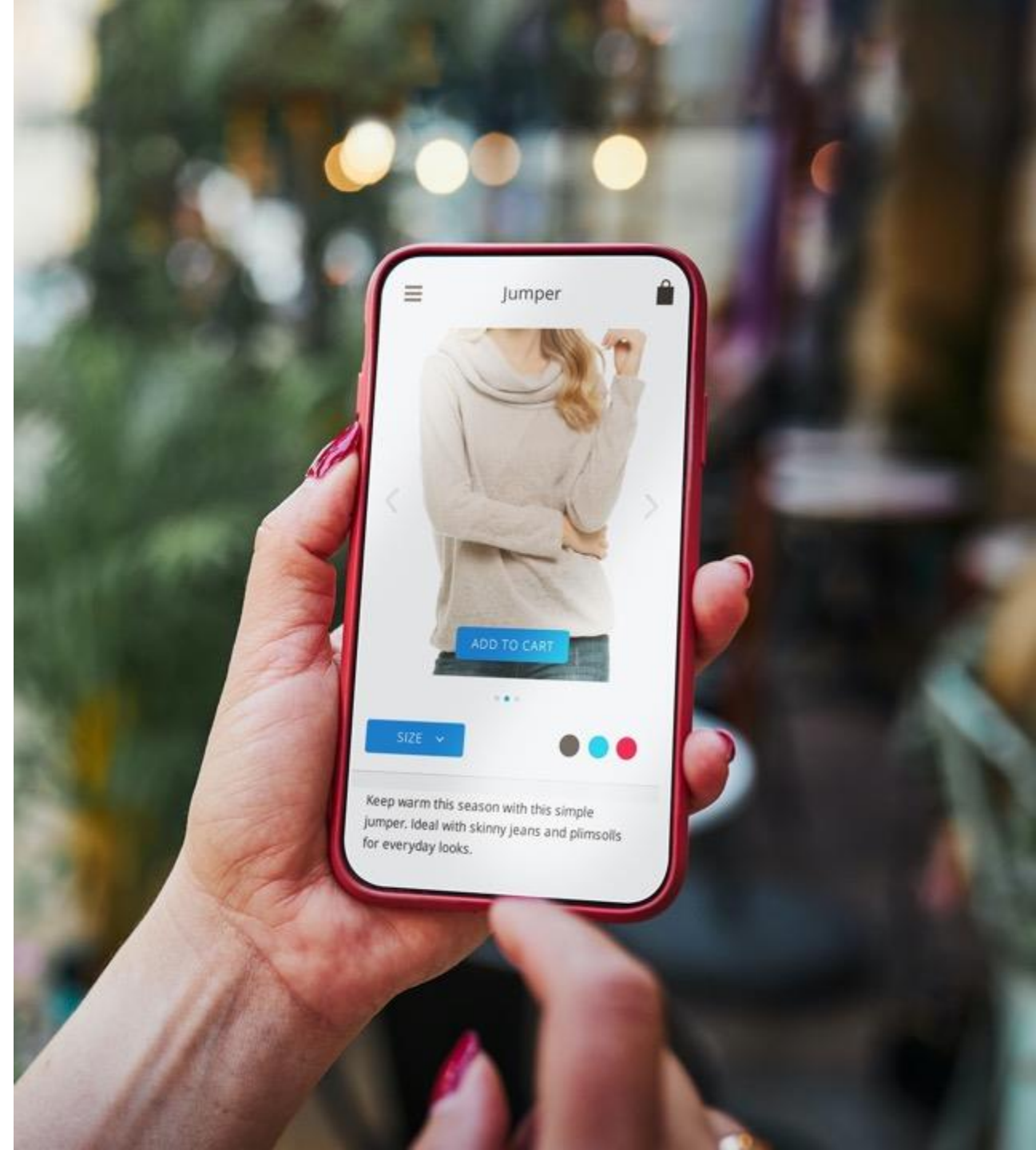# Savanta:

Buy now
pay later

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Make better decisions

Do the new FCA regulations of today help or hinder the BNPL schemes of the future?

The use of Buy Now Pay Later (BNPL) for both online and in-store purchase payments is steadily increasing, especially with brands clearly promoting this as a benefit in order to drive revenue. This, however, is increasing in tandem with stricter regulations imposed by the FCA on providers to promote sensible spending behaviours.

In this report, we delve into consumer attitudes and behaviours towards BNPL and assess the impact of the change in regulation.
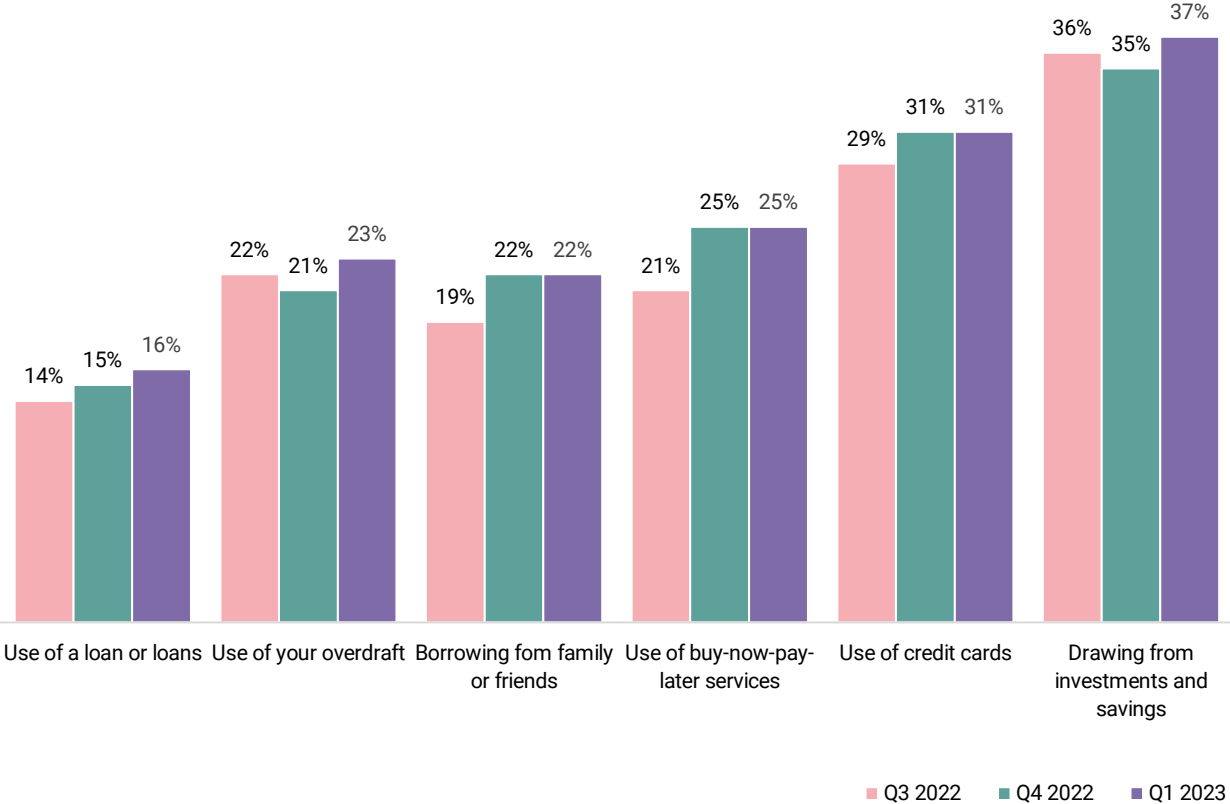
Our Consumer Omnibus surveyed 2,100+ Nationally Representative UK consumers to gain insight into the usage behaviour of BNPL, the implications of regulatory changes and what this means for both BNPL providers and users.

Consumers using BNPL to cope amidst the cost-of-living crisis

Savanta research conducted earlier this year found that, with continuing levels of inflation and the cost of living still at an all-time high, the main way consumers continue to fund bills and purchases is by drawing upon their investments and savings. After this, many have now turned to debt to cope with the increasing cost of living and the use of buy-now-pay-later & borrowing is increasing, reflecting the dent in disposable income levels

How bills/purchases are currently funded
(Source: Ogres to Angels- Savanta Omnibus Article)

	Q3 2022	Q4 2022	Q1 2023
Use of a loan or loans	14%	15%	16%
Use of your overdraft	22%	21%	23%
Borrowing fom family or friends	19%	22%	22%
Use of buy-now-pay-later services	21%	25%	25%
Use of credit cards	29%	31%	31%
Drawing from investments and savings	36%	35%	37%

■ Q3 2022   ■ Q4 2022   ■ Q1 2023

QF2. Thinking about how you have funded your purchases over the last 3 months, has this changed? Base: Total (2,000 per quarter)
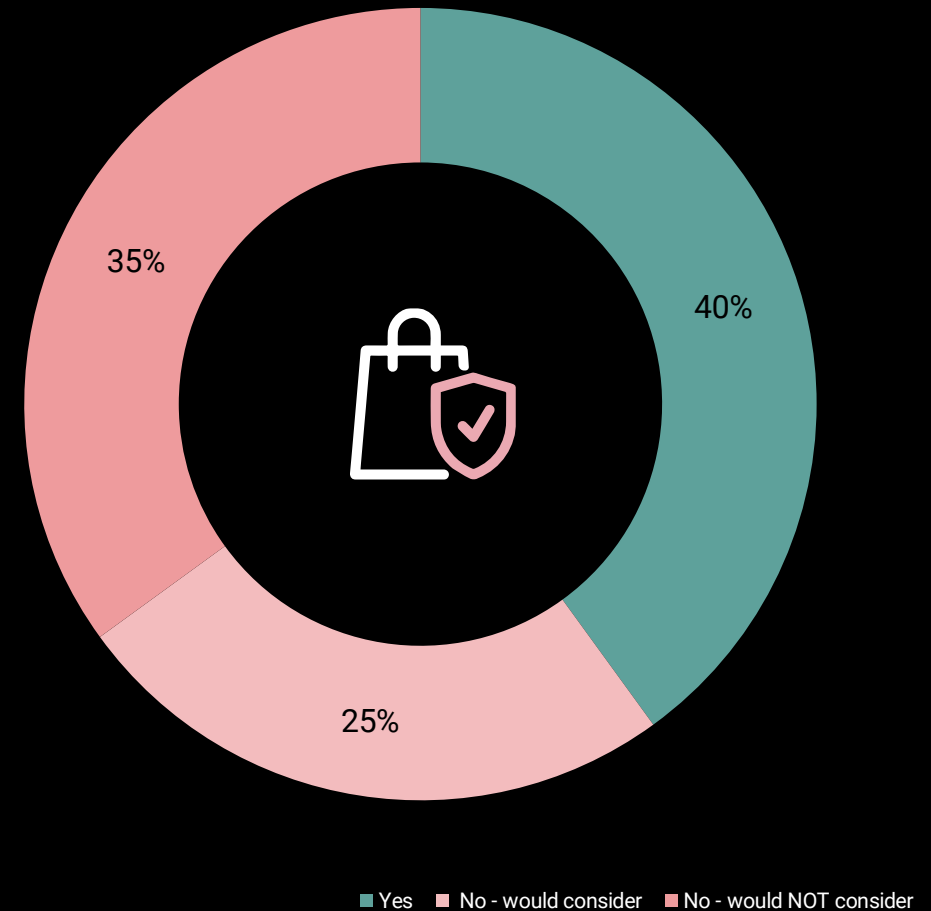
BNPL usage is ever-growing

The growth of BNPL is notable, with a usage rate of 12% among UK residents in 2021, subsequently rising to 16% by 2022. As of 2022, around 17 million consumers in the UK and 360 million globally have used BNPL services and in the first half of 2022 BNPL apps reached almost 10 million downloads.

https://www.finder.com/uk/buy-now-pay-later-statistics

Now, here in 2023 - 2 in 5 (40%) of those Savanta surveyed claimed to have used a BNPL service to pay for an online or in-store purchase, with 25% expressing their openness to using it in the future.
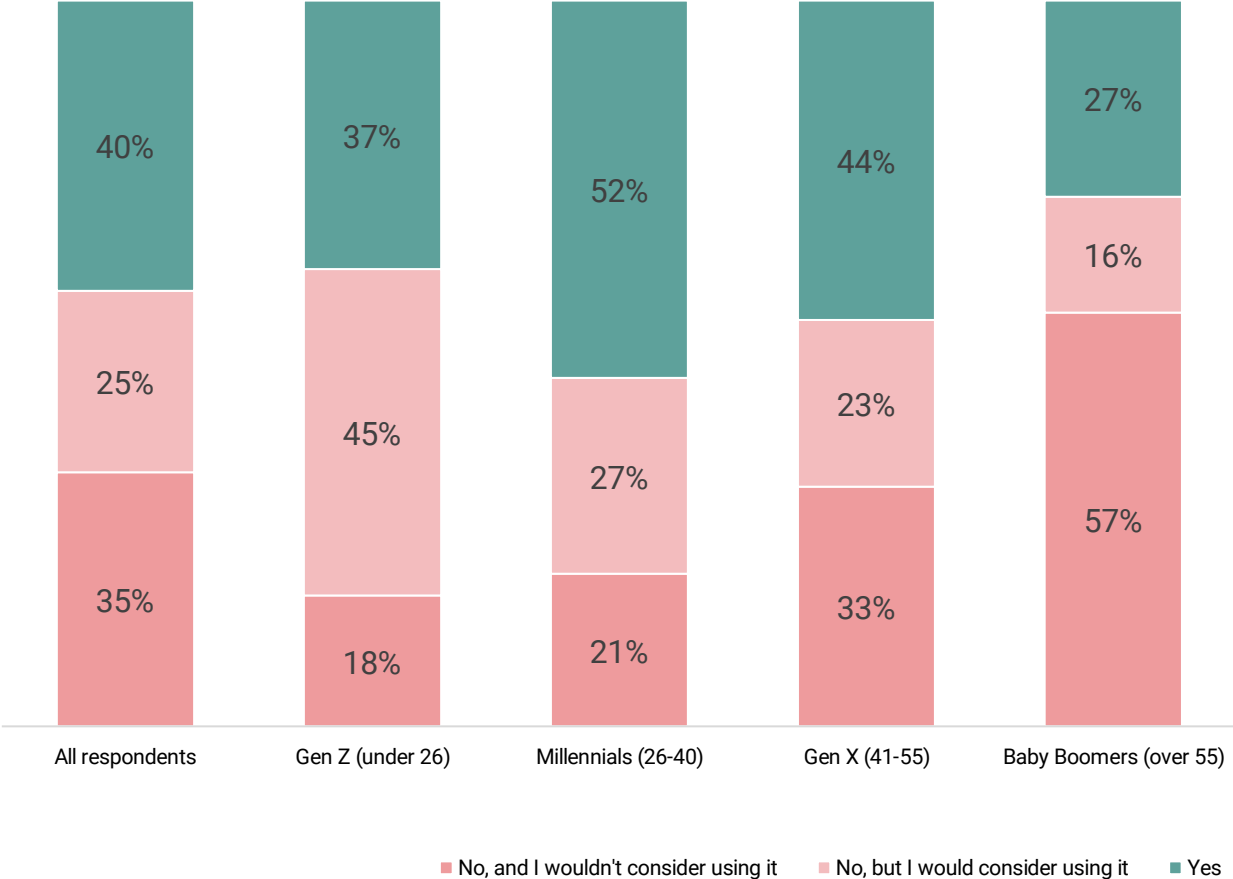
Ever used BNPL (Buy-Now-Pay-Later)

35%

40%

25%

■ Yes   ■ No - would consider   ■ No - would NOT consider

BNPL1. Have you ever used BNPL (Buy-Now-Pay-Later) method to pay for your purchases, online or in-store?
Base: Total Sample (n=2,181)

BNPL is widely used amongst Gen Z and Millennials

Our research shows that the younger generations are driving the use of BNPL, with 37**%** of Gen Z and 52% of Millennials acknowledging having used these services. Millennials usage of BNPL is significantly ahead of all other age groups, whilst consideration is significantly higher for Gen Z.

Ever used BNPL (Buy-Now-Pay-Later)

	All respondents	Gen Z (under 26)	Millennials (26-40)	Gen X (41-55)	Baby Boomers (over 55)
Yes	40%	37%	52%	44%	27%
No, but I would consider using it	25%	45%	27%	23%	16%
No, and I wouldn't consider using it	35%	18%	21%	33%	57%

■ No, and I wouldn't consider using it   ■ No, but I would consider using it   ■ Yes

BNPL1. Have you ever used BNPL (Buy-Now-Pay-Later) method to pay for your purchases, online or in-store?
Base: Total Sample (n=All 2181, Gen Z 337, Millennials 570, Gen X 470, Baby boomer 804)
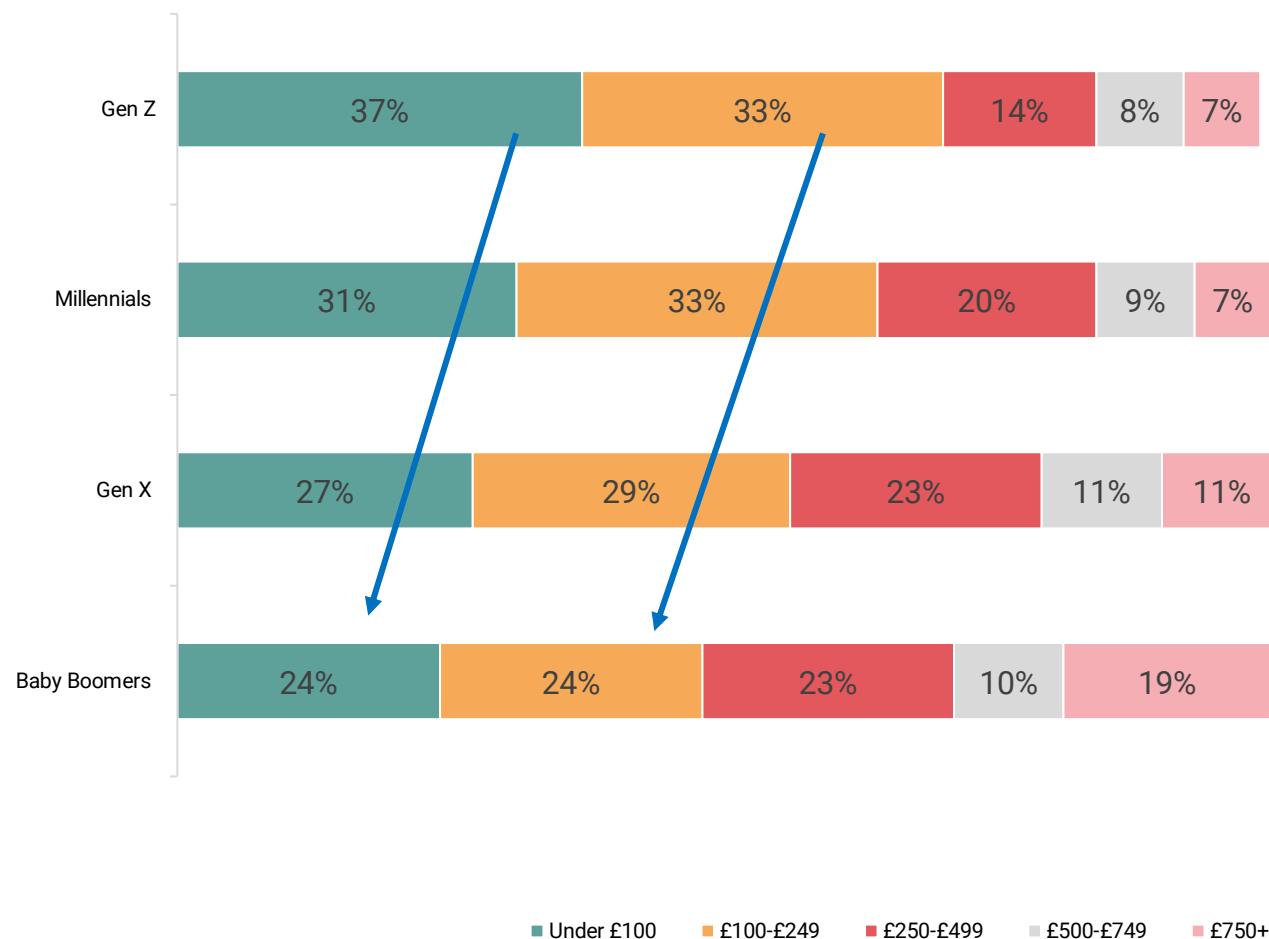
To the right we can see a notable disparity between age groups in terms of spending levels when using or considering using BNPL. Around a third of Gen Z and Millennials spend/would consider spending under £99 using BNLP, meanwhile, around a quarter of Gen X and Boomers are using or would consider using BNPL services for items over £500.

The decrease in those lower level spends (as age increases) is most notable in purchases/consideration under £250 with levels decreasing from 70% for Gen Z to 48% for Baby Boomers.

2/5

of Gen Z and Millennials spend/would consider spending under £99 using BNLP

Level of spend with BNPL purchases

	Under £100	£100-£249	£250-£499	£500-£749	£750+
Gen Z	37%	33%	14%	8%	7%
Millennials	31%	33%	20%	9%	7%
Gen X	27%	29%	23%	11%	11%
Baby Boomers	24%	24%	23%	10%	19%

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BNPL2. For what level of spend do you/would you use BNPL (Buy-Now-Pay-Later) to pay for your purchases, online or in-store?
Base: BNPL Users and considerers (n=1,396 Gen Z 276, Millennials 453, Gen X 309, Baby boomer 358)
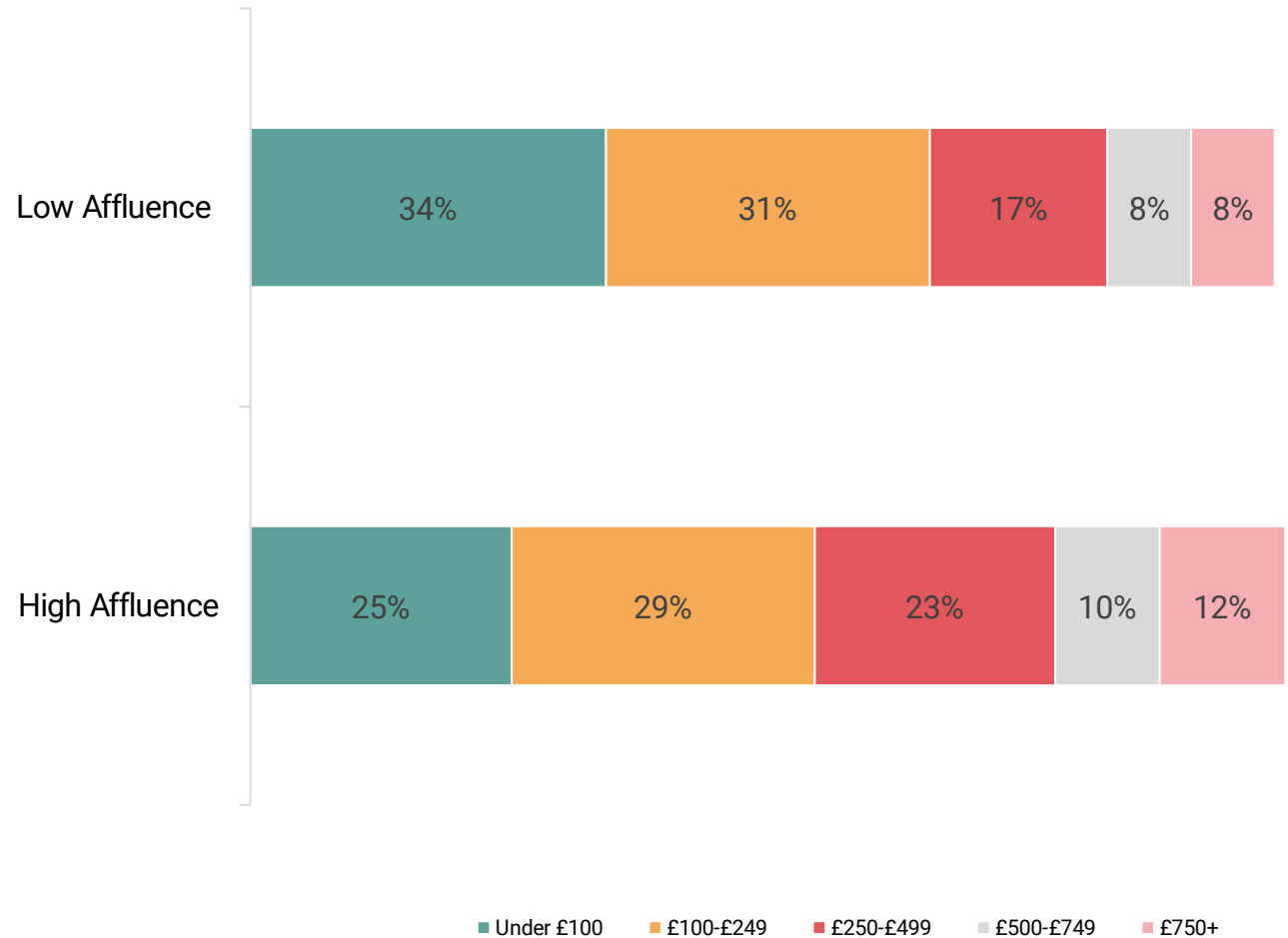
BNPL usage varies depending on level of affluence

Interestingly, BNPL usage/considered usage is rather consistent across different social groups. The only difference in behaviour lies (again) in spending levels - with those of higher affluence tending to spend more than those at the lower end of the spectrum.

Level of spend with BNPL purchases

	Under £100	£100-£249	£250-£499	£500-£749	£750+
Low Affluence	34%	31%	17%	8%	8%
High Affluence	25%	29%	23%	10%	12%

BNPL2. For what level of spend do you/would you use BNPL (Buy-Now-Pay-Later) to pay for your purchases, online or in-store?
Base: BNPL Users and considerers (n= Low affluence 736, high affluence 660)

Many find T&C's unclear

Clear terms and conditions are critical in BNPL. In terms of implications, 14% of users/considerers (1 in 7) felt that the terms and conditions of BNPL were not clear to them with a further 25% neither agreeing or disagreeing. This underscores the importance and necessity of regulation, as a lack of understanding can easily lead to misuse of BNPL. Consequently, it is crucial for BNPL providers to provide clarity in their terms and conditions to effectively mitigate the risk of misuse.
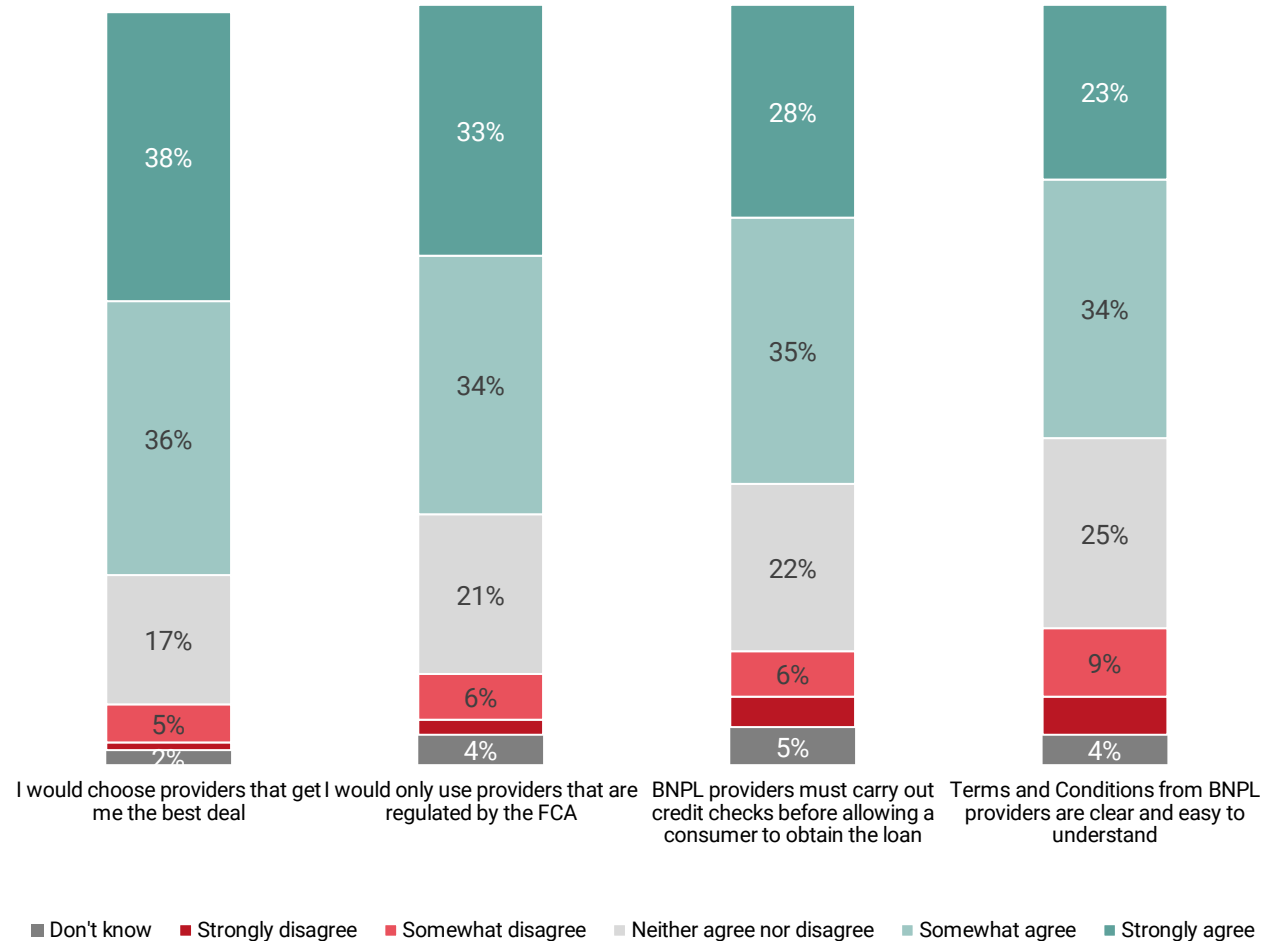
1/7

felt that the terms and conditions of BNPL were not clear

Users/considerers prioritise getting a 'good deal' over regulation

67% of users/considerers say that they would only use BNPL providers that are regulated by the FCA - giving the upper hand to those already regulated, but also highlighting the threat that a third of consumers are indifferent to this.

And when choosing a BNPL provider, the opportunity to obtain a favourable deal outweighs regulatory considerations. A significant majority (75%) of users/considerers express a preference for BNPL providers that offer favourable deals.
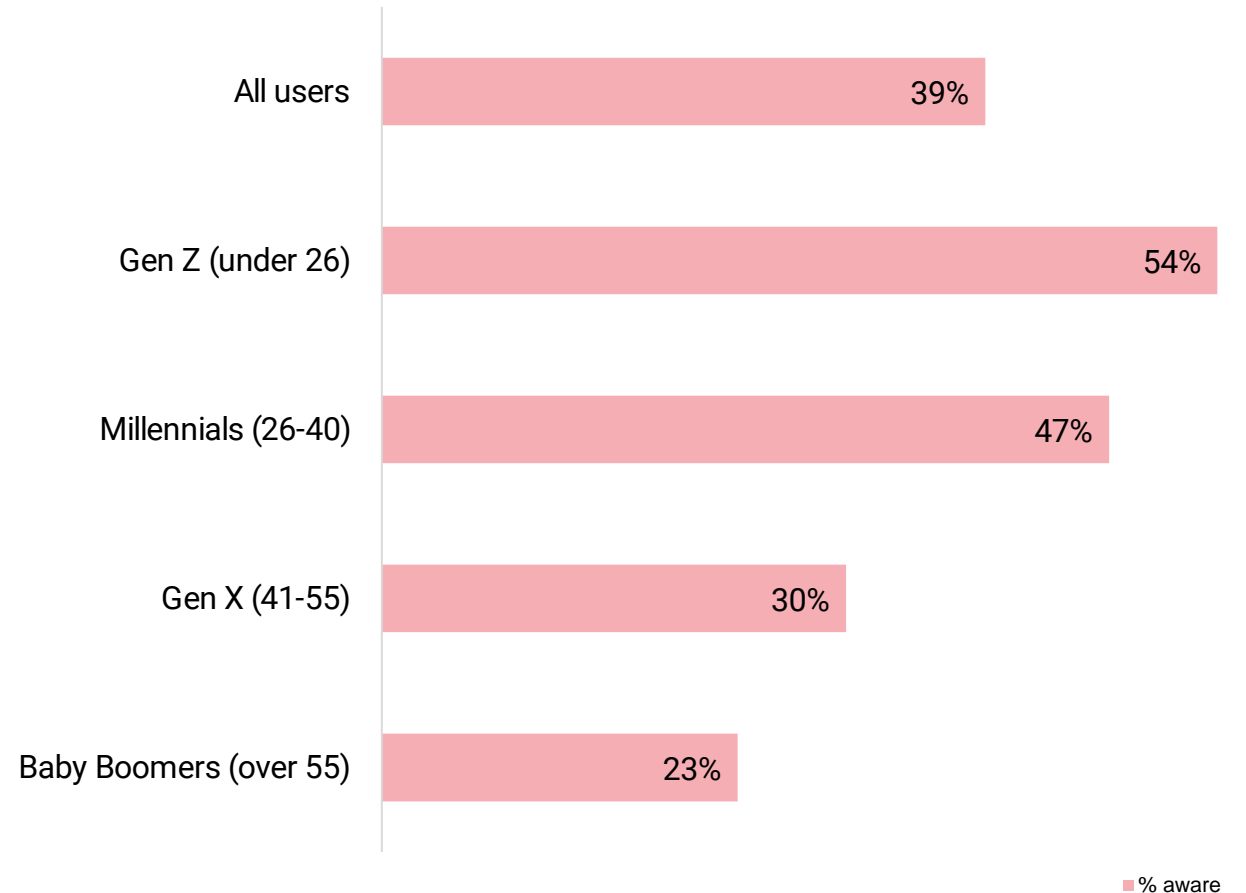
BNPL Agreement statements

	I would choose providers that get me the best deal	I would only use providers that are regulated by the FCA	BNPL providers must carry out credit checks before allowing a consumer to obtain the loan	Terms and Conditions from BNPL providers are clear and easy to understand
Strongly agree	38%	33%	28%	23%
Somewhat agree	36%	34%	35%	34%
Neither agree nor disagree	17%	21%	22%	25%
Somewhat disagree	5%	6%	6%	9%
Strongly disagree				
Don't know	2%	4%	5%	4%

Legend: ■ Don't know ■ Strongly disagree ■ Somewhat disagree ■ Neither agree nor disagree ■ Somewhat agree ■ Strongly agree

BNPL3. How much do you agree, or disagree with the following statements about BNPL (Buy-Now-Pay-Later) providers?
Base: Base: BNPL Users and considerers (n=1,396 Gen Z 276, Millennials 453, Gen X 309, Baby boomer 358)
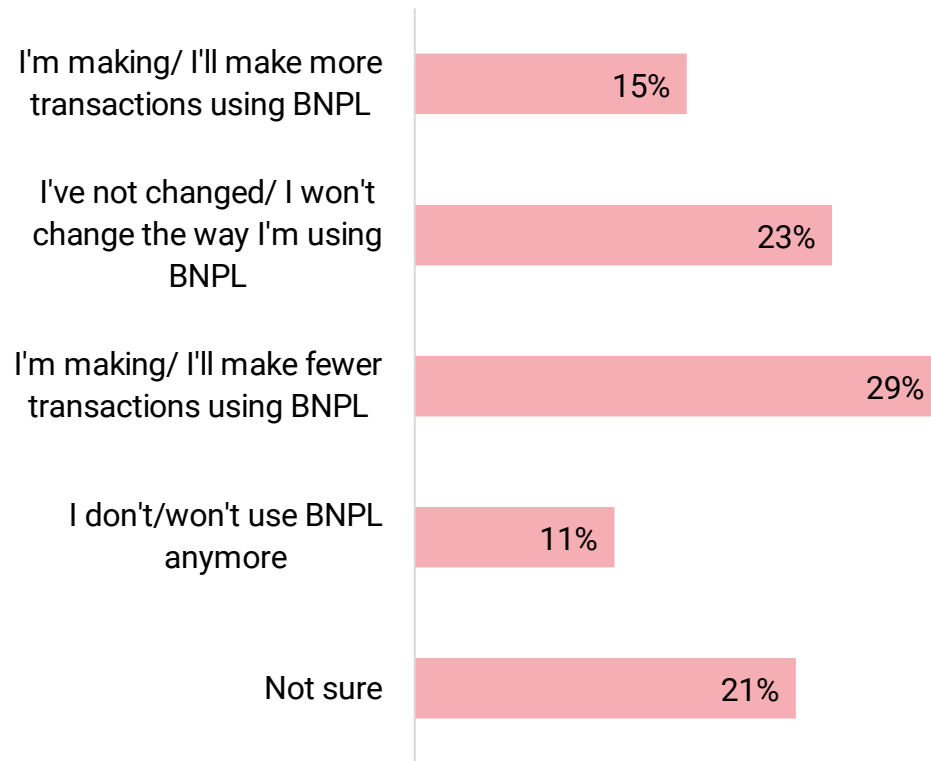
Currently there is limited level of awareness of government regulation plans

It is understandable given the cost-of-living crisis that BNPL users/considerers are most keen on getting a good deal but perhaps this is influenced by a lack of awareness of the recent Government publication and plans to regulate the credit agreements in line with the FCA to protect consumers. Only 39% of users/considerers are aware of the Government's plans.

Awareness of Government's Plans

Group	% aware
All users	39%
Gen Z (under 26)	54%
Millennials (26-40)	47%
Gen X (41-55)	30%
Baby Boomers (over 55)	23%

■ % aware

BNPL4. The Government has recently published a Consultation on its plans to regulate the BNPL (Buy-Now-Pay-Later) credit agreements in line with FCA (Financial Conduct Authority) guidelines, to protect consumers. Before today, were you aware of the Government's plans on this matter?
BNPL Users and considerers (n=1,396 Gen Z 276, Millennials 453, Gen X 309, Baby boomer 358)

Effect of regulation

Response	Percentage
I'm making/ I'll make more transactions using BNPL	15%
I've not changed/ I won't change the way I'm using BNPL	23%
I'm making/ I'll make fewer transactions using BNPL	29%
I don't/won't use BNPL anymore	11%
Not sure	21%

And for a number of users, BNPL regulation acts as a deterrent

There is a business risk with the regulation changes, as 11% of those who have ever used BNPL state that they wouldn't use BNPL anymore, and 29% saying that they would use BNPL less as a result.

This makes up 40% of those who have ever used BNPL expressing that they would be somewhat deterred from using BNPL providers by regulation. This highlights a threat to BNPL and serves as an alarm bell in the market for brands on how they communicate their compliance to customers and prospects.

BNPL5. Following the announcement of proposed regulations, how have you changed / are you likely to change the way you use BNPL (Buy-Now-Pay-Later)? Base: BNPL Users (n=836)

BNPL leaders expected to maintain their position post regulation

Preference for BNPL providers reflects the current market landscape, with Klarna leading the pack as both the most commonly used and most likely to be considered by BNPL users in the future. Clearpay is not far behind with half of all BNPL users, using this service.

Interestingly, powerhouse brand Apple has launched its own version of the BNPL tool in the USA called 'Apple Pay Later'. It may be reflective of iPhone users (with 49% of respondents currently using an iPhone) but only 42% of BNPL users/considerers express any likelihood of using 'Apple Pay Later' if it became available in the UK market, with a third sitting on the fence and 30% claiming they would be unlikely to use it.

Brand	% of those ever used BNPL, currently using brand	% of those who would consider BNPL, would consider brand
Klarna	66%	44%
Clearpay	51%	36%
Barclays Partner Finance	37%	19%
Laybuy	33%	12%
Zilch	31%	11%
Openpay	29%	10%
Payl8r	27%	8%
Splitit	24%	5%
DivideBuy	24%	3%
Monzo Flex	27%	12%

■ % of those ever used BNPL, currently using brand
■ % of those who would consider BNPL, would consider brand

BNPL5. Following the announcement of proposed regulations, how have you changed / are you likely to change the way you use BNPL (Buy-Now-Pay-Later)?
Base: BNPL Users (836) and considerers (560)

BNPL providers can do more to protect themselves as well as consumers

Awareness of regulation is low and whilst the majority express openness towards regulatory changes, recognising the need for them, for a notable minority, regulation is a barrier.

More work needs to be done by BNPL providers to ensure that customers are aware of the FCA regulations and understand the benefits that they will bring.

The responsibility lies with BNPL providers to determine how to proceed and enhance clarity in their communication.

By doing so, they can significantly improve consumer experience, mitigate risk behaviours and in the long term earn their trust and loyalty.

With the younger generation being the highest users of BNPL, messaging needs to be targeted and relevant.

"With the younger generation being the highest users of BNPL, messaging needs to be targeted and relevant."

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needs of your customers?

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better.decisions@savanta.com

Sources
Savanta's Consumer Omnibus (Q4 2022, Q1 2023 & Q2 2023)
amongst c.2,100+ UK Consumers,
Savanta CoCo Tracker, amongst 2,000+ UK Consumers

Ogres to Angels- Banks have a chance to shine :
https://savanta.com/eu/knowledge-centre/view/ogres-to-angels-banks-have-a-chance-to-shine/?utm_content=247442701&utm_medium=social&utm_source=linkedin&hss_channel=lcp-28979821

Significance difference testing
All significance testing is at 95% confidence level
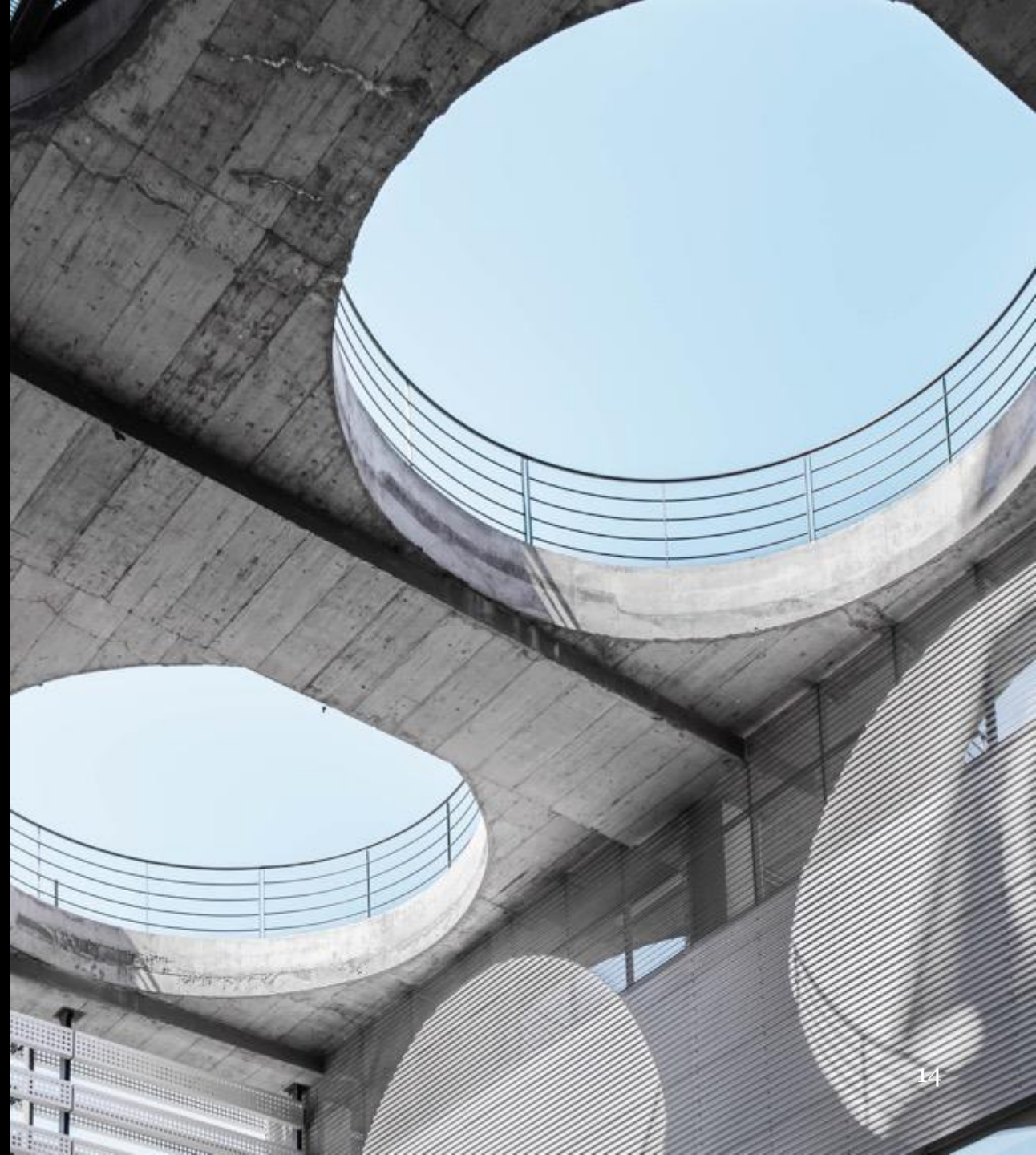
Stephen Palmer

EVP, Financial Services

Stephen has 25 years' research experience across financial services and tech and leads the financial services team at Savanta. Prior to Savanta, Stephen was Head of Insight at Kantar Financial Services & Technology and responsible for delivering customer experience, brand and segmentation research. Stephen is a certified member of the MRS and has sat on the standards board.

Christina Beza

VP, Financial Services

Christina is a generalist researcher with over 20 years of experience in quantitative research across different sectors, more recently in FS and Payments. She has helped clients with a range of business issues with difference audiences from mass market to HNWIs as well as Businesses. Christina has a degree in Economics from Bocconi University, Milan

Ben McGregor

Director, Client Services

Ben has spent the last 25 years working in financial services, providing targeted support to some of the most recognizable global brands across banking, insurance, payments, wealth, and investment banking. Ben moved to Savanta at the end of 2021 to support the growth of the financial services business.

Isabella Armstrong

Executive, Financial Services

Since joining Savanta, Isabella has gained experience across a variety of quantitative and qualitative projects across a variety of financial services areas including business banking, private banking and wealth management and lending. Areas of focus are customer experience and satisfaction tracking and proposition testing with different audiences.

Louise Bukuru

Executive, Financial Services

Prior to joining the FS team at Savanta in 2022, Louise worked as a Graduate Analyst at RFI Global.
Since joining Savanta, Louise has built on her experience across a variety of quantitative and qualitative projects, across a range of business issues from customer satisfaction to product development and corporate reputation.
Louise completed a degree in Psychology and a Masters degree in Clinical Psychology.

Tania Findlay

Associate Director, Consumer Services

Tania Findlay has been with the business for 23 years and has worked alongside a range of clients, conducting both qualitative and quantitative studies with methodologies such as conjoint; implicit response testing, IDI's and segmentations.

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