



Getting the full picture: Making Buy Now, Pay Later payments visible

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A guide for lenders



Executive summary



BNPL lending background

Since Klarna launched in the UK in 2014, Buy Now, Pay Later (BNPL) has exploded into the consciousness of online shoppers. According to a Finder.com survey, **more than a third of Britons (37%)** have already used this form of credit and almost half of 25 to 34-year-olds now choose to defer payments with interest free, short-term BNPL at least some of the time.

We anticipate this growth will continue as more customers become familiar with the benefits of BNPL, and the diversification of products continues.

Until now, credit bureaux have not had access to information about consumers' use of BNPL. There was therefore, no awareness among lenders of the number of BNPL accounts a consumer might have, or of those accounts' consequences for creditworthiness.

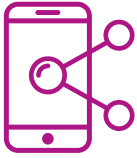
Without lenders sharing data, there has been a gap in their understanding of how people use BNPL, and of whether they could afford the loans they are taking out.

Government is considering tightening the rules on BNPL lending. This grew out of concerns about it being seen by the public as simply a payments option and not as credit. Meanwhile, Citizens Advice has urged caution about potential risks, calling for market-wide affordability checks and clearer information at online checkouts about how repayments are set up.



37% of Britons have already used BNPL

Finder.com survey



BNPL lenders are now sharing consumer data

BNPL lenders are now sharing information on consumers' spending and repayment behaviour with Experian.

Data is shared on a reciprocal basis. BNPL providers can see what credit a consumer holds with mainstream lenders (and other BNPL providers); mainstream lenders can see a consumer's BNPL commitments and factor them into their affordability and creditworthiness calculations.

BNPL payment information is currently being ring-fenced in Experian's bureau and being offered as additional insight that a lender can access separate to, but in association with, an individual's credit score. It is not currently being used in credit scores or in our existing scorecards.



Benefits of sharing BNPL data for lenders

The key benefits of access to BNPL payment data include:

- **Removal of uncertainty** about what an existing customer's finances truly are.
- **Evidence of activity** to inform exposure and recalibration of capital adequacy.
- **Informed assessment of risk** stemming from a more thorough understanding of an individual's affordability.
- **Operational use of data** to improve real-time decision-making, reduce risk and protect consumers from accessing unaffordable credit.
- **The value, term and purpose of any BNPL agreement can be revealing.** Small sums used repeatedly to finance essential household items such as groceries may well be a cause for concern.
- **Insight into bureau searches is also helpful.** Multiple searches over a short period suggest habitual use and so-called stacking. In some cases (though not all) these behaviours along with other data may indicate financial stress, and they can be used as a prompt to investigate further.



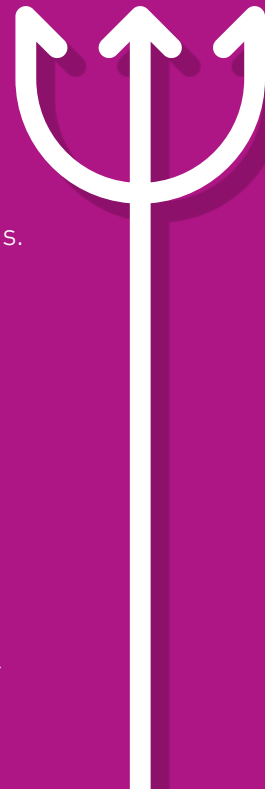
Benefits for consumers

Sharing data protects consumers from unmanageable borrowing.

- **Allows BNPL providers to access and carry out non-intrusive affordability checks** using bureau data. This gives customers the frictionless BNPL experience they expect.
- **Gives lenders early warning of financial distress**, as there are reasonable grounds to believe that consumers in distress may default on BNPL before other forms of credit.
- **Helps credit invisibles and thin-file customers** build a helpful credit profile, by showing a record of responsibility and repayment.
- **Helps cut identity fraud** by increasing the amount of corroborating data financial providers can access.
- **Drives financial education** amongst consumers by engaging them with key facts about credit.

BNPL MYTHS

- The underlying assumptions about BNPL are that it is used **predominantly by young people** with limited incomes and transient lifestyles, to pay for frequent, low-value purchases. **As a result, it is often seen as a more-risky form of lending.**
- **The early data** Experian is seeing challenges these assumptions.
- **95% of BNPL purchases** are for items costing £180 or less, but a minority are for items **costing up to £2,000.**
- 17m UK adults have used Klarna's services at least once. **BNPL is being used by UK consumers of all ages.**
- **Delinquency levels** among BNPL users, is currently low.
- Our data suggests that consumers are **not abandoning their credit cards** in favour of BNPL.
- BNPL users currently **seem to present no more risk** than other credit-active consumers.



Introduction

In the summer of 2022, lenders started getting the full picture of consumers' credit lives. This was when, via Experian, they started to see a consumer's use of, and repayment performance on, one of the fastest-growing forms of credit to emerge in the UK for a decade – Buy Now, Pay Later borrowing.

BNPL providers are now providing data transactions to Experian, and we are sharing it with lenders across the credit landscape.

BNPL is a misunderstood form of credit – indeed many consumers are unaware that it is credit at all, seeing it as simply a mode of payment. This guide looks to clear some BNPL myths, and to explain what data sharing will mean for lenders and consumers.

WHAT WE EXPLORE IN THIS GUIDE

What our early data analysis suggests about the market, and the BNPL myths that our analysis is exposing.



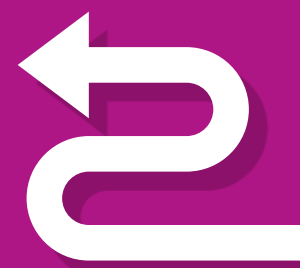
How BNPL data sharing via Experian is happening.



How BNPL data sharing can improve affordability and creditworthiness checks.



Ways in which BNPL data sharing could benefit consumers too.



BNPL myth-busting: Who's using it, how much are they spending, and how risky are they?

David Kerry
Head of Data Insight

Over 20 years experience across the credit risk life cycle with a specific focus on analytics, decisioning, data and insight. Responsible for driving insight, capability and solutions through data, analytics and knowledge of market, client and consumer needs.



Since Klarna launched in the UK in 2014, BNPL has exploded into the consciousness of online shoppers. According to a 2021 Bain & Company survey, almost half of 25 to 34-year-olds now choose to defer with interest free, short-term BNPL, at least some of the time.

But discussion of this explosion has often generated more heat than light.

On one hand, the dramatic growth of leading providers such as Klarna has demonstrated how strongly these services resonate with consumers and retailers. Indeed, the growth of BNPL has attracted the attention of established lenders keen to capitalise on the popularity of these

services (while also looking to minimise its impact on their existing services, such as credit cards or personal loans).

Meanwhile, Citizens Advice has urged caution about potential risks, calling for market-wide affordability checks and clearer information at online checkouts about how repayments are set up.

The underlying assumptions debated are that BNPL is used...

- predominantly by young people with limited incomes and transient lifestyles
- to pay for frequent, low-value purchases using a cheap and readily available source of credit.

As a result, it is often seen as a more risky form of lending.

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But are these assumptions correct?

Using data from BNPL lenders requesting credit checks, Experian has obtained a more detailed and comprehensive understanding of BNPL users and their defining features.

Our findings look somewhat different to the popular stereotypes.





Myth 1

BNPL is used only for low-value purchases

Some of it is, but not all. In fact, we found that the average purchase using BNPL was similar to that on a credit card, at £65.

Ninety five percent of BNPL purchases are for items costing £180 or less. But a minority of purchases – one in 20 – exceed this amount, although some do shoppers use BNPL for items costing up to £2,000.

This move towards bigger BNPL transactions is likely to grow as BNPL services for higher-value products such as holidays or furniture come to market. This diversification will give consumers more options to spread the cost of their purchase, but also opportunity to spend more and to increase their exposure to debt. A detailed understanding of the evolving market and the changing usage of these services is essential to understand what consumers can truly afford.



Myth 2

BNPL is simply an easier way to pay

Consumers see BNPL as a simple, quick and convenient way to pay. But, as shoppers receive goods for which payment is deferred, it's also a form of credit.

However, unlike short-term high-interest loans, BNPL credit comes at zero cost to the borrower, with some, but not all BNPL providers charging late payment fees – fuelling many borrowers' sense that it's an easy way to pay, rather than a loan.

BNPL lenders are now sharing information on consumers' monthly spending behaviour with Experian.

Data is shared on a reciprocal basis, which means BNPL providers can identify where consumers have multiple accounts with more than one BNPL provider. This provides a more complete view of an individual's use of BNPL.

Other lenders, such as credit-card or mortgage providers, who already contribute their data to Experian, will be able to see this additional information on BNPL, allowing them to make more informed credit decisions.

BNPL providers will also be able to see a consumer's commitment to other forms of credit. The insight revealed by this reciprocal data sharing is set to become an essential part of the credit ecosystem, enabling BNPL providers and other lenders to understand an individual's credit risk and affordability with more accuracy.



Myth 3

Only Gen Z shoppers aged 25 and below are using BNPL

The data doesn't support this. Younger shoppers are slightly more represented in the data shared with Experian, but our analysis shows use of BNPL by UK consumers of all ages. BNPL is going mainstream, and its appeal is widening. Klarna reports that the average age of its customers is 35 years, and its fastest growing demographic is people aged 55+.

The ease of use of these services at the checkout means they have a broad appeal. Klarna alone reports that more than 17m UK adults have used its services at least once.

We anticipate that this spread in usage will grow as more customers become more familiar with the benefits of BNPL, and the diversification of products continues.

Understanding the opportunities this growth presents to both consumers and lenders is critical to protecting the interests of both – helping to facilitate access to credit, enabling responsible management of spending, while also limiting risks and providing services that consumers can truly afford.



Myth 4

Users of BNPL present a high credit risk

Delinquency levels among BNPL users are currently low. Experian has observed that, in repayments, BNPL customers outperform customers without BNPL credit but who share the same credit score, suggesting BNPL users are currently less likely to fall into arrears.

This may be because use of payment cards or direct debit as a BNPL repayment method limits consumers' likelihood of default, improving their credit performance. And some BNPL borrowers outperform their credit score because that score reflects them being new to credit rather than past defaults.

Nor, at the time of writing, does it look like people are using BNPL to overburden themselves with credit. Consumers are currently no more likely to default on borrowing after using BNPL than they were before.

Monitoring delinquency levels will be essential over the next 12 months, as inflation rises, real consumer incomes are squeezed, and the industry assesses the importance of BNPL behaviour for informing credit risk.



Myth 5

The death of the credit card – people are borrowing via BNPL instead of other credit

BNPL spending is growing fast, but there is no evidence at present that this is at the expense of other forms of credit. Our data suggests that consumers are not abandoning their credit cards in favour of BNPL. Credit-card spending has been at below pre-pandemic levels, but new credit-card borrowing rose notably in the first quarter of 2022, exceeding pre-pandemic levels.

Reciprocal sharing of BNPL spending data across the credit ecosystem will allow lenders – both orthodox and BNPL – to get a more complete view of an individual's commitments. Those that use BNPL are now clearly visible, along with the extent of their spending. This should help lenders understand the extent of an individual's credit consumption, to proactively manage customers, and to prevent them over-burdening themselves with unaffordable credit.



Myth 6

BNPL borrowers are especially credit hungry – they are using multiple credit products

BNPL users are slightly more active than other credit-active audiences in the UK. However, they seem to present no more risk than other credit-active users.

Compared to the UK credit population as a whole, BNPL users may look like they consume more credit. However, this is only because some of the UK population is dormant and not credit-active. Compared with those who do use their credit products, BNPL users use roughly the same number of products.

For example, more than a third of BNPL users hold more than nine other credit products – similar to what Experian has seen in the rest of the UK credit-active population.



Myth 7

Growth in the BNPL market is exponential year-on-year

The growth of BNPL has been – and remains – very strong, and we see no signs of it falling back.

However, this growth is now linear rather than exponential – we do not see signs that its size will double year on year.



Myth 8

BNPL payments and defaults are now being used in credit scores

They are not. As a result of sharing their data with Experian, BNPL providers are enabling their customers to become 'credit visible'.

Experian is keeping BNPL spending data separate from the consumer's credit score and information on their consumption of other credit products for now. But BNPL data is available in association with a consumer's credit score if a lender wishes to see it.

For those UK consumers with no credit history – or a limited one – sharing BNPL data with credit bureaux could be a way of helping them build a positive credit history by evidencing their ability to manage their BNPL repayments responsibly.

TAKE AWAY MESSAGE

The characteristics of BNPL shoppers are clearly more nuanced and sophisticated than many commentators would have us believe.

Sharing of repayment data by BNPL providers with Experian has demonstrated the power of combining this information with existing bureau data on consumers' consumption of credit.

Data sharing benefits consumers and lenders and, at a time when the financial pressures on consumers are increasing, the ability to see the full extent of their credit commitments is essential to helping them to manage their finances responsibly.

Experian is working collaboratively with BNPL providers and the rest of the UK credit ecosystem to deliver this transparency.



How Buy Now, Pay Later data sharing works

Rebecca McDonald
Director, Acquisitions and Originations, CIS

15 years across Engineering and Product, now developing, delivering and supporting market leading products, enabling businesses to bring onboard the best quality customers.



The tremendous growth in BNPL means that paying by instalment is now an important part of the UK's credit industry. According to a Finder.com survey, more than a third of Britons (37%) have already used this form of low-cost credit.

Clint Hook
Director of Data Governance

With 24 years data industry, Clint is particularly passionate about actionable governance that helps deliver value in a safe way, and treats data with the respect it deserves.



Until now, however, credit bureaux have not had access to information about consumers' use of BNPL. Information about a consumer's BNPL commitments or repayments history was not shared

amongst BNPL providers or with other lenders. So, there was no awareness of the number of BNPL accounts a consumer might have, or of those accounts' consequences for creditworthiness.



What's changed

BNPL providers have now started sharing data on customers' transactional and payment behaviour with Experian, shining a light on borrowing that was previously invisible to other lenders.

As a result, all UK lenders contributing data to Experian's consumer bureau can now access information about customers' use of BNPL services. Under the principle of reciprocity, BNPL providers sharing data can now access consumer credit information from other lenders too.

Lenders can make better lending and customer-management decisions, based on a more complete view of credit risk and affordability.



Lenders contributing data to Experian's consumer bureau can now access information about customers' use of BNPL services.



How it works

Updated monthly, our BNPL data includes details of each transaction made by a consumer, their overall balances, payment performance, and other indicators – including the number of accounts a consumer holds, their average balance, current balance, usage, payment arrears and delinquencies.

Lenders can **access the raw data, as well as a suite of 72 decision-ready BNPL characteristics**, allowing them to interrogate the data and build it into their models as appropriate.

When a BNPL transaction has been made, lenders will be alerted that there has been a 'hard check' of a consumer's credit file. These daily alerts show the new agreements taken on by a consumer and can be a valuable early indicator of spiralling credit usage.

BNPL data is not, to begin with, being incorporated into Experian's existing Delphi consumer credit score until more is understood about its power for understanding a customer's credit risk and affordability. In the short-term lenders will access BNPL data separately from an individual's credit score but may use the data in association with the score if they wish.

ACCESSING BNPL PAYMENT DATA

The **Credit Market Insight dashboard**. Periodic analysis of BNPL market trends and consumer behaviour to inform credit risk and benchmark performance.



Available to help lenders drive improvements in automating decisions using Experian's **PowerCurve** decisioning software.



Through Experian's existing **Delphi Select API** for incorporating the data into credit application decisions.



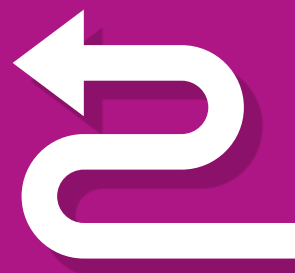
As part of Experian's suite of analytical tools, including **AIS and Ascend**; here it can inform risk scores and propensity models in order to improve credit-risk analytics.



The **Evaluate application decision dashboard** to monitor customer applications.



Incorporated into **Delphi for Customer Management** (as batch updates) to inform changes in a customer's credit status and affordability throughout the life of a loan.





Innovation in credit data sharing

By sharing data on the use of BNPL services, Experian has extended its view of the use of credit by UK consumers, generating valuable new insight to inform decision-making and support better customer outcomes.

Experian has one of the most complete views of UK consumer borrowing, enabling lenders to obtain the best possible understanding of credit risk and affordability using the data feeds and analytical tools they already use.

This means lenders can start using this new data immediately, to improve credit access for those who can afford it, and to provide the visibility lenders need to make the most accurate and informed lending decisions.

TAKE AWAY MESSAGE

BNPL services are the biggest innovation in the UK credit industry for a decade. Sharing of BNPL payment data is now a reality. Experian is at the forefront of setting standards and providing access to this data.

Lenders can access Experian information to take away the uncertainty you might have about the use of these services by your customers. Access gives you the information you need to better inform your credit risk and affordability checks, to improve the performance of your credit decisions, and to protect consumers.



Better credit and affordability assessments with BNPL data

Andrea Cox
Affordability Director

Over 22 years financial services experience specialising in affordability and financial vulnerability – bringing market expertise and specialist guidance on the best use of Experian's affordability solutions to deliver market leading propositions.



Concerns about whether consumers see BNPL for what it is – a credit agreement – has driven a desire for more rigour around assessing creditworthiness and affordability before a purchase is approved. Indeed, the Government is already considering tightening the rules.

Simon Forster
Senior Market Consulting Partner

Works with BNPL providers to help them understand how Experian can power customer journeys. Building the case for data sharing to help lenders understand how BNPL data can deliver positive outcomes.



Despite BNPL's rise in popularity, performance data has not been shared, meaning other lenders are blind to the way in which prospective and existing customers are using the product. This has created a significant gap in lenders' understanding of how people use BNPL products and whether they can afford the loans they are taking out.

Bringing BNPL data into Experian

It's a gap that Experian has now closed. The new BNPL data provided by Experian gives BNPL providers and other lenders a clearer picture of an individual's use of this form of finance. Used alongside existing Experian bureau data, it offers the most detailed and nuanced view yet of credit risk and affordability.

Why BNPL data matters in affordability decisions

Use of BNPL impacts on a consumer's disposable income – especially if the consumer is borrowing from several BNPL

providers or has several lines of credit from a single provider. While BNPL spending is short-term and often for relatively small amounts, the cumulative effect can be significant, particularly when it can take place across several BNPL providers.

Further diversification in the BNPL market, with bigger-ticket items such as furniture or holidays available on BNPL, could also strain a consumer's financial well-being.

Our initial analysis shows that BNPL arrears are currently low. However, repeated and concurrent use of BNPL – setting up accounts with multiple providers – can be a problem. 'Stacking', as this behaviour is known, is not always a cause for concern if the balance is paid off. But for some consumers frequent use of BNPL can be a sign of financial distress.

Until now, this borrowing has been invisible to lenders. But the decision by BNPL providers to share a customer's performance on payments with credit bureaux marks a significant change, one with the potential to help both lenders and consumers.



New insights for lenders

The sharing of BNPL data with Experian makes several things possible. Chief among these are improved affordability checks. Other lenders cannot factor a consumer's BNPL borrowing into their affordability assessments. And, with access to more data, BNPL providers themselves can start to do more robust affordability checks.

The value, term and purpose of any BNPL agreement can also give lenders significant insight. Small sums used repeatedly to finance essential household items such as groceries may well be a cause for concern – a larger value repaid over a more extended period, perhaps less so.

When it comes to credit risk, transparency about whether BNPL debt is being repaid is crucial. Paying off the balance is indicative of someone who is managing their finances responsibly, regardless of the value of the debt. Arrears and default may be clear indicators of financial stress, particularly when they relate to lower-value items.

Insight into credit searches is also helpful. Multiple searches over a short period are now visible to BNPL providers and other lenders, letting them see and respond to signs of habitual use and stacking of BNPL accounts.

In some cases (though not all) these behaviours may be indicative of financial stress and could be used – along with other indicators of stress – as a prompt to investigate further.

With data available on the searches made, and the volume, value and terms of BNPL agreements, lenders can now see the impact of BNPL behaviour on an individual's disposable income and what they can truly afford.

An indication of current BNPL commitments is also valuable to other BNPL providers to inform spending limits and terms. Where permitted and appropriate, BNPL data could also provide insight for cross-selling opportunities, or to increase or reduce credit limits.



Warning triggers can also help in the assessment of continued creditworthiness. These alerts to key changes in credit performance can be used to obtain early insight about potential default on BNPL payments or other loans.

And in the future lenders – seeing a consumer's preference for BNPL products – could also use this information to manage collections differently, setting up effective debt-repayment schedules that mirror BNPL-style arrangements.



Extra lender insight, same consumer experience

Access to BNPL repayment data will benefit all lenders. The insight it gives into people's use of short-term, low-cost credit – and the impact of that credit on wider affordability – will be an important additional barometer of their financial health.

Lenders will have a simple, cost-effective way of using BNPL payment data in association with a variety of other bureau metrics in their day-to-day lending decisions. Incorporating the data into decision engines, such as Experian's Powercurve software, will enable lenders to automate the use of the data to develop alternative treatment strategies for customers.

For lenders who choose to use Open Banking as part of their affordability checks, insight about BNPL payments revealed through Open Banking can be

augmented with the aggregated variables shared by BNPL providers with credit bureaux. The additional information on number of searches, number of accounts, balances and arrears provided by bureau sourced BNPL data will give lenders further insight into consumers' use of BNPL not revealed by Open Banking.

By utilising the best of bureau and Open Banking, lenders should be able to exploit the benefits of BNPL payment data without compromising their capacity to lend or continue to grow, while safeguarding the interests of consumers.

TAKE AWAY MESSAGE

The transparency now being provided by BNPL providers through the reciprocal sharing of data on their customers' repayments will help all lenders properly assess an individual's credit risk and affordability through a more complete understanding of their use of credit to fund their lifestyles.

For the first time we will be able to see if consumers are using BNPL instead of existing credit sources or using it to extend their credit consumption in a way that represents a new burden on their finances.

Lenders should act now to understand the impact of this data on their assessment of risk if they are to help themselves and consumers manage their finances responsibly.



Sharing Buy Now, Pay Later credit data: How could consumers benefit?

James Jones
Head of Consumer Affairs

Leads the public education programme, guiding people on subjects such as credit reporting, credit scoring and identity fraud. James regularly appears in the media and represents Experian on several cross-industry forums, and is a director of MALG, the Money Advice Liaison Group.



Consumers' money is not going as far as it did even at the start of 2022. 'Cost of living' is a phrase heard everywhere from Whitehall and the City, to builders' yards and pubs.

Energy prices look set to double inside a year, inflation is at a 40-year high, and drivers face record prices at the pump. [Asda has reported](#) shoppers asking cashiers to stop scanning items when the till total hits £30 as they try to cut costs.

In this context, changes made by financial institutions need to be demonstrably making the consumer's financial life easier, not harder. How does Buy Now, Pay Later data sharing do that?

WE SEE FIVE KEY WAYS IN WHICH BNPL DATA SHARING COULD POTENTIALLY BENEFIT THE CONSUMER

1 Data sharing protects consumers from unmanageable borrowing

As financial pressures grow, so does lenders' need to make robust affordability assessments. Put simply, borrowers must be protected from taking on credit they can't afford.

Before summer 2022, an applicant's BNPL credit commitments were invisible – both to mainstream lenders and other BNPL providers. The argument that this doesn't matter because the sums involved are small is weakening: we now see BNPL transactions for goods costing up to £2,000.

Making BNPL spending data visible to all lenders means that everyone can have a proper understanding of a consumer's credit commitments. This will allow lenders to make the best decisions for consumers.

#2 Data sharing could give early warning of financial distress, allowing lenders to take action for borrowers

Compared with, say, a mortgage, BNPL transactions are not generally seen by consumers as a key and consequential part of their financial lives.

As cost-of-living issues bite, it seems reasonable to assume that consumer's use of BNPL could provide a window on to their financial well-being.

For instance, use of BNPL to pay for household essentials could in itself be indicative of someone struggling to make ends meet.

Secondly, with consumers perhaps more likely to prioritise payments for costs such as mortgages or fuel bills over BNPL, defaults on BNPL borrowings may also provide an early warning that consumers are beginning to struggle.

In this instance, BNPL could be used as a 'canary in the mine' indicator of more significant problems approaching, whether for an individual, a segment or a whole population.

If BNPL defaults do start to serve an early-warning role, it will allow non-BNPL lenders to begin to help struggling consumers early.

#3 Data sharing could help credit invisibles build a helpful credit profile

Around five million adults in the UK are invisible to credit bureaux. They either have no credit records or a thin file, with insufficient information to let lenders make good decisions about their credit applications. Invisibles and thin-file consumers are routinely turned down for the kinds of mainstream, affordable credit that could significantly improve their lives.

They are not, however, routinely excluded from BNPL borrowing, where checks rely less on historical credit performance. By building a good record of repaying BNPL borrowing, credit invisibles could start to build the kind of credit profile that opens the door to more significant credit on good terms. BNPL data sharing could bring hundreds of thousands of financially marginalised consumers into the mainstream, giving them credit where it's due.

#4 Sharing data could help cut the identity fraud that hurts every consumer

Identity fraud – stealing by posing as a legitimate account owner – causes real distress and sometimes real losses to its victims. And in a sense, we're all victims: the costs of fraud losses to lenders are ultimately passed on to every customer.

Identity fraud takes many forms, but often is by having someone pretend they are someone else. As an example, a fraudster can sign up for a new account with an organisation with stolen credentials or additionally, a bad actor can try to take over an existing account belonging to legitimate customers. The sharing of BNPL data should assist in identifying and verifying real customers and better separating them from fraudsters, by increasing the amount of data financial providers can access. More data means better authentication of a customer's identity.

#5 Sharing data could drive financial education among marginalised consumers

There are still low levels of public understanding regarding credit. For instance, the most recent version of a regular YouGov survey on credit literacy suggests 73% of the public still believe in a so-called credit blacklist, or list of addresses that lead to poor credit scores.

With their view clouded by myths, people make poor and expensive decisions about their money.

The sharing of BNPL data has the potential to clear these myths and improve financial education. It has that potential for two reasons.

- **Firstly**, BNPL is used widely; it is a form of finance that reaches consumers other credit products (such as mortgages) do not.
- **Secondly**, BNPL data sharing cannot happen without it being made very clear to the consumer what they are doing when they use BNPL (taking on credit), the nature of that credit (often interest free) and how access to it will be affected by their credit status. Explaining to this audience that BNPL is credit helps raise awareness of the importance of responsible spending.

These two factors mean BNPL data sharing has the potential to educate consumers. It can make a hard-to-reach population more connected with, clued up about, and interested in credit, their credit score and their finances. And that would allow them to make more informed, better financial decisions, leading to better financial health.



TAKE AWAY MESSAGE: HOW BNPL DATA SHARING COULD POTENTIALLY BENEFIT THE CONSUMER

Everyone in the credit ecosystem has a responsibility to educate consumers about the benefits and potential negatives of BNPL as a source of credit.

Whether it be at the checkout for a BNPL-funded transaction, or when a consumer is taking on a new line of credit, such as a credit card or personal loan. Lenders and UK credit bureaux have a responsibility to give clear information to allow consumers to acquire credit and manage their money responsibly.

Whether they are taking steps to avoid potential consumer detriment as household incomes are squeezed, will be a key measure of how well UK lenders are responding to the opportunities provided by BNPL credit to consumers.



Why Experian?

Experian is committed to improving financial inclusion in all the markets that we operate in. We believe the sharing of Buy Now, Pay Later payment data benefits both lenders and consumers.

Lenders can make more informed decisions from having a more complete view of an individual's credit commitments, whilst consumers can manage their finances responsibly, and support and protect their future financial health.

As with all new financial products, both the industry and the regulatory environment is moving very quickly. As a credit bureau we have a responsibility to provide credit providers with products and services you need to inform your decisions.

We work every day to educate consumers and lenders about the benefits of access to fair and affordable credit and see BNPL data sharing as an essential part of driving financial inclusion through responsible lending.



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