

# MoneySavingExpert

## Response to HM Treasury Consultation: Regulation of Buy Now, Pay Later

MoneySavingExpert (MSE) welcomes the opportunity to respond to this consultation.

Managed correctly, Buy Now, Pay Later (BNPL) services can be a helpful form of borrowing. But as a form of consumer credit, it needs to be properly regulated, as other forms of debt are. We are pleased that HM Treasury (HMT) has committed to making this happen, and hope our response to this consultation can help to ensure that regulation will be effective.

While many have a positive experience, problems do occur with BNPL. Late fees and marks on credit files can apply to those who miss payments, but our evidence shows that consumers might not have realised they were taking on debt in the first place. There is currently almost never recourse to the Financial Ombudsman Service or Consumer Credit Act section 75 protection. In addition, BNPL is often marketed to consumers as a type of lifestyle therapy – rather than a form of debt – and is sold to retailers as an easy way to get people to spend more. This can lead to the risk of consumer overspending, regret and the associated impacts on financial and emotional wellbeing.

With BNPL being the fastest-growing form of credit in the UK, it has become vital that BNPL is properly regulated as soon as possible, to ensure consumers who access this form of credit are protected.

Our response to this consultation sets out a series of key concerns and recommendations that come from BNPL being an unregulated market:

- **Advertising and promotion often presents BNPL as a way to achieve an improved lifestyle, without making it clear that it is debt**

***Recommendation:** Advertising should be properly regulated so that consumers are informed about BNPL as a payment option and able to make considered decisions about when to use it, including by understanding that it is a form of debt.*

- **Pre-contractual information given by BNPL providers isn't effective enough**

- Similarly, evidence from MSE users highlights how some consumers have passed through pre-contractual screens and entered into BNPL agreements without knowing they are taking on debt. This exposes consumers to potential harmful consequences such as missing repayments, late fees and referral to debt collectors.

***Recommendation:** Regulation should ensure that the pre-contractual information given to consumers effectively communicates that BNPL is a form of debt, as well as any consumer responsibilities, and the potential negative consequences if responsibilities are not met.*

- **Ease-of-use, lack of friction and the build-up of seemingly smaller transactions can lead to consumer overspending and a lack of control**

- MSE has heard how the use of BNPL services has led to some consumers spending beyond their means, sometimes struggling to make repayments or being forced to cut back on spending for essential goods

and services. Our evidence suggests that this problem is likely to be particularly acute for consumers on lower incomes.

**Recommendation:** *BNPL payment journeys should be designed to enable consumers to make informed decisions. This includes providing enough information, in an effective way, and enabling time for consumers to be able to make informed spending decisions.*

- **Consumers are currently not protected by section 75 of the Consumer Credit Act (CCA) – even when making BNPL purchases using credit cards**

**Recommendation:** *Section 75 should apply to transactions made using BNPL services.*

- **When things go wrong while using BNPL services, complaints processes are not good enough, and consumers are currently unable to seek redress through the Financial Ombudsman Service (FOS)**
  - Many MSE users who have had to make a complaint to a BNPL provider describe difficult and prolonged interactions, and some have been left out of pocket due to a lack of resolutions and access to independent complaints review.

**Recommendation:** *Internal complaints processes must be effective, and regulatory intervention should ensure BNPL consumers have access to the FOS.*

Strong and effective regulation of BNPL is crucial to ensure that consumers are treated fairly, that harm is prevented where it is foreseeable, and that consumers are protected if things go wrong in this evolving market.

BNPL is not inherently harmful, and MSE understands that it can be, and regularly is, a useful tool for consumers when making spending decisions. For example, our recent self-selecting survey of MSE users who have used BNPL services found that seven in ten (71%) said one of their main reasons for doing so was that it suits them to spread the cost of their purchases. A further 55% said one of their main reasons for using BNPL services was that it is easy and convenient to use.

Yet our evidence also identified real harms that consumers are experiencing in this market; regulatory intervention is urgently needed to mitigate this detriment.

We hope that this process leads to HMT setting an appropriate regulatory framework for the Financial Conduct Authority (FCA) to set regulation within, that will ensure sufficient consumer protection.

## Responses to consultation questions

### 1. Potential sources of consumer detriment and harm due to BNPL promotion and use

#### Q3: Do you have further analysis or evidence of consumer detriment in the BNPL market?

We welcome HMT's comments that agree with the potential detriment outlined in the Woolard Review. However, the consultation document also states that "there is relatively limited evidence of widespread consumer detriment materialising at this stage", which we would question. Several powerful pieces of research into consumer experiences of BNPL use have been published by organisations including Which? and Citizens Advice, many of which provide evidence of lived experiences of actual harm.<sup>1</sup> This includes, but is

<sup>1</sup> Examples of research showing evidence of consumer detriment through BNPL usage include: [Citizens Advice: "Buy now, pay later: what happens if you can't pay later?"](#), September 2021; [Which?: "Buy Now, Pay Later"](#), (July 2021); [Credit Karma: "Buy now, pay \(more\) later?"](#), June 2021; [Citizens Advice: Buy Now... Pain Later?](#), April 2021; [BBC Three: Buy Now, Pay Later Poll](#), February 2021.

not limited to, challenges related to how BNPL services are promoted and advertised, misunderstanding of the product by consumers, and problems with indebtedness.

To contribute further to the research, MSE conducted a survey of over 9,000 consumers to provide additional data on the systemic nature of problems currently being experienced by BNPL users. The survey was conducted in December 2021 among MSE users and was self-selecting. The methodology used means that the results should not be read as nationally representative, but they do provide very useful and up-to-date insights on how BNPL users are experiencing the market, and harms currently occurring. The results are referred to throughout this response.

### **Areas of detriment identified in MSE survey in December 2021**

#### ***Just half of those surveyed feel in control when using BNPL services.***

- In one question in the MSE survey, respondents were given a series of statements and prompted to select those that applied to them.
- Only around half (52%) of the MSE users surveyed said they feel in control when they use BNPL services – leaving a notable proportion opting to not select this statement.

#### ***The marketing and product design of BNPL services leaves some unclear that they are taking on a form of debt.***

- Qualitative evidence from MSE users highlights how a lack of clarity in the marketing and also the product design of BNPL services leaves some consumers unaware that they are taking on a form of debt. This includes the stage where pre-contractual information is given, and means that some consumers are making it through the whole user journey without learning that they are taking on debt:
- **MSE Survey User:** *“I opted to pay for a purchase using Klarna without realising, then the first that I was aware that I was overdue a payment was the warning email that a payment was missed as I hadn't entered bank details yet – before this point it was not clear to me that I had entered into a loan agreement. So, I complained due to impact on my credit score. Nothing came of it.”*

#### ***A notable minority of those on lower incomes have struggled with repayments or experienced regret after using BNPL services.***

- Among the MSE users surveyed with a personal annual income of £15,000 or less, around one in ten have respectively used BNPL services despite being unsure whether they could afford later repayments (9%), struggled to meet BNPL repayments at least once (9%) or bought things because they had the option to use BNPL and later regretted it (10%).

#### ***Many who struggle with BNPL repayments have to cut back on essential spending. This issue is particularly acute for those on the lowest incomes.***

- Among those who say they have struggled to meet BNPL repayments at least once, around two in five (38%) say they have cut back on spending for essential items in order to meet repayments – this rises to half (50%) among those with an annual personal income of £15,000 or less.

#### ***Struggling with BNPL repayments has adverse knock-on effects for household finances.***

- A quarter (24%) of MSE survey respondents who have struggled to meet BNPL repayments have fallen behind on bill payments in order to meet them, while a third (32%) have borrowed money from friends or family.

**Many experience issues with BNPL customer services and complaints, resulting in negative effects on financial and emotional wellbeing.**

- Respondents were asked if they have ever had to make a complaint to a BNPL provider about their experience of using their services.
- Of the 500 MSE survey respondents who said yes, many had experienced challenging interactions with BNPL providers – with some consumers describing the negative emotional and financial impacts of these experiences, from sustained periods of stress through to feeling forced to pay for goods they had returned. For example:
  - *“I returned some items to the retailer who confirmed receipt, but Klarna wouldn't accept the evidence and I have in effect overpaid. Klarna have still not refunded me – purchase was made in October. Their customer service is shocking, I will NEVER use them again. Fine if no returns done, a nightmare if returns are done.”*
  - *“Dreadful, I made the payment [and] they said they never received it and even though it had left my bank account I had to pay again and sort through my bank. It was a **super stressful process as I was worried about it impacting my credit score, also I didn't realise that I had selected Klarna as an option as it was the only one I was given. I'd never heard of it and as I had used the site H&M before, I assumed they had just changed the name for storing my details! Anyway, I have never used it since or any BNPL things.**”*
  - *“Terrible! Ordered some clothes that never arrived, contacted the supplier & BNPL company & they both said to contact the other one. Finally, after **4 months lots of stress & emails**, agreed that I didn't receive the products & didn't owe the balance.”*
  - *“Difficult to get a response for a refund for a cancelled purchase. Took several months and chasing to get the refund. The lender required me to submit a form for a refund despite the purchase having been cancelled and the supplier confirming the purchase had been cancelled.”*

**Q4: Do you have analysis that would support us in identifying which specific elements of the BNPL business model pose particular risks?**

**Q10: Do you have any comments on our analysis of the drivers of risk for consumers in the BNPL market?**

We answer questions 4 and 10 together.

Some areas that HM Treasury has identified as key potential drivers of risk for consumers in the BNPL market are the “attractive and smooth online journeys offered by providers,” “very little transaction friction in taking out further BNPL credit,” and that the “BNPL model tends to rely on a larger number of lower value purchases.” MSE agrees that these are all notable areas of concern and should be factored into decisions around how best to protect consumers through BNPL regulation.

Over half (55%) of the BNPL users MSE surveyed in December 2021 said that one of their main reasons for using BNPL services is that they find it easy and convenient. However, MSE users have told us that ease-of-use, lack of friction and the build-up of seemingly smaller transactions can lead to spending beyond means and being exposed to potential harm. For some consumers, this involves losing track of their aggregate BNPL repayments or accruing debt they can't afford to pay back – risking their overall finances and wellbeing in the process. For example:

- **MSE Forum User:** *“I have relapsed and have bought non-essential stuff the past couple of months (on Klarna and PayPal in 3). I **feel really bad about this**...Klarna is great for occasional purchases but when I start to use it a lot it **becomes harder to manage** so need to get that cleared.”*
- **MSE Forum User writing about their neighbour:** *“I've recently discovered [my neighbour] has a huge issue. She has a **spending problem** and has never been in control of her finances, she has lived month to month with bouncing direct debits hiding from her issues. She **has debts spiralling out of control**...I downloaded her bank statements for her and she literally has nothing ... **A few things I discovered [include] multiple Klarna/Clearpay [purchases]**.”*
- **MSE Survey Respondent:** *“I was using Klarna (I don't anymore). They don't issue a paper bill. I **found it difficult to be aware of what I owed**, what I'd spent and when and how much was due each month. I asked for a regular monthly bill, to no avail... **I felt lost with Klarna's way of doing things**, and their “slang wording” so I gave up my account.”*

The BNPL model currently tends to rely on consumers making a larger number of lower value purchases, but this does not mean that overall borrowing is always low. Currently, consumers are able to take out multiple purchases across different BNPL providers, without undergoing consistent affordability checks. The MSE survey found that:

- Among MSE users who use BNPL services *at least weekly*, around one in five (21%) have outstanding debt with providers between £251-500; 11% have outstanding debts of £501-1,000.
- A third (34%) of MSE survey respondents with *any* outstanding BNPL debt have this with 2 providers, while for 10% this debt is spread across 3 providers. For those with outstanding debts of £250+, over a third (36%) have debt with 2 providers and 17% have debt with 3 providers.

This research demonstrates how the build-up of a larger number of lower value purchases often quickly escalates to what can amount to significant levels of debt.

## **2. Advertising and promotion of BNPL**

**Q18: Do you think that the current requirements on BNPL merchants and lenders around advertising and promotion are sufficient?**

**Q19: If you think that the requirements need strengthening, would the application of the financial promotions regime be appropriate, or are there any features specific to BNPL products that warrant different requirements?**

The current requirements on BNPL merchants and lenders around advertising and promotion are not sufficient in mitigating potential consumer detriment, and applying the financial promotions regime would be appropriate. As MSE discussed in its response to the Woolard Review, the marketing of BNPL promotes easy and smooth payments and has typically targeted younger consumers. This is a concern given that younger consumers are a group with lower levels of financial literacy and experience of money management; FCA evidence shows that 18–24-year-olds rate themselves as the least confident and knowledgeable of all UK adults about managing money and financial matters.<sup>2</sup>

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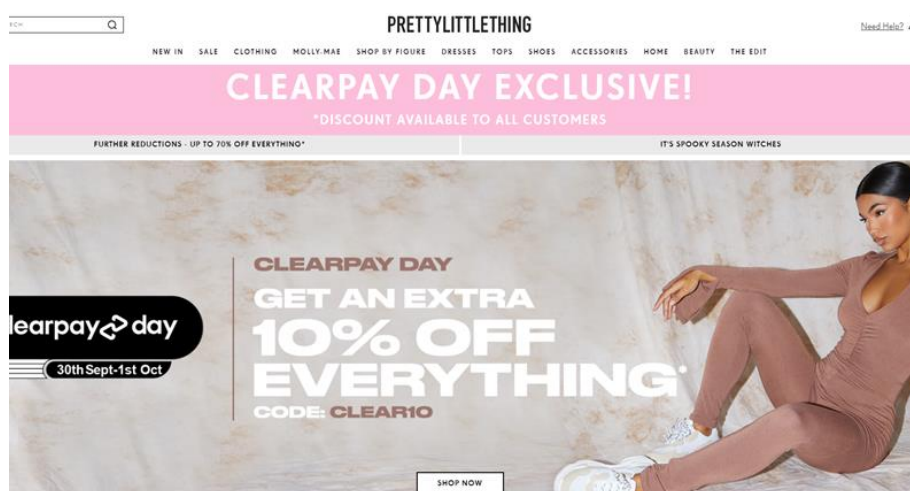
<sup>2</sup> Understanding the financial lives of UK adults: Findings from the [FCA's Financial Lives Survey 2017](#), p.14.

As highlighted in the Woolard Review, BNPL advertising often centres on aspiration and the prospect of lifestyle improvements, in many cases capitalising on consumer desires in the process. This approach has the potential to tap into consumers' behavioural biases, increasing the likelihood that they will make impulsive decisions that might not be in their best financial interests. When BNPL is marketed as simple 'pick-me-up' and a means to materially improve consumers' lifestyles – rather than clearly being shown as a form of credit – the potential for harm arises. Moreover, BNPL payment options can sometimes be presented as a default payment method for consumers, leading to the potential for confusion and subsequent harm.

MSE has collated recent evidence of numerous marketing approaches used by BNPL merchants and providers that are concerning in this respect. For example, certain merchants have chosen to offer discount codes affiliated with specific BNPL providers during periods which typically coincide with heightened consumer spending – and hype around spending – including payday and Black Friday 2021. This approach plays into known behavioural biases and, when left unregulated, exposes consumers to potential harm.

Research by Nationwide shows that one in five workers (22%) tend to spend more than half of their spending money for the month within two days of receiving their wages, excluding bills and essential items.<sup>3</sup> Moreover, Black Friday has gained significant popularity in the UK in recent years, with consumers spending approximately £9bn in 2021's Black Friday weekend alone.<sup>4</sup>

In the example below, online retailer PrettyLittleThing – which offers three BNPL payment options at checkout – has collaborated with BNPL provider Clearpay to offer a 'Clearpay Day exclusive!' (regardless of payment method). Here, the retailer offers a 10% discount to shoppers on 1 October 2021, coinciding with many consumers' typical monthly payday.



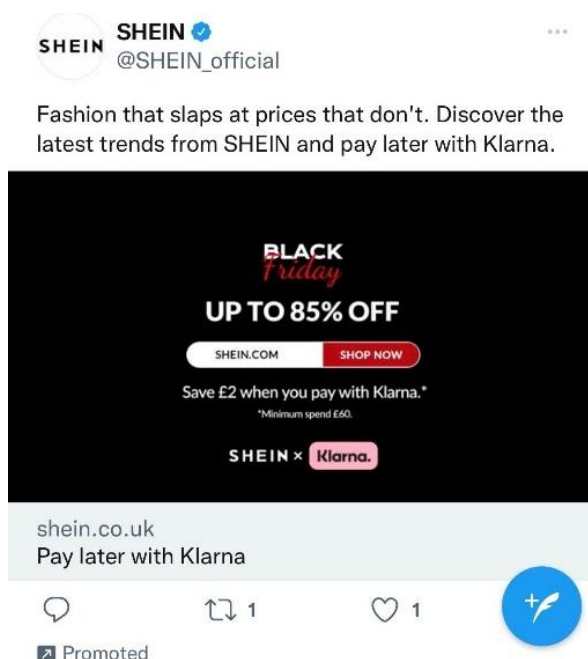
Source: [www.prettyslitlething.com](http://www.prettyslitlething.com), 1 October 2021.

A further example below shows a collaboration between fashion retailer Shein and the popular BNPL provider Klarna. In this Twitter promotion, seen on 14 November 2021 in the run-up to Black Friday, consumers are encouraged to save money by using Klarna during a heavily discounted sale period.

<sup>3</sup> ["Workers spend half their spare cash within 48 hours of pay day" | Business Live](#), October 2019.

<sup>4</sup> [Shoppers go to town as UK rings in biggest-ever Black Friday sales day | Black Friday | The Guardian](#), November 2021.





Source: Twitter, 14 November 2021.

*To be clear, consumers can and should of course benefit from discounts, offers and deals, when they can afford to make purchases, and think deals are worth it. Discounts are a key way that consumers can save money, and are not inherently harmful. The concern is if promotions could irresponsibly tap into psychological biases or impulses, and capitalise on pre-existing hype that will lead consumers to overspend, get into debt that they will regret, and thereby cause significant harm.*

Mentions of debt are often wholly excluded from BNPL marketing by merchants and providers. While the Advertising Standard Authority (ASA) published guidance in December 2020 which outlines that BNPL providers should, among other steps, make clear that delayed payments are a form of credit and ensure risks are appropriately communicated, we believe regulation needs to be strengthened.<sup>5</sup>

It is crucial that consumers who use BNPL understand that it is a form of debt, and marketing should reflect this. The application of the FCA's financial promotions regime to BNPL promotions, as outlined in this consultation, would help to strengthen consumer protection in this area.

### **3. Pre-contractual information (linked with potential consumer detriment of misunderstanding of the product)**

**Q20: Do you agree that the approach to pre-contractual information outlined is consistent with a proportionate approach and the government's objectives for BNPL regulation?**

Further clarity is needed on this point, and we also have a concern about the current wording in the consultation in relation to merchants.

The consultation states that the regulation of BNPL would mean that the FCA could supervise lenders' pre-contractual screens to ensure that negative consequences such as arrears fees and possible transfer of the

<sup>5</sup> [New guidance on the advertising of delayed payment services \(buy now, pay later services\) - ASA | CAP](#)

debt to a debt collection agency are communicated with sufficient prominence. MSE broadly welcomes this, but would like to understand further what HMT expects this to look like in practice.

In addition, we have a significant concern about the current wording in section 3.20 in the consultation document, which states:

*“The government’s view is that if BNPL agreements are regulated but merchants **do not present sufficient information** about the product or **present misleading information**, the lender screens would mitigate these risks by enabling the consumer to make a properly informed decision [emphasis added].”*

If consumers are being presented with misleading information at any stage of the journey, then this would be a failure of consumer protection. The objective must be for consumers to be presented with accurate and applicable information at every stage of the journey.

We believe that the current wording also contradicts the spirit of the FCA’s New Consumer Duty consultation, which aims to pursue a higher level of consumer protection in retail financial markets.<sup>6</sup>

Evidence from the MSE survey supports this position:

- **MSE Survey User:** *“The [retailer] didn't apologise for making BNPL automatically selected on the website, claiming I could have opted out of it if I had wanted to, **I didn't know it was BNPL**, I thought Klarna which I had never heard of was the payment portal chosen by the online store.”*
- **MSE Survey User:** *“I did not realise I had picked Klarna to pay my bill, I had wanted to pay by my credit card but accidentally clicked on Klarna. I then started receiving reminder letters about my debt, and once I had realised I owed them money I paid over the phone. I kept receiving reminder emails / warnings of debt collection if I don't pay. I spoke on the phone to the bank that regulates them, received an email to confirm my debt was paid in full, however kept receiving reminder emails from Klarna. Now I am very careful not to pick them out by mistake!”*
- **MSE Survey User:** *“When I first used Klarna it was set up automatically by the retailer, so assumed this was how it was always done. Then bought something else and got a late payment fee. They deducted it after I explained but it wasn't made clear I had to set up the payments myself. **I've used Klarna since and it's been automatic again**. It's not clear when you have to set them up or the retailer does.”*

#### **4. Creditworthiness and treatment of consumers in financial difficulty**

##### **Q24: What are your views on the role of creditworthiness assessments as part of a proportionate approach to BNPL regulation?**

At present, there is no obligation for BNPL providers to conduct creditworthiness assessments for prospective customers, and the current adoption and application of this process is therefore varied. Anecdotal evidence from MSE users demonstrates how some of those who are rejected from using BNPL services are left in the dark as to why. If consumers are rejected from using BNPL on the basis of creditworthiness assessments, efforts must be made to ensure that they are as informed as possible about why this has happened.

<sup>6</sup> [FCA CP21/13: A new Consumer Duty](#), first published May 2021.



The following MSE users described how they were left unsure as to why they did not qualify, after attempts to directly engage with BNPL providers:

- *“I ordered from ASOS and used Klarna for the purpose of trying before I buy. I had done it before with no issue, however on this occasion I returned the item and was pursued for payment. **I got no closure from Klarna or ASOS who both said the other was in the wrong.** I no longer am accepted by Klarna and feel I've been blacklisted but there are no communication channels to resolve this.”*
- *“**Shocking experience, they did not listen or even try to.** I've used them once or twice a year since 2018, no issues, went to use again earlier this year and was refused, no reason why as my credit rating is now exemplary compared to my first use (I think their system had a flaw as I updated my bank card, normal 5 yearly obligation). When I challenged the rejection (£250) I was told to apply for a smaller amount, I did (£90), still refused. None of it made sense as my first ever order was almost £400 and any order I've made prior was accepted and paid off accordingly. When I tried to explain they did not have an answer and refused to help. My credit rating is at the highest it can get. I am just more disturbed how inaccurate their data can be.”*

Moreover, as discussed earlier in this consultation response, a third of MSE survey respondents with any outstanding BNPL debt have this with 2 providers, while for 10% this debt is spread across 3 providers. Creditworthiness assessments need to take into account that consumers who use BNPL may often enter into agreements with more than one provider.

#### **Q27: Do you have any views about how customers in financial difficulty should be treated under BNPL agreements?**

As a principle, because BNPL is a form of credit, it is important that consumers in financial difficulty are as protected as they would be in line with other regulated credit agreements.

The consultation points out that, while many BNPL providers do have hardship policies to assist customers that are struggling and are unable to repay, there are “currently no requirements on BNPL providers around how they should treat customers in financial difficulty”.

This lack of consistency brings about the potential for harm and unfairness. This is affirmed by testimony from MSE users:

- *“I had used their services along with various other forms of credit and **ended up in huge amount of debt.** I then set up a repayment plan through StepChange and paid all the debts back. However, **two years later Klarna then added the debt back to my credit report.** I tried to contact them unsuccessfully to complain and advise the debt had been repaid but they could not access my account. I then sent an email to the head office but did not hear anything however three months later the amount has been cleared from my credit report.”*
- *“Terrible [experience complaining to a BNPL provider]. There was a miscommunication, and they were threatening debt collectors. I manage my money very well and this was shocking. **There was little compassion** – despite it being an evident mistake on my part – and I paid off in full. They now don't allow me to use their service – not that I ever would after my experience.”*

## **5. Application of section 75 of the Consumer Credit Act (CCA) to BNPL**

### **Q29: Do you agree that under any regulatory intervention for BNPL, section 75 of the CCA should apply to agreements?**

Yes. MSE welcomes the suggestion made within the consultation that section 75 of the CCA should apply to agreements under any regulatory intervention for BNPL. While some BNPL providers do currently provide their own buyer protection schemes, this system is not sufficient and there is a lack of consistency between different providers. The application of section 75 to BNPL agreements would be an important move in ensuring better protection for consumers in this market.

Section 75 of the Consumer Credit Act undoubtedly provides consumers with strong protections, but it is now relatively well known that the protection can be invalidated by third-party payment processors. One MSE survey user described their experience of using BNPL services in the following way:

- *“Useless. My goods never arrived yet Klarna insisted I pay up. My credit card company have told me I'm not covered by section 75 as I'm paying a third party. Nearly £300 for nothing. Won't be using again.”*

Section 75 should apply to all BNPL agreements. If for any reason section 75 does not apply, this should be made clear at the point of sale.

## **6. Access to the Financial Ombudsman Service (FOS)**

### **Q32: Do you agree that under a regulatory intervention for BNPL, consumers should be able to bring a complaint to the FOS?**

Yes, MSE wholeheartedly agrees that consumers should be able to bring a complaint to the FOS under any regulatory intervention for BNPL. The current lack of regulation means that, if and when things do go wrong for consumers in relation to their use of BNPL services, they are left unable to go to the FOS to seek redress. This is a gaping hole that needs to be filled, and regulation should be introduced to give consumers this formal protection.

HM Treasury states that a key objective of its consultation on BNPL regulation is for consumers to be able to “access dispute resolution regarding the conduct of lenders.” The consultation rightly points out that existing escalation points within the complaints process that some BNPL providers currently offer are “not truly independent”. When we asked MSE users who had made a complaint to a BNPL provider what this was like we were met with a wide range of experiences. Some had positive feedback on this process, describing relatively straightforward and productive interactions:

- *“Pretty good, they had a clear complaints procedure and adhered to it.”*
- *“Very easy, through the app which directed me to the main site. I used the contact us form to lodge a complaint that my return hadn't been recognised on Klarna. **They responded and fixed the issue in under 24hrs.** Klarna also postponed my payment until the problem was resolved. This was after I had already asked for extra time on the payment. **They seem very flexible so far.**”*
- *“I contacted them using their complaints procedure and it was all resolved and sorted with refund in bank within 10 working days. **No issues with great communication** and kept updated with progress dates expected.”*

- *“Made the complaint through their customer chat on the app. It was very easy to navigate, **and I finished the chat satisfied with the outcome.**”*

However, this was by no means a unified experience. Many MSE users described challenging and frustrating encounters when making a complaint to BNPL providers – often without meaningful resolution.

Issues described included having limited options to engage with providers, heavily delayed responses and being passed back and forth between the BNPL provider and retailer with no accountability. It is therefore proportionate that at that point, BNPL users should be able to access the FOS, as users of other financial services can do.

The below comments from MSE survey respondents gives a strong sense of how inconsistency in the complaints procedures of different BNPL providers can lead to consumer detriment:

- *“Difficult – **I'm stuck in the middle between the BNPL provider and the retailer.** Neither will accept responsibility.”*
- *“Terrible. The **provider distanced themselves from the transaction and left me with no options** as the retailer was impossible to contact.”*
- *“Because they are not regulated **my complaint was not dealt with properly** and therefore I was forced to pay for an item I never received by the courier. They were extremely unhelpful.”*
- *“It was **incredibly hard to reach someone**, I tried over several days waiting over an hour in an online chat. Once through the communication was difficult and my query was not understood. I had to contact my bank to resolve the issue.”*
- *“They don't really want to know. **I had to threaten one with a Letter Before Action.**”*
- *“My complaint to Clearpay led to me not using the service again. My complaint wasn't dealt with fairly and **led me to being out of pocket** and incurring late fees due to poor advice.”*
- *“A pain. They didn't want to know, gave me conflicting information to that provided by the credit card company.”*
- *“Still taking fixed payments even though products were returned. **Very slow and complicated process.** Would not use again. Only used to try before buying.”*
- *“Cancelled an order with Emma (mattress) who have failed to inform DivideBuy despite several emails including to the CEO and am being held to the agreement.”*
- *“Had returned an item on my order that they continually demanded payment for, even though retailer confirm safe receipt of item. **Took months to rectify. Shoddy customer service. Never again, not worth the haste and was salutary lesson.**”*
- *“**Extremely frustrating due to very poor customer service**, all via email as no option to speak to anyone. Replies from a different person each time, so no one understood the issue (which was a return I'd made*

*that had been lost). Felt 'fobbed off' and ended up being forced to pay for something that I hadn't kept as couldn't prove my return was received by the retailer."*

- ***"I was being charged for goods I had returned. It took nearly a year for them to sort. I was very upset by it all and threatened to go to Ombudsman but that didn't help, just my continued refusal to pay what I didn't owe eventually succeeded."***

Our research clearly highlights how inconsistent complaints handling processes are leading to consumer harm. BNPL complaints handling must be regulated by the FCA, and where the firm and consumer reach deadlock, or the complaint is otherwise not answered, consumers must have the right to take complaints to the ombudsman. This would serve to protect consumers from some of the experiences outlined above.

## **7. Impacts of BNPL regulation**

**Q33: What impacts do you expect the regulation of BNPL would have on BNPL providers, consumers that use the product, and merchants that offer it as a payment option?**

In principle, effective regulation would mean that consumers will be able to make informed decisions about if and when they should use BNPL. They would be clear about what repayments are required, and when. Consumers would understand that BNPL is a form of debt, and will only borrow what they can afford. They would not be irresponsibly encouraged to overspend, and will be able to use CCA s.75 or the Financial Ombudsman Service if things do go wrong.

With sufficient protection in place, consumers will be able take advantages of benefits offered by BNPL without being at a higher risk of the harms described in this response, and the associated regret.

## **About MoneySavingExpert.com**

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. Founded by Martin Lewis in 2003, it's based on detailed journalistic research and cutting edge tools, and has one of the UK's top 10 social networking communities. MoneySavingExpert.com has on average more than 16 million users each month. Around 7.5 million people have opted to receive our free weekly email, over 2 million users have registered on the Forum and around 4.8 million have joined our Cheap Energy Club.

In the event of any queries, please contact the campaigns team: [campaigns@moneySavingExpert.com](mailto:campaigns@moneySavingExpert.com)