

WHAT TO KNOW ABOUT BUY NOW PAY LATER



WHAT ARE BNPL PRODUCTS?

Buy Now Pay Later (BNPL), also known as Pay in Four allow you to pay for a purchased good or service with four interest-free payments, typically paid back over six weeks. They are often available on websites or smartphone applications. Examples of this kind of service include Affirm, AfterPay, Klarna, Zip, Sezzle, PayPal or directly from a retailer like WalMart or Amazon.

BNPL loans, if affordable and truly free, may help you manage paying for larger purchases without incurring long-term debt and high-cost credit cards.

However, ensuring there are adequate safeguards for consumers using BNPL loans to take on these expenses is imperative.

HOW OFTEN DO BNPL USERS PAY FEES?

In a survey of 128 BNPL users in California, 53 participants responded to the question of whether they had been charged a fee when using BNPL and 10 participants indicated how many times they had been charged a fee.¹

Have you been charged a fee when using a Buy Now, Pay Later or Pay in Four product in the last six months?



Top Five Fees Consumers Report for BNPL Products:²

1. Late fees (42%)
2. Payment rescheduling fees (31%)
3. Overdraft or non-sufficient fund fees (20%)
4. Returned payment fee (15%)
5. Account reactivation fee (13%)

WHAT'S AVAILABLE TO CALIFORNIA RESIDENTS?

The California Department of Financial Protection and Innovation (DFPI) now prohibits BNPL providers from providing loans or extensions of credit except if they have a license from DFPI. If you have a question or concern about a BNPL product or service, go to the California DFPI <https://dfpi.ca.gov/contact-us/> to file a complaint.

RESOURCES

[What is a Buy Now, Pay Later \(BNPL\) loan?](#)

[Buy Now, Pay Later: Protect Yourself Before You Check Out](#)

[Want to buy now but pay later? Read this first](#)

WHAT DO CONSUMERS NEED TO KNOW?

Consumers can get hit with a variety of fees when using BNPL to make a purchase. These fees include: late fees, payment rescheduling fees, returned payment fees, account reactivation fees, and bank fees like overdraft or insufficient funds.

BNPL loans typically do not assess a consumer's ability to repay and may have hidden fees without clear disclosures, lack dispute or refund rights if you are dissatisfied with your purchase, have a negative impact on credit reports, or create an incentive for you to take on unmanageable amounts of debt, which could ultimately lead to debt collection issues.

Protections applied to credit card transactions do not apply to BNPL transactions. These include chargeback rights if you don't get what you paid for, requirements to assess ability to repay, limits on penalty fees, and clear disclosures to help you make an informed decision, compare costs, and understand the consequences of failing to repay.

¹ California Alliance for Consumer Education, Center for LGBTQ Economic Advancement & Research, East Bay Community Law Center, Housing and Economic Rights Advocates, NextGen Policy, Senior Advocacy Network Senior Law Project, Greater Sacramento Urban League, Inclusive Action, Public Counsel, California Public Interest Research Group, and Central Valley Immigrant Integration Collaborative conducted a CFA-designed survey by mail and social media from October 2022 to August 2023.

² Among survey respondents who indicated that they had been charged fees. Respondents could list multiple fees.