

March 25, 2022

Via eRulemaking Portal

Comment Intake – Statement into BNPL Providers
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552

Re: Comments Regarding the BNPL Market – Docket No. CFPB-2022-0002

Dear Director Chopra:

On behalf of the Electronic Transactions Association (ETA), we appreciate the opportunity to share our thoughts on the Bureau of Consumer Financial Protection’s (CFPB) inquiry into Buy-Now-Pay-Later (BNPL) products.

ETA and its members are dedicated to continuously driving innovation in the payments space – one of those products is called BNPL. BNPL enables consumers to make fixed payments for individual purchases, often repaid in interest-free installments over a short period of time. For certain BNPL products, a consumer can purchase an item without paying the full price upfront at no extra cost if repayments are made on time.

Consumers are demanding more flexibility in how they shop and pay for goods and services. For example, US e-commerce sales have increased 15% each year since 2015, with a 30% spike in growth during the COVID-19 pandemic.¹ To adapt to this shift, most retailers have an online presence and many are using new point-of-sale offerings like BNPL to increase customer exposure, provide more payment options, and boost sales.²

A goal of ETA member companies is to continually enhance the electronic payments and financial ecosystem so that remains accessible for all consumers and small businesses, while ensuring their transactions can be completed securely, efficiently, and ubiquitously. A key driver to achieving such an ecosystem is the development of new technologies that allow the low and moderate-income Americans to access financial products and services. ETA encourages policymakers to support these goals through policies that support innovation and the use of technology in financial products and services.

Considering the tangible benefits of such technological advancements, ETA urges policymakers to remain thoughtful and forward-thinking in how to best support industry’s on-going efforts to provide opportunities for all consumers to access and benefit from innovative financial products and services. Efforts by policymakers to regulate financial products and services should be done collaboratively with industry participants and with careful consideration of the many types of business models and products in the marketplace. ETA stands willing to work with the CFPB to create a positive regulatory environment.

Who We Are

ETA is the world’s leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the

¹ US Census Bureau (2021), Latest Quarterly E-commerce Report

² Alexandra Tachalova, Business.com (2018), Make more sales with E-commerce payment options

emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing more than \$21 trillion in purchases worldwide and deploying payments innovation to merchants and consumers.

ETA's Comments into BNPL Inquiry

BNPL is Rapidly Filling a Need

Consumers' needs and technology are constantly changing and are looking for new ways to receive, hold, and spend their money. This includes embracing greater flexibility in spending patterns and adopting new technologies that can help manage their basic financial needs, including cash flow and budgets. These trends were particularly evident in 2020, as consumers relied more on platforms which allowed them to connect, find value and maintain control over their finances throughout the COVID-19 pandemic, and the trend has continued into 2022. As a result, BNPL is rapidly becoming a significant component of retail spending.

Typically, BNPL allows consumers to purchase an item without paying the full price upfront and repay the remaining balance in installments. In most cases, BNPL models do not charge interest, assuming that the consumer stays current on their payments.

BNPL Empowering Consumers to Save and Spend Wisely

Consumers are choosing to use BNPL for a few reasons. In one study commissioned by a major BNPL provider, consumers report choosing BNPL products for a number of reasons including the installment payment model, budgeting support, convenient access to credit, and the ability to shop through online marketplaces offered by BNPL providers.³ Other reasons include simple and easy to understand payment structure of BNPL products such as pay-in four, and the ability to avoid fees if they pay on time.

Another advantage to BNPL products is the payment schedule. Monthly, flexible payments help low and moderate-income Americans manage their finances and may help them better prepared for unexpected emergency expenses.

BNPL Products Are Subject to Existing Robust Regulation

BNPL products are subject to key consumer protection regulations and ETA members are committed to ensuring that consumers use BNPL and all financial/payments products and services responsibly. Today, BNPL providers are compliant with consumer protection laws and regulations such as anti-money laundering, privacy, and electronic fund transfers enforced by the CFPB, Federal Trade Commission, and numerous state regulators.

If the CFPB adopts any new regulations governing BNPL products, they should be designed to fit within this established, robust, regulatory framework. New public policies for BNPL products should complement, and not conflict with, existing laws and regulations as well as private sector rules and practices. ETA believes appropriate regulation should be tailored to the risks that they or the activity in which they are engaged, pose to the payments' ecosystem and consider any potential downsides to consumers.

³ *Accenture/Afterpay, The Economic Impact of Buy Now, Pay Later in the US* (Sept. 2021), available at <https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2021/10/Economic-Impact-of-BNPL-in-the-USvF.pdf>.

Continual investment in innovation is at the heart of past, present, and future improvements to the financial ecosystem. Our financial system has benefited greatly from the development of new technologies and capabilities, which serve to strengthen cybersecurity and consumer protection, increase efficiencies, and expand access to financial services. BNPL products have the potential to further many of these developments and promote new innovation and developments. Accordingly, any regulation of BNPL should consider the technology's promise to improve existing capabilities while serving as a catalyst and platform for continued innovation.

Benefits of Reporting BNPL on Credit Reports

Announced in early 2022, the three main consumer credit bureaus in the U.S. are incorporating data from BNPL companies in consumer credit reports, showing that the credit bureaus are beginning to develop the framework for BNPL furnishers to report. Though BNPL providers differ in whether and how they report, including BNPL data is significant because it has the potential to boost credit scores for individuals new to credit or rebuilding credit whenever consumers meet their BNPL obligations, and that information is reported.

Research from Equifax⁴, based on a study of anonymized consumer data from a BNPL provider, has shown that including on-time payment history from a BNPL plan can benefit consumers with a short credit history. It can demonstrate responsible payment behavior and help boost their overall credit score. Specifically, the study has found:

- The majority of consumers in the study were helped by having an on-time BNPL tradeline in their credit file, with an average FICO Score increase of 13 points.
- BNPL can be a powerful way for new-to-credit consumers to build their credit profiles. The study showed that individuals with either a "thin" credit file consisting of two or less tradelines or a "young" credit file - where all credit history is no more than 24 months old - saw an average FICO Score increase of 21 points with the addition of on-time BNPL tradelines to their credit file.
- BNPL can also help consumers rebuild their credit. Consumers who had significantly late payments reported on their traditional credit file experienced an average FICO Score increase of 13 points with the addition of on-time BNPL tradelines to their credit file.

ETA understands the complexity of adding BNPL payments to credit reports because the data may not currently fit into the current credit reporting system, however, it's imperative that responsible consumers, especially those new to credit, can benefit from paying their debt obligations to BNPL service providers.

The BNPL industry and consumers have a shared responsibility of understanding the terms of service. For its part, the CFPB can ensure that required disclosures around credit reporting are clear and understandable so that consumers have the information necessary to assess the reporting practices of their BNPL providers.

BNPL Companies Support American Businesses and Jobs

Tens of thousands of US and global merchants enjoy several benefits from using BNPL services, from driving sales to increasing average order values, and attracting new customers. ETA members and their

⁴ Equifax First to Formalize Inclusion of 'Buy Now, Pay Later' Payment Information in Consumer Credit Reports at <https://investor.equifax.com/news-events/press-releases/detail/1204/equifax-first-to-formalize-inclusion-of-buy-now-pay>

merchant partners engaging in BNPL, have also made a substantial contribution to the US economy, supporting jobs and broader economic growth.

* * *

An inclusive financial system is one that provides consumers and businesses with access to a variety of financial products and services, and a key driver of financial inclusion is the development of new technologies. ETA members have broadened the availability of existing offerings by making them more accessible to more consumers. Expanding access to the financial system not only empowers consumers to take control of their financial well-being, but also creates a more resilient and inclusive economy.

ETA appreciates the opportunity to provide the CFPB input on this important issue. If you have any questions, please contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott at stalbott@electran.org.

Sincerely,



Jeff Patchen
Director of Government Affairs
Electronic Transactions Association
jpatchen@electran.org
(202) 677-7418

