

November 2, 2021

The Honorable Stephen Lynch
Chairman, Task Force on
Financial Technology
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Warren Davidson
Ranking Member, Task Force on
Financial Technology
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Lynch and Ranking Member Davidson:

On behalf of the Electronic Transactions Association (ETA), we appreciate the opportunity to submit this statement for the record before the Task Force on Financial Technology's hearing, "Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL and Other Emerging Fintech Cash Flow Products."

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 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 and its members are dedicated to continuously driving innovation in the payments space – one of those products is called Buy Now, Pay Later (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, improve customer experience and boost sales.²

BNPL is Rapidly Growing

Consumers are looking for new ways to manage and control their own finances. This includes a shift away from traditional credit offerings, embracing greater flexibility in spending patterns and adopting new technologies to help manage their budgets. These trends were particularly evident in 2020, as people 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 2021.

Typically, BNPL allows users to purchase an item without paying the full price upfront and repay the remaining balance in cost-free installments. In other cases, the consumer may pay interest, but only on the principal balance, assuming that the consumer stays current on payments. As a result, BNPL is rapidly becoming a significant component of retail spending. Consumers choose to use BNPL for several

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

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

reasons – the installment payment model, budgeting support, convenient access to credit, and the ability to shop through online marketplaces offered by BNPL providers.³

BNPL Empowering Consumers to Save and Spend Wisely

Those in younger age groups are choosing to use BNPL for a few reasons, including the repayment terms are often far simpler and easier to understand than traditional agreements. In 2021, BNPL users avoided significant costs they might have faced if purchasing with traditional credit offerings, equivalent to hundreds of millions of dollars in credit card fees and interest.⁴

One of the most common banking issues for underserved consumers are unexpected fees. Underserved consumers that successfully repay their BNPL loans avoid recurring debt. By providing easy access to credit, typically with no interest, BNPL loans may help underserved consumers be better prepared for unexpected emergency expenses.

BNPL Products and 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. BNPL is subject to key consumer protection laws and regulations, including anti-money laundering, Equal Credit Opportunity Act, Fair Credit Reporting Act, debt collection, privacy, Unfair, Deceptive, or Abusive Acts or Practices (UDAAP), fair treatment of customers, electronic fund transfers, and in some cases, Regulation Z. They also are subject to similar state consumer protection laws.

BNPL Companies Support American Businesses and Jobs

ETA members are key players in the shift towards faster, more secure, and innovative retail platforms and payment technologies. They understand the needs of its increasingly value conscious user base and empowered its merchant partners to develop offerings that meet these needs. The 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 merchant partners engaging in BNPL, have also made a substantial contribution to the US economy, supporting jobs and broader economic growth.

We appreciate the Task Force's leadership on this topic as well as the opportunity to submit this letter for the record. If you have any questions, contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott at stalbott@electran.org.

Sincerely,



Jeff Patchen
Senior Manager of Government Affairs
Electronic Transactions Association

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>.

⁴ *Id.*