



What You May Not Know About Buy Now Pay Later Services

National nonprofit credit counseling agency Take Charge America explains potential risks, pitfalls with popular payment plan options

PHOENIX – (July 19, 2022) – Buy now pay later services are responsible for \$100 million in annual transactions and have quickly become a go-to financial tool for millions of Americans. Although these options provide an easier way to make purchases, they aren't without risks.

"People love the convenience, but there remains a lot of misunderstanding surrounding BNPL services and their impact on people's financial lives," said Amy Maliga, a financial educator with Take Charge America, a [nonprofit credit counseling and debt management agency](#). "With that confusion, it's easy to miss the potential risks. That's why it's always important to take a closer look at a new service or product — especially ones that make it easier to part with your hard-earned money."

Before using BNPL services, Maliga says it's important to keep in mind the following:

- **They are a form of credit.** BNPL providers may promote themselves as a simpler way to pay for everyday purchases without relying on debt or credit, but don't be fooled: BNPL payments *are* a type of credit. And if you miss a payment, some services charge late fees or interest. Be cautious when using these services, as you can easily get in over your head.
- **You'll likely spend more.** There's a reason retailers aggressively promote BNPL: People tend to spend more using these services. A LendingTree [survey found two-thirds of shoppers spent more](#) using BNPL plans than they would have otherwise. Before completing that latest purchase, check your budget and bank account. Be sure you can really afford what you're buying instead of putting yourself at risk of falling into debt.
- **Inconsistent credit score impacts.** Most BNPL providers don't report on-time payment data to the major credit bureaus, meaning you receive none of the upsides of responsible repayment. However, negative events like missed payments or collections activity, are likely to be reported. This makes it even more critical to make your BNPL payments on time and avoid missing any.
- **No consumer protections.** Because of BNPL's standard four-installment payment plans, these services fall outside the purview of the Truth in Lending Act. Translation: Consumers have no protection from any potential predatory or deceptive lending practices with BNPL providers. Federal law requires five installments before triggering any regulations.

Feeling overwhelmed by debt? A [free, online credit counseling session](#) from Take Charge America can help.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 2 million consumers nationwide manage their personal finances and debts. To learn more, visit takechargeamerica.org or call (888) 822-9193.

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