

# CFPB Opens Inquiry Into Buy Now Pay Later

## WRITTEN BY

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On December 16, the Consumer Financial Protection Bureau (CFPB) [issued](#) orders to five companies offering buy now, pay later (BNPL) products. BNPL programs are designed to allow consumers to purchase goods and to defer payment over a short term with little to no interest, but with the potential for fees in the event of nonpayment. The CFPB noted that BNPL saw “explosive growth” through the holiday shopping period.

In connection with its duty to monitor consumer financial markets, the CFPB can require market participants to submit information to inform its monitoring. In its release, the CFPB noted that its inquiry focuses on the following topics:

- Potential accumulation of debt by BNPL users;
- Potential applicability or non-applicability of a range of consumer financial protection laws; and
- Data collection, behavioral targeting, and data monetization practices of BNPL providers.

However, the order goes more in-depth. The 20 questions included with the order are broken down into the following categories:

### A. Description of Products

### B. Business Model/Metrics

- a. Total transactions initiated and unique users
- b. Minimum, maximum, and median number of installments on transactions
- c. The number of participants and the amounts of specific numbers of transactions
- d. Company financial information, including merchandise volume among certain types of goods and/or services, and customer payment option information
- e. Underwriting practices

- f. Fee practices, including fees charged to consumers and merchants
  - g. Participating merchant vetting
  - h. Virtual card usage
- C. Loan Performance Metrics
- a. Any use of third-party servicers
  - b. Credit reporting, including information on loan stacking
  - c. Returns and refunds
  - d. Delinquencies, charge-offs, and payment extensions
  - e. Defaults and collections
- D. Consumer Protections
- a. Disclosure practices, including disclosures given in user agreements and in the user experience
  - b. State licensing practices
- E. User Contacts and Demographics
- a. Number of users contacting the provider about items, such as credit reporting complaints and difficulty modifying payment amounts or dates
  - b. Age, gender, and income information for users generally, users that default, and consumers that are declined BNPL products
- F. Data Harvesting
- a. Types of data collected, including specific data field information and each data field's purpose for collection
- G. Data Monetization
- a. The use of data for cross-selling purposes, targeted advertising, or third-party sharing, and the specifics of the data used

It's safe to say BNPL is firmly within the view of both regulators and legislators. These orders follow last month's hearing before the House Financial Services Committee's Task Force on Financial Technology, where panelists

were asked in-depth questions about BNPL products and practices. For more information on this hearing, please see our blog post [here](#).

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