

# *Breaking Down Buy Now, Pay Later*

The True Cost of Convenience



**1-800-210-3481**

**[www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org)**

## Letter from the President

Congratulations on taking this important step to a brighter financial future. Consolidated Credit has been helping Americans across the country solve their credit and debt problems **for over 30 years**.

Our Educational Team has created over forty publications to help you improve your personal finances; and many available in Spanish. By logging on to [www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org) you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive courses, calculators, video education, and much more.

We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburdened by high interest rate credit card debt, then I invite you to **speak with one of our certified counselors free of charge by calling 1-800-210-3481** for free professional advice. We also have partnership programs available where groups, businesses and communities can hold financial workshops and receive money management guides and workbooks like the one you are reading now. **Please call 1-800-210-3481** if you would like to discuss pursuing a personal financial literacy program.

Sincerely,

A handwritten signature in black ink that reads "Gary S. Herman". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

Gary S. Herman  
President  
Consolidated Credit



## To Gen Z, credit cards are their parent's plastic. They prefer Buy Now Pay Later

BNPL is an installment loan that takes advantage of technology. Like online shopping, it's now only a few taps or keystrokes to purchase something without paying for it right away. Except with BNPL, unlike a credit card, your payments can be spread out over many months instead of just one.

According to J.D. Power, nearly half of Gens Y & Z use BNPL services – the most out of any age group. Gen Z consumers are most likely to use BNPL in place of credit cards.

Gen Z is putting everything on installment payments: vacations, clothes, and even food. These days, you can even order DoorDash and make installment payments on the meal.

Of course, there's always a catch, and for BNPL, it's a costly one.

"BNPL has scary-steep fees for missed payments," says April Lewis-Parks, Consolidated Credit's Director of Financial Education. "They can go as high as 25% – which is, ironically, what the average interest

rate is for a new credit card.”

And if you miss a payment? Here’s the fine print on many BNPL terms and conditions: “If your payment is not registered by the last reminder due date, the debt is transferred to debt collection.”

That’s become a huge problem, says Lewis-Parks, who points to research showing 53% say they’ve “missed a payment on the Buy Now Pay Later service” this year. In 2020, only 23% had missed a payment.

Overall, BNPL spend among Gen Z jumped by 214% — more than any other generation.

Influencer driven videos and seamless in app checkouts further normalize impulse purchases. “You don’t even think twice” when you can split up payments, and TikTok’s “money dysmorphia” intensifies the pressure.

On top of the ease of BNPL models, targeted ads are everywhere, making it more enticing for consumers of all ages to make purchases. Whether it’s a spur-of-the-moment splurge or everyday essentials, tapping into credit has never been simpler.

## What Is Buy Now, Pay Later?

Buy Now, Pay Later (BNPL) services have exploded in popularity, offering shoppers a way to split the cost of a purchase into smaller, interest-free installments.

Whether you’re buying a new pair of sneakers or stocking up on household essentials, BNPL can feel like a modern convenience — until a missed payment turns convenience into costly penalties.



## How BNPL Works

When you check out with a BNPL option, the total amount is divided into a series of equal payments — often four — spread out over a set period, such as six weeks or three months. You make your first payment at purchase, then each subsequent installment automatically charges your linked card or bank account on a predetermined schedule.

At no extra cost (if paid on time), you enjoy the flexibility of smaller, bite-sized payments.

## Key Steps in the BNPL Flow

### 1. Purchase Initiation

Select BNPL at checkout and agree to the terms.

### 2. Payment Plan Setup

Total cost is split into equal installments.

### 3. Scheduled Payments

First installment at purchase, then automatic charges on each due date.

### 4. Final Installment

Once the last payment clears, your obligation is complete — if all payments are on time.

# BNPL Adoption by Generation

Over the past few years BNPL usage has climbed sharply across all age groups, led by younger consumers.

By 2027, it's expected that there will be more than 900 million BNPL users across the globe – a 157% surge from just a couple years ago. Around 1 in 5 BNPL users live in the US, and most of that group are Gen Zers.

In a recent survey of over 2,000 Americans, younger adults were also more likely to say they've tried BNPL at least once:

Generation	Have used BNPL at least once
Gen Z	40%
Millennials	48%
Gen X	28%
Baby Boomers	13%



The popularity of these services has jumped since its inception in the late 2000s. Independent market research shows how BNPL usage continues to grow across each generation:



Generation	2021	2023	2025
Gen Z	36.8%	46.5%	47.4%
Millennials	30.3%	39.5%	40.6%
Gen X	17.2%	26.3%	30.9%
Baby Boomers	6.2%	12%	14.8%

Millennials and Gen Z shoppers spend more on average via BNPL compared to credit cards:

Generation	Credit Cards	BNPL
Gen Z	\$1,112	\$1,230
Millennials	\$1,485	\$1,851

Nearly 6 in 10 Gen Zers think BNPL services allow them to budget better over credit cards, according to research published by popular BNPL company Afterpay.

## Impact on Debt Loads

Buy Now, Pay Later (BNPL) can feel like an easy, interest-free split of your bill – but it often adds to your overall debt rather than replacing credit cards.

In fact, a Federal Reserve analysis found that most BNPL users already have credit cards capable of covering their purchases; they choose BNPL for the simpler terms and small installment structure. Yet Money.com reports that BNPL users pay more than comparable non-users when it comes to credit card debt in...

- Overdraft charges (4% more than those who don't use BNPL)
- Credit card late fees (2.3% more than those who don't use BNPL)
- Interest rates (1.1% higher than those who don't use BNPL)

## What can go wrong...

Missing a payment can result in late fees, interest charges, or even collections activity. Depending on the provider, late fees can range from \$5 to over \$30 per missed installment, and non-payment can lead to collection efforts.

As Consolidated Credit's Director of Housing Counseling & Community Outreach, Sandra Tobon has seen firsthand how missed payments can snowball into overwhelming debt:

“

***“Many of the clients we work with are juggling their bills, which makes it challenging to save up for things like a down payment on a home or car. Buy Now Pay Later can add to that savings struggle, especially for those living paycheck-to-paycheck.”***”

— Sandra Tobon, Director of Housing Counseling  
at Consolidated Credit

Younger consumers should especially be aware of how BNPL services can translate to additional debt. Millennials and Gen Z are “most likely to use and trust BNPL over credit cards,” yet 4 in 10 who use the service regret it after realizing the overall cost.



## The New QVC — Influencers & BNPL

### Influencer-Driven Purchases and “Shop Now” Tags

On platforms like TikTok and Instagram, influencers don't just showcase products like the hosts seen on television retail networks QVC or HSN.

Digital sellers now embed “Shop Now” tags that link directly to BNPL checkout. This seamless integration creates a sense of urgency, making BNPL feel like the path of least resistance to keep up. As one creator told Business Insider,

*“It pressures you to want to buy what everybody else has got or whatever you keep seeing advertised. Then Klarna is an option, so you're just like, ‘oh, I can just spread the payments’.”*

That impulse-driven design taps into Gen Z's social-media habits. Scrolling through curated feeds of peers unboxing sneakers or using the latest gadget, younger shoppers often click “Shop Now,” get approved with a soft credit check, and complete the purchase — all without a second thought.



### The Mechanics of Social Pressure

- **Instant checkout buttons:** Influencer posts feature native

shopping tags, so users rarely leave the app before selecting BNPL at checkout.

- **Peer validation:** Comments like “OMG, I got mine on Afterpay!” or “@designerbrand sold out fast—thank god for Klarna” amplify the desire to join the trend.
- **Normalized debt:** Influencers often portray BNPL as “no big deal,” normalizing installment debt as just another lifestyle hack.

Retail-tech research shows influencer-led BNPL conversations on Twitter jumped 40% in 2022, demonstrating how fast these promotions spread through social channels. But while influencers may frame BNPL as a convenient lifestyle upgrade, it often fuels impulse spending.

## 24/7 Advertising Overload Enhances “FOMO”

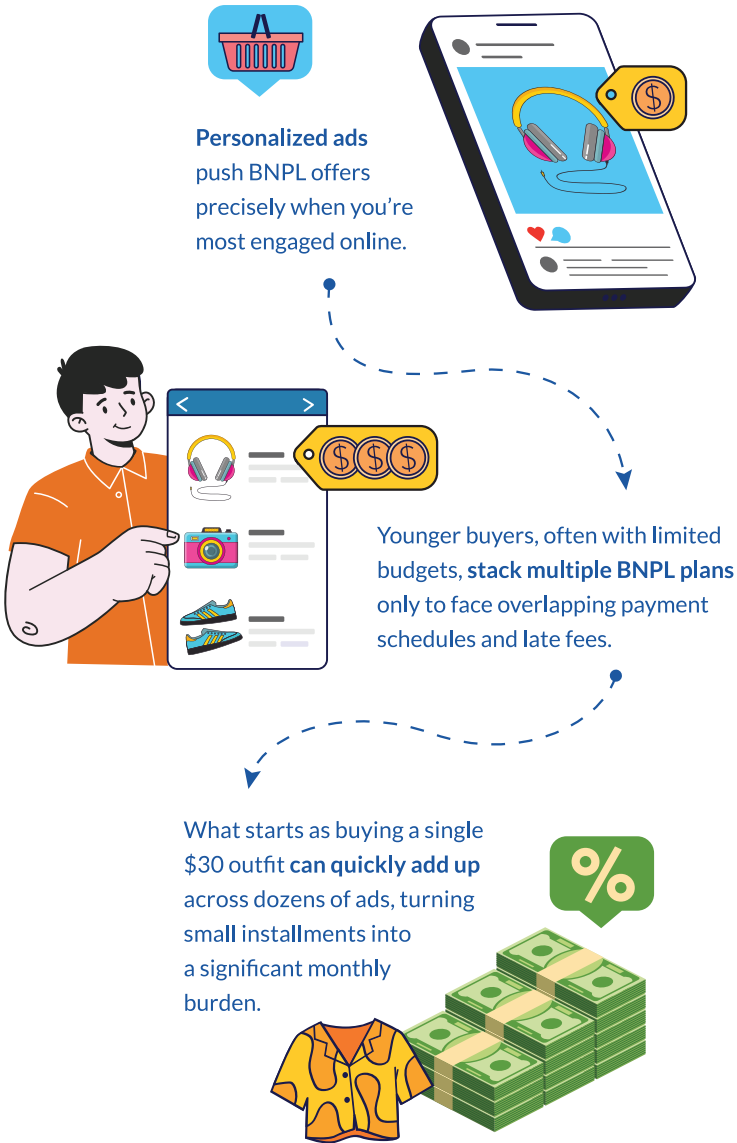
Over the past five years, global searches for “BNPL” have exploded — up 790% since 2019.

Behind the scenes, sophisticated ad-targeting algorithms turn every scroll, swipe, and search into a prompt to spend now and pay later.

Teens today spend roughly 4.5 hours per day on social media and quietly absorb thousands of ad impressions during that time. While we may only consciously notice about 50 ads a day, platforms are serving 4,000–10,000 exposures daily, many tailored to our browsing habits and preferences.

That constant pressure magnifies FOMO (“fear of missing out”) and normalizes installment debt as a quick-click lifestyle hack. Each ad impression is chosen because it’s likely to convert a consumer into a BNPL user, reinforcing the cycle of instant gratification.

# From Ads to Fads



# Convenience vs. True Cost

When you don't pay your BNPL installments on time, fees and penalties can quickly add up, often costing more than a comparable credit-card purchase.

Scenario	Pay in Full	Credit Card <small>(21% APR, 6 mos.)</small>	BNPL <small>(4 × installments, 2 late)</small>
Purchase Price	\$500	\$500	\$500
Interest & Fees	\$0	\$32 interest	\$58 late fees
Total Cost	\$500	\$532	\$558

Paying late is costly — and common. LendingTree findings reveal that more than 4 in 10 BNPL users admit to paying late.

Experts from Stanford Business School warn of the hidden dangers of consumers being given access to credit they're not ready for.

One of the ways BNPL users fall victim to high costs is by overusing the service, which is built for that very thing. While BNPL purchases stack up, it's easy to avoid other financial obligations, leading to higher interest charges on credit cards and other loans.



## Credit Reports & Scores

### BNPL & Your Credit Score

Buy Now, Pay Later often flies under the credit-reporting radar — until it doesn't. Here's how it works today and what may change soon:

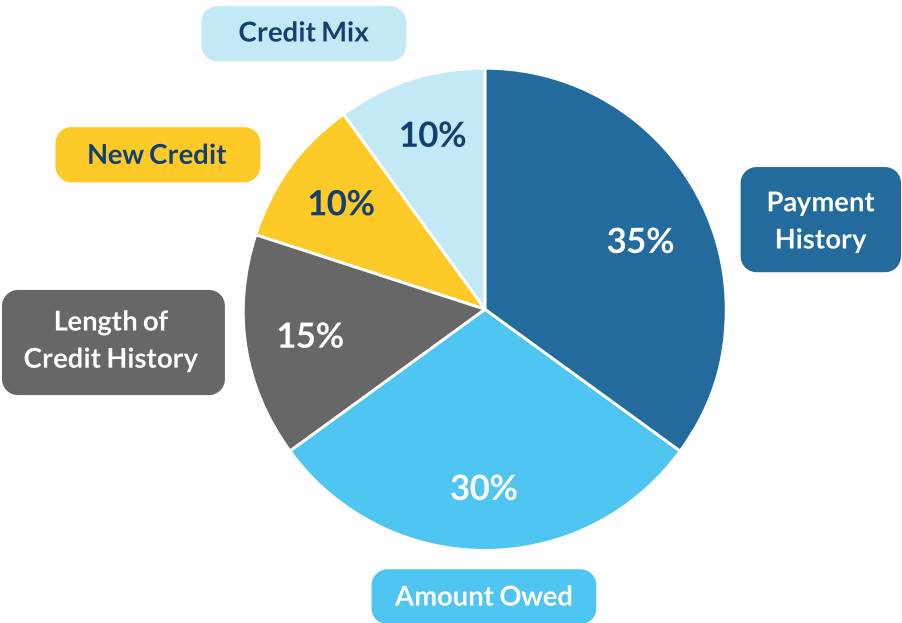
#### Current Reporting Practices

- **Non-Reporting on On-Time Payments:** Most major BNPL providers don't report timely payments to credit bureaus, so on-time BNPL installments typically aren't boosting your credit score.
- **Reporting Late or Defaulted Accounts:** However, missed payments can wind up in collections or be sold to debt buyers, which does appear on your credit file and can ding your score significantly. Some providers, like Sezzle, explicitly state they may report "seriously delinquent accounts" to TransUnion and Experian.

**Misconception:** "Missing a BNPL payment won't hurt my credit."

**Reality:** While a single late installment may not trigger an immediate report, extended delinquency (often 60+ days) can lead to collections listings. Collections can slash your credit score by up to 100 points.

# BNPL & Credit-Score Factors



## Current BNPL:

Only negative data reported  
(late fees/collections)



affects **Payment History**  
and **Amounts Owed**

## Future BNPL:

Both positive + negative data



could boost **Payment History**  
and broaden **Credit Mix**  
if you pay on-time

**Pro Tip:** Even if on-time BNPL installments aren't reported now, treat them like any loan—pay by the due date to avoid collections and protect your credit health.

# Financial Wellness — Saving vs. Spending

## Saving vs. Spending: A Side-by-Side Comparison

Scenario	Save \$50/mo. <i>(APY with high-yield savings account)</i>	Spend \$50/mo. with BNPL <i>(missed payments with \$10 late fee)</i>
Monthly Contribution	\$50	\$50
Total Principal (12 mos.)	\$600	\$600
Interest / Earnings	+\$13 (compounded monthly)	\$0
Late Fees Incurred	—	\$10 × 12 = \$120
Total Balance / Debt	+\$613	- \$720
Credit Impact	Positive: builds savings habit, start accruing interest	Negative: late fees, potential collections, score hit

### What this means...

- **Saving Path:** By setting aside just \$50 each month into a high-yield account (earning about 4.00% APY), you end up with roughly \$613 after one year.
- **BNPL Path:** Charging \$50 monthly via BNPL but missing each payment adds roughly \$120 in late fees alone. You finish the year owing \$720 — and risk collections and credit-score damage.



## Expert Advice:



*“Before tapping BNPL for non-essential buys, build an emergency fund of three to six months of expenses, or start with a target of \$500 – \$1,000. Treat that as your first ‘installment’ — it gives you breathing room if unexpected bills hit and keeps you from relying on quick-pay apps for everyday purchases.”*



— Gary Herman, President of Consolidated Credit

Starting with small, consistent savings, then only using BNPL when you’ve got a financial cushion helps protect both your wallet and your credit health.

## Recognizing a BNPL Spiral

Use this checklist to spot when BNPL is taking over your budget:

- **Skipping or prioritizing bills:** You find yourself choosing between rent, utilities, or your BNPL payments each month.
- **Juggling 3+ BNPL plans:** More than three active installment loans at once — each with its own due date — is a red flag.
- **Impulse buys on non-essentials:** Regularly tapping BNPL for things like fast-fashion drops, concert tickets, or the latest gadget.
- **Late-fee cycle:** You’ve paid more in fees than you originally financed (e.g., \$10 – \$30 per missed installment).
- **Small” purchases add up:** “It’s only \$20 for that new phone case,” you tell yourself. Yet by month’s end it’s \$200 in micro-loans.

## When BNPL Becomes a Grocery Fund

Many users have turned to BNPL not just for shoes or tech, but to cover basics:

- **Groceries & Delivery:** A recent LendingTree survey found 33% of users tapped BNPL as a “bridge to their next paycheck” — and 25% used it to buy groceries in the last year. Both numbers are up from previous years.
- **Restaurant & Takeout:** DoorDash partnered with Klarna in March 2025, letting customers split food orders into four interest-free payments. While convenient, it normalizes financing meals and can lead to mounting fees.
- **Living Expense Backstop:** Some consumers rely on BNPL to pay rent or utilities when cash runs low, a practice the CFPB warns could spiral into unmanageable debt.

Using BNPL for essentials may feel like a safety net, but it often masks real financial shortfalls.

Missing one \$25 grocery installment could tack on \$8–\$30 in late fees. A second miss multiplies the cost, and suddenly consumers end up paying twice as much (or more) for their everyday essentials.

*If your debt has gotten out of hand, it's time to take back control. At Consolidated Credit, we're here to help you zero in on the right solution for your unique financial situation. Call 1-800-210-3481 to speak with a certified credit counselor today.*



## Psychological Drivers & Dopamine Spending

### The Psychology of Impulse Purchases & Dopamine Spending

Our brains are wired for immediate reward. When you see something you want — whether it's a viral gadget or a must-have fashion drop — your brain releases dopamine, the “feel-good” neurotransmitter that reinforces the desire to buy now.

According to the American Psychological Association, impulse buying is characterized by “acting on a sudden urge to purchase something without a prior intention or plan to do so and without considering its long-term effects,” often driven by emotional triggers rather than logical decision-making.

Retail therapy, as its commonly referred to, is a common practice: Nearly 3 in 4 Americans regularly make impulse purchases, and the average American shopper spends more than \$150 a month doing so.

### Why We Click “Buy Now”

- **Dopamine hits:** Studies using functional MRI show that anticipating a purchase activates the same reward centers as food or social interaction, making the act of buying itself gratifying.

- **Emotional triggers:** Stress, boredom, and even social comparison can spark impulse buys. A survey found that 70% of impulse purchases are tied to negative emotions like anxiety or loneliness.
- **BNPL's instant gratification:** Buy Now, Pay Later amplifies these effects by removing immediate cost barriers. With just a soft credit check and a tap on your phone, you get the dopamine rush of ownership while the payment drifts into the future.

## The Downside of Dopamine Spending

Because BNPL hides the immediate price tag, you may accumulate multiple dopamine-driven purchases before the real balance hits your statement. When the bills arrive, the delayed reality check can trigger stress, guilt, and regret. This process only continues the cycle of emotional spending.

## Smart Spending Strategies

Before diving into BNPL, build a solid budgeting foundation so you're in control of every dollar and avoid unnecessary debt.

### 1. Choose a budgeting app

- **You Need a Budget (YNAB):** Envelope-style system that helps you assign every dollar a job; offers strong community support.
- **Goodbudget:** Tracks transactions and provides insights into your spending and savings habits.
- **Acorns:** Although technically not a budgeting tool, this financial wellness app can get your savings on track with its approachable investing tools.

## 2. Set up your budget first

- List all income sources and fixed expenses (rent, utilities, loan payments).
- Allocate money for essentials (groceries, transportation) and savings goals.
- Reserve a “discretionary” bucket for fun so you know exactly what you can safely spend.

## 3. Automate savings

- Use your app to automatically transfer a set amount into a savings or emergency-fund account each payday. Even \$25 per week adds up quickly.

## 4. Track & adjust weekly

- Review your spending every month: Did you exceed any category? Where can you trim back?
- Update your budget categories as life changes (new job, rent increase, etc.).

## 5. Sign up for budgeting before BNPL

- **Why?** Knowing exactly how much “wiggle room” you have stops you from stacking BNPL plans when cash is tight.
- If an “interest-free” BNPL purchase doesn’t fit into your budget’s discretionary bucket or cuts into automated savings, pause and reconsider.

## Avoiding Emotional Spending: The 30-Day Rule

1. **Pause:** When tempted by a non-essential purchase, wait 30 days before pulling the trigger.
2. **Reflect:** Use the cool-off period to assess if you truly value the item or if it was just a dopamine lure.
3. **Decide:** After 30 days, if you still want it and can afford the full cost up front, go for it.

***Consolidated Credit can help you budget, too!*** Free online worksheets, calculators, courses and webinars guide you through goal setting, expense tracking, and building an emergency fund.

By mastering these smart-spending habits with free tools and a clear, written budget, you'll be ready to use BNPL responsibly.



## BNPL: “Buy” the Numbers

### BNPL Loan Volume Trends

As BNPL services gain popularity worldwide, both the total volume of loans and the average amount per user have shifted dramatically, reflecting wider adoption and more varied uses.

## Year      Global BNPL volume (USD)

2030\*      \$911.8 billion (projected)



2025\*      \$560.1 billion (projected)



2024      \$492.8 billion



2023      \$309.2 billion



2022      \$214 billion



2021      \$120 billion



2020      \$60 billion

Sources: [www.demandsage.com](http://www.demandsage.com), [www.statista.com](http://www.statista.com), [www.globenewswire.com](http://www.globenewswire.com)

### Average Loan Size per User

According to Morgan Stanley research, the average BNPL loan has declined from \$760 in 2020 to \$372 in 2025, indicating a shift toward smaller, more frequent transactions as BNPL moves into everyday essentials.

Over the next few years, BNPL adoption will likely expand into education, car sales, healthcare, and travel. Companies will continue to form partnerships with these services, leading to market growth across the globe.



## Policy Landscape & Consumer Protections

The Consumer Financial Protection Bureau (CFPB) — a U.S. government agency responsible for protecting consumers in the financial marketplace — has begun applying existing credit-law guardrails to BNPL products.

### CFPB Guidance to Date

- **Interpretive rule:** Treats “pay-in-four” BNPL loans accessed through digital user accounts as closed-end charge cards. That means under Regulation Z, these companies would need to comply with the Truth in Lending Act.
- **Product FAQs:** The CFPB’s Compliance Aid clarifies how sections of Regulation Z apply, reinforcing billing-statement, dispute, and refund rights for BNPL users while also signaling future steps toward greater transparency and reporting.
- **Standardized protections:** As of May 2024, BNPL customers gained the right to file billing disputes and pause payments during investigations, matching credit-card safeguards for returned merchandise and unauthorized charges.

### Pending & Proposed Actions

- **Regulation Z reversal talk:** The CFPB is reportedly considering rolling back certain BNPL provisions on dispute handling and billing statement requirements, saying “it will not prioritize enforcement actions” as of yet.
- **Future credit reporting:** The CFPB has signaled interest in requiring both positive and negative BNPL payment data be furnished to credit bureaus.

By staying informed on these evolving rules, consumers can better understand their rights and make BNPL work for them, not against them.

## Building a Future Ready Money Mindset

### Building a Future-Ready Money Mindset

Even as BNPL regulation and transparency becomes more common, the potential for racking up debt while using installment loans remains. The need for solid emergency savings and retirement planning has never been greater.

Splitting today's purchases into bite-sized payments can feel manageable, but without a safety net, one unexpected expense can wreck your budget.

**Pro Tip:** Treat your emergency fund like a non-negotiable expense. When you automate savings first, you give yourself the freedom to use credit wisely, not out of necessity.

### Why Emergency Funds Matter More Than Ever

- **Buffer against BNPL overuse** — A \$1,000 emergency fund can cover “surprise” costs like car repairs, medical bills, or that rent shortfall so you're not turning to BNPL as a bridge to your next paycheck.
- **Peace of mind** — Knowing you have reserves reduces impulse reactions to ads or social-media “Shop Now” tags and keeps you focused on long-term goals.



*"A dollar saved today is a dollar working for you tomorrow," notes April Lewis-Parks, Director of Financial Education at Consolidated Credit. "By balancing short-term cushions with long-term investments, you build real financial resilience."*



## Retirement Planning: Don't Delay

**Even small contributions add up:** Starting at age 25 with a \$50 monthly deposit into a retirement account earning 6% can grow to over \$125,000 by age 65 — proof that time and consistency are your greatest assets.

## Road to Money Management: An Essential Map

### From Debt-Stressed to Debt-Free

#### Timeline & Milestones



#### 1. Now: Assess Your Situation

- List all debts (credit cards + BNPL plans) and monthly expenses.

#### 2. Month 1–3: Build a \$500 Starter Fund

- Automate \$50–\$100 transfers each paycheck.
- Pause non-essential BNPL purchases.



### 3. Month 4–12: Grow to a 3-Month Safety Net

- Increase savings by reallocating BNPL discretionary spending.
- Use budgeting apps to track progress.

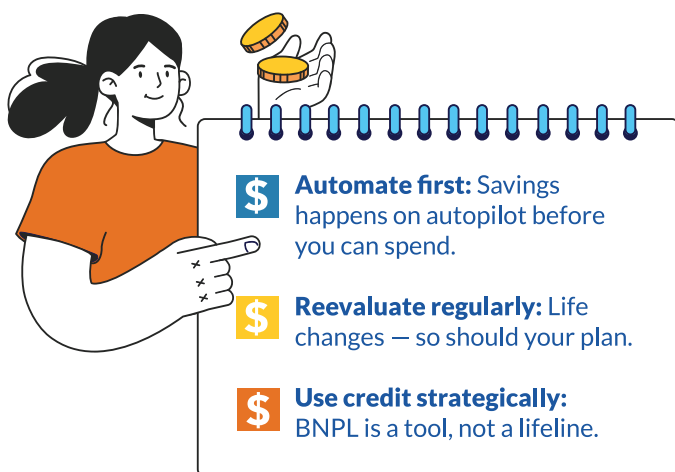
### 4. Year 2–5: Tackle High-Interest Debt

- Funnel extra cash to credit-card balances or BNPL plans with penalties.
- Consider a Debt Management Program if needed.

### 5. Year 5+: Focus on Retirement & Wealth Building

- Aim for 10–15% of income into 401(k)/IRA.
- Review and rebalance annually.

## Do this to stay on track...



## Resources & Next Steps

### Additional Resources

It's never too early — or too late — to empower your financial journey. Start right here with these vetted tools and guides:

- **Consumer Financial Protection Bureau (CFPB):** Information on credit, loans, debt collection, and more. Visit the CFPB's main site for consumer tools and education at [ConsumerFinance.gov](https://consumerfinance.gov).
- **Consolidated Credit Financial Education Center:** Free articles, videos, and calculators on budgeting, saving, and credit building. Browse topics and grab worksheets at [consolidatedcredit.org/financial-education](https://consolidatedcredit.org/financial-education).
- **Debt Management Program:** Learn proven strategies to tackle credit card and BNPL balances with our debt relief programs. Our certified credit counselors can see if you qualify for a Debt Management Plan (DMP) or other debt relief options.

## Next Steps

1. **Scan & Save:** Give this QR code a spot on your fridge or in your wallet for instant access.



2. **Set a calendar reminder:** Block time weekly to explore one resource.
3. **Join a webinar:** Sign up for our live sessions on budgeting, debt payoff, and credit-building.

*With these trusted resources at your fingertips, you'll have the knowledge and tools to make informed BNPL decisions.*



# You can be **debt free**

***There is help waiting for you now:***

- *Reduce or eliminate interest charges*
- *Consolidate credit card bills into one lower monthly payment*
- *Pay off your debt in half the time*
- *Save thousands of dollars*

**Call 1-800-210-3481**



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