

December 18, 2023

The Honorable Rohit Chopra  
Director  
Consumer Financial Protection Bureau  
1700 G St. NW  
Washington, DC 20552

Dear Director Chopra:

At the Senate Banking Committee's semi-annual Consumer Financial Protection Bureau (CFPB) oversight hearing last month, you noted that you were monitoring "buy now, pay later" (BNPL) products. We urge you to continue focusing on this increasingly popular form of consumer credit and use the full range of your authority to ensure that it is not used to prey upon consumers. While BNPL might provide some consumers with helpful flexibility, it also presents new risks that the CFPB should continue to monitor and guard against, especially in light of the significant increase in the use of BNPL during the holiday season.

A typical BNPL loan allows a consumer to split the cost of a purchase across four installments, repayable every two weeks. BNPL is typically used for online purchases in the range of \$50 to \$1,000. If all goes well for the consumer and they can meet all installments, BNPL usually incurs no interest and no fees. However, BNPL may be structured to encourage consumers to purchase more and take on more debt. Unfortunately, consumers can overextend their finances in a short period of time, making the BNPL debt unmanageable.<sup>1</sup>

This year, as the holiday season progresses, the use of BNPL has surged. In November 2023, consumers used BNPL credit to spend \$8.3 billion online, an increase of 17 percent from the same period in 2022.<sup>2</sup> At the same time, reports indicate that American households savings are down and many of them are struggling to repay elevated credit card, auto, and other debts.<sup>3</sup> The increased use of BNPL and the debt burden being carried

<sup>1</sup> <https://www.consumerfinance.gov/about-us/newsroom/cfpb-study-details-the-rapid-growth-of-buy-now-pay-later-lending/>

<sup>2</sup> <https://news.adobe.com/news/news-details/2023/Media-Alert-Adobe-Cyber-Monday-Surges-to-12.4-Billion-in-Online-Spending-Breaking-E-Commerce-Record/default.aspx>

<sup>3</sup> <https://www.newyorkfed.org/newsevents/news/research/2023/20231107#;>

<https://libertystreeteconomics.newyorkfed.org/2023/11/credit-card-delinquencies-continue-to-rise-who-is-missing->

by the typical holiday BNPL customer make it all the more important that consumers are protected during the holiday season, whether they finance their holiday shopping using a credit card or BNPL loan.

These trends should make us cautious about BNPL use. Research suggests that BNPL tends to be used among people with lower incomes, lower credit scores, and higher rates of delinquency on other debt.<sup>4</sup> These are Americans who can least afford the potentially harmful aspects of BNPL, such as forced autopay, shoddy dispute resolution practices, negative information in their credit reports, and late fees.<sup>5</sup> The CFPB must ensure that BNPL does not become a method to take advantage of struggling consumers.

We are concerned that, after the holiday season is over and the bill comes due, consumers will continue struggling with BNPL products. I appreciate your longstanding attentiveness to this issue, and I urge you to use your full regulatory and supervisory authority to protect Americans against any potential harms.

Sincerely,



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Sherrod Brown  
Chairman  
Senate Committee on  
Banking, Housing, and Urban  
Affairs



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John Fetterman  
United States Senator

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[payments/](https://libertystreeteconomics.newyorkfed.org/2023/02/younger-borrowers-are-struggling-with-credit-card-and-auto-loan-payments/); <https://libertystreeteconomics.newyorkfed.org/2023/02/younger-borrowers-are-struggling-with-credit-card-and-auto-loan-payments/>; <https://www.ft.com/content/19128b12-4584-46a1-b464-39e2db19c8f3>

<sup>4</sup> <https://libertystreeteconomics.newyorkfed.org/2023/09/who-uses-buy-now-pay-later/>

<sup>5</sup> [https://files.consumerfinance.gov/f/documents/cfpb\\_buy-now-pay-later-market-trends-consumer-impacts\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf)

R. Warnock

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Raphael Warnock  
United States Senator