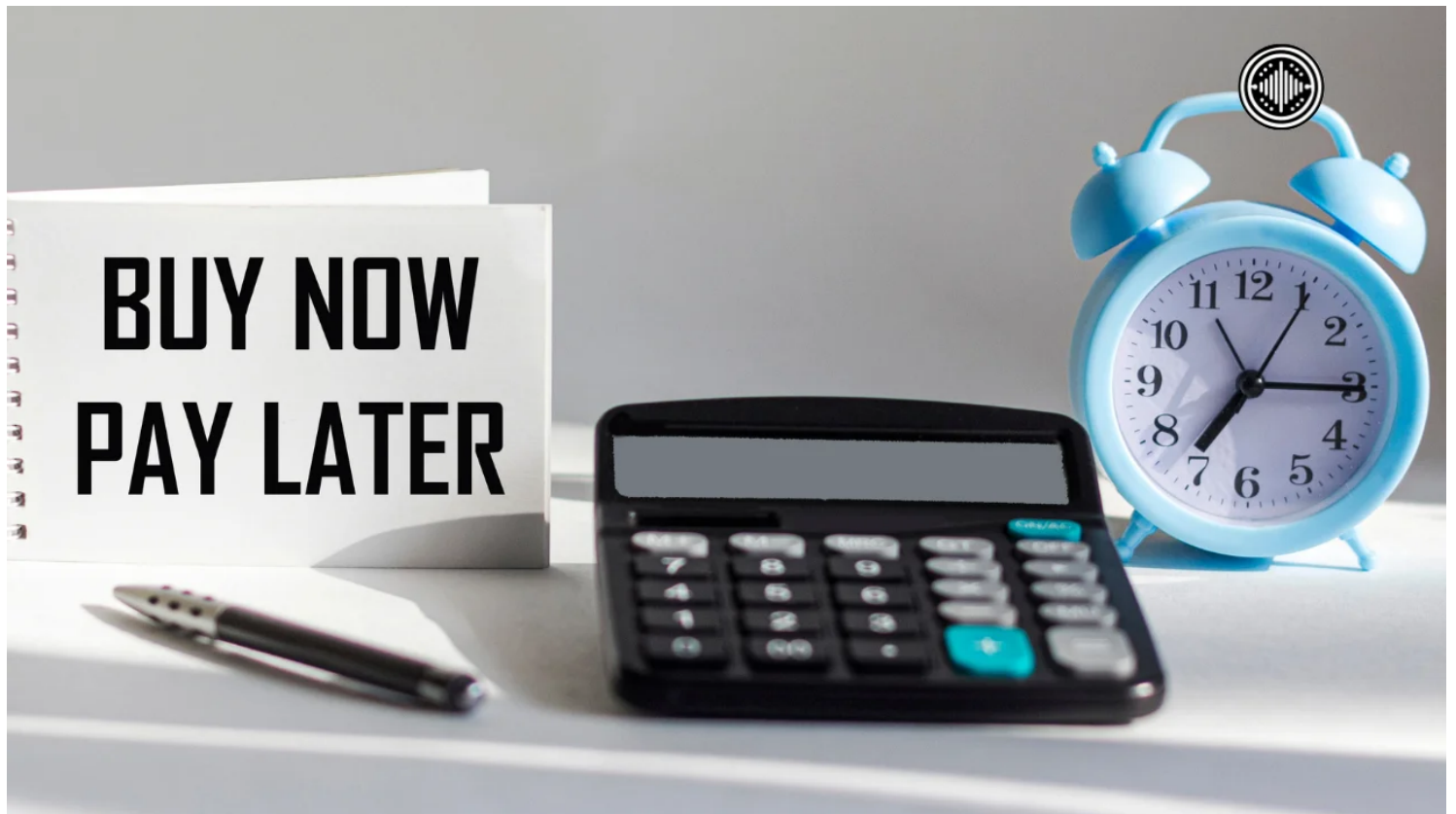


New Lending Rules Could Bar Some Shoppers from ‘Buy Now, Pay Later’ Services

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The UK government is pressing ahead with long-awaited reforms to regulate the rapidly growing “Buy Now, Pay Later” (BNPL) market, introducing mandatory affordability checks that are expected to block access for certain consumers. The changes aim to bring the sector under the supervision of the Financial Conduct Authority (FCA), while critics warn of potential overreach and unintended exclusion.

Starting in mid-2026, all BNPL lenders, including major players like Klarna and Clearpay, will be required to conduct proportionate affordability assessments for each agreement, including loans under £50. The Financial Conduct Authority will oversee these checks, which are intended to prevent consumers from accumulating unaffordable debt through multiple small loans. As part of the reforms, customers will gain protections under the Consumer Credit Act, including access to the Financial Ombudsman Service. However, Section 75 rights will not automatically apply to BNPL purchases because most BNPL agreements are not directly between the consumer and the supplier.

While the intention is to shield vulnerable consumers, especially younger shoppers and those in lower-income households, the measures are expected to result in some users being turned away at checkout. According to the FCA, nearly half of all BNPL agreements fall under the £50 threshold, meaning the majority of purchases will be affected.

Supporters of the move argue that it introduces long-overdue safeguards to a sector that has operated with minimal oversight. Vikki Brownridge, chief executive of the debt charity StepChange, welcomed the announcement, stating, “Proper regulation of BNPL is essential to ensure people aren’t pushed into unmanageable debt.” Proponents believe the rules will also enhance transparency and reduce hidden fees that often catch consumers unaware.

However, industry voices and center-right commentators have raised concerns about the practical impact. Some warn that the checks may create unnecessary friction in online shopping and push consumers toward more expensive credit products. BNPL firms have voiced

apprehension about the administrative burden and the risk of penalizing responsible borrowers.

From a fiscal and regulatory standpoint, the reforms appear to strike a cautious balance between consumer protection and market efficiency. They send a signal that while personal financial responsibility is paramount, businesses must also operate with transparency and accountability. However, the government, particularly under the current Labour leadership, should be careful not to suffocate innovation in its attempt to regulate.

Ultimately, the success of these changes will depend on how proportionately they are implemented. If done well, they could help stabilize consumer credit without penalizing those who use it wisely.