

Call for Evidence – All-Party Parliamentary Group on Financial Resilience

4 February 2022

Dear Members of the APPG on Financial Resilience,

We support your inquiry into the impact of Covid-19 and welcome the opportunity to respond to the call for evidence.

Clearpay is a leading Buy Now Pay Later (BNPL) provider that is transforming the way we pay by allowing customers to receive products immediately and pay in four instalments over six weeks, always interest free. Our business model is the reverse of traditional credit - we generate revenue through merchant fees rather than consumers. According to a report by Accenture, Clearpay helped customers save up to £28 million in credit card fees and generated £1 billion in total revenue for UK merchants last year.¹

We recognise that the Covid-19 pandemic was a unique and once in a generation moment which put many households in the UK under enormous financial pressure and tested their financial resilience. But this was not the full story, as our research shows that there was a significant reduction in outstanding debt during this time as consumers used funds that would have typically been used to pay for foreign holidays, recreation or transport to pay down debt. This follows pre-pandemic trends of credit card debt falling as consumers are becoming more debt conscious.²

With new payment technologies such as Clearpay, consumers are able to spread the cost of purchases without interest which helps provide greater spending, budgeting and borrowing flexibility than traditional forms of credit. As a result, consumers become more financially resilient and are able to safely manage the costs of an unexpected car repair or a new boiler.

Clearpay relies on payments being made on time and 94% of our customers in the UK pay within 6 weeks. We recognise that everyone's ability to pay back at times can differ and can be down to circumstances outside of their control, which is why we offer a suite of user protections and safeguards such as low indicative spending limits, targeted customer communications and payments pauses to prevent anyone from experiencing financial harm. We will never enforce the debt through debt collection agencies. Only when customers can prove they can pay back, we will gradually increase their indicative limits and we reward positive and early repayment behaviour.

It is important that consumers have as much choice as possible when it comes to financial products and avoid high-interest credit where possible to improve their financial resilience. This is particularly important when we consider increasing inflation and the rising cost of living in the UK.

¹ [Clearpay Economic Impact Report: 2021](#)

² Outstanding balances grew 5% between 2017 and 2018 vs 1% between 2018 and 2019

Earlier this month the Government closed its consultation into the future regulation of BNPL. We want to work constructively with HM Treasury throughout this process and we have called for:

- A bespoke approach to regulation that achieves the right balance of consumer protections whilst allowing the FinTech sector to continue to thrive and innovate.
- A dynamic and digital approach to affordability assessment, that reinforces responsible lending practices, recognises inbuilt consumer protections, and helps customers to use positive repayment behaviour to benefit their credit scores.
- Pragmatic and outcomes-based rules for customer communications and treating of those in financial difficulty that accounts for the nature of the product and the way that consumers interact with it.
- Additional consumer protections such as Section 75 cover for purchases and access to the Financial Ombudsman Service.

We would welcome the opportunity to meet with the APPG and provide further evidence where necessary to support your inquiry.

Yours sincerely



Iana Vidal
Director of Public Policy and Regulatory Affairs, Clearpay