

How “Buy, Now Pay Later” Uses Open Banking

Recent popularity of this service can be attributed to the worldwide economic disruption that happened in 2020, causing online shopping to become the norm.

UNITED KINGDOM, June 29, 2021 /EINPresswire.com/ -- “Buy Now, Pay Later”, or BNPL, has become increasingly integrated in the checkout process for online retailers, with one fifth of European retailers currently offering BNPL services (Business Wire, 2021). The industry revenue is forecast to grow 9.8% annually over the next four years to more than \$1 billion (Yeoh, 2020). Recent popularity of this service can be attributed to the worldwide economic disruption that happened in 2020, causing online shopping to become the norm (Business Wire, 2021).



Nordigen

BNPL is Changing

Many existing financial players, such as Paypal, have entered the BNPL market and BNPL doesn't just concern retail anymore. New and emerging fintech companies are looking to apply the lending model of BNPL to other sectors, such as health care, travel and rent (Nguyen, 2021). BNPL is entering into essential services and markets with the aim to alleviate financial burdens for people who are facing emergency healthcare payments or unable to pay rent (The Financial Technology Report, 2021).

What is Open Banking?

Open banking is a banking practice that securely shares financial information, such as consumer banking transactions and other financial data, to third-party financial service providers (Estevez, 2020). Sharing data is done through the use of application programming interfaces (APIs) and only with the consent of customers (The Balance, 2020). Open banking is the driver behind both

innovation and competition in the financial industry (Cahill, n.d.).

Why Does BNPL Use Open Banking?

BNPL is all about ensuring high purchase conversion rates, while also reducing the number of steps that customers need to take to get what they want.

Open banking helps keep high conversion rates while gaining information about loan applicants - enabling lending decisions to be both fast and accurate. Additionally, open banking allows for quick credit checks to be performed by avoiding the need to connect to traditional credit bureaus.

Some BNPL Companies You Should Know About

Klarna is a Swedish fintech company that provides e-commerce payment solutions and was an early user of open banking. Their app allows people to shop online and pay later in four interest-free installments, or within 30 days. Klarna uses open banking to perform soft credit checks that inform lending decisions.

In 2013, Klarna acquired a German open banking platform, Sofort, and expanded their network to 14 countries and 43,000 merchants (Cutler, 2013). Currently, they are working on their own open banking platform that currently supports 24 countries in Europe and offers account insights (Klarna, 2021).

ViaBill is a Danish company that offers payment solutions and operates in Denmark, Norway, the USA and Spain. Their app allows people to shop online and pay later in four interest-free installments. ViaBill uses open banking to conduct credit assessments in accordance with applicable rules and uses these assessments to make lending decisions.

Butter is a British company that offers not just “buy now, pay later” for retail purchases but also “fly now, pay later” for airline payments. Their app allows customers to buy online and pay later over two, three, or four monthly payments. Butter uses open banking to perform soft credit checks that inform credit decisioning.

What's to Come?

Worldwide, local payment authorities are raising concerns about the current regulations regarding the BNPL industry. The practice tends not to fit the definition of traditional loans that require interest rate payments, resulting in special regulatory requirements (Research and Markets, 2021). Also, there have been concerns regarding consumer defaults and overspend as well as lack of transparency about the BNPL service conditions (Research and Markets, 2021). In Europe, the Commission has tackled this problem by updating the current consumer credit agreement to include BNPL and, in the UK, the financial conduct authority is to introduce new regulations this year (Research and Markets, 2021). The regulatory changes may affect how BNPL operates, but they are essential to ensure safety of consumers and ethics practices of the companies.

Article prepared by [Nordigen.com](https://www.nordigen.com)

References

The Balance. (2020, October 11). What Open Banking Is and How It Will Affect You.
Business Wire. (2021, May 4). Europe Buy Now Pay Later Industry and Trends Report 2021 - European Market Provides New Perspectives for BNPL Service Providers - ResearchAndMarkets.com. Business Wire.
Cahill, H. (n.d.). InvoiceFair. The Evolution of Open Banking: Connectivity breeds digital competition.
Cutler, K.-M. (2013, December 2). Klarna Acquires Germany's Sofort For \$150M To Build A Formidable European Payment Network. TechCrunch.
Estevez, E. (2020, August 27). Open Banking. Investopedia.
The Financial Technology Report. (2021, May 28). Can Buy Now Pay Later Provide Relief To The Housing And Healthcare Spaces? The Financial Technology Report.
Klarna. (2021, March 3). Klarna expands Open Banking solution to 8 more European markets. Klarna.
Nguyen, T. (2021, May 11). Thanks to Afterpay and Klarna, it's easier than ever to buy in installments. Now, the model is coming for necessities. Vox.
Research and Markets. (2021). Europe Buy Now Pay Later Industry and Trends 2021. Research and Markets.
Yeoh, Y. (2020, July 13). Buy Now Pay Later: A New Retail Dynamic Has Everyone's Attention. IBIS World. Buy Now Pay Later: A New Retail Dynamic Has Everyone's Attention

Jānis Neilands
SIA "Nordigen Solutions"
+371 26 627 004
info@nordigen.com

Visit us on social media:

[Facebook](#)

[Twitter](#)

[LinkedIn](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/545047557>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2021 IPD Group, Inc. All Right Reserved.