

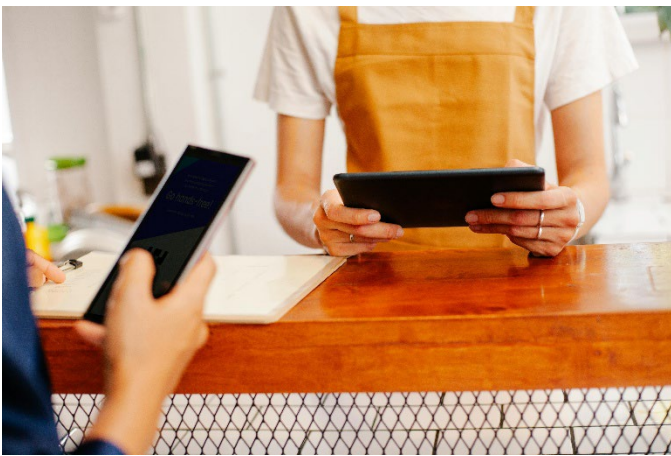


Extension

UNIVERSITY OF WISCONSIN-MADISON

What to Know About Buy Now, Pay Later Loans

For many years, if a person didn't have enough money or didn't want to use their money to buy an item or service, their options were to delay the purchase, borrow money through a bank or credit union, or use a credit card. Since 2019, 'Buy Now, Pay Later' (BNPL) loans have become a popular new option for shoppers.



BNPL loans allow you to split a purchase into smaller payments, usually four or fewer, often with a down payment due at checkout. The application process is quick, involving submission of relatively little information from you, and the loan often comes with no interest.

Unlike credit cards and bank loans, many BNPL loan companies don't complete a detailed review of your credit profile before approving a loan. Also, generally, BNPL companies don't report loan payment history to credit bureaus such as TransUnion, Equifax, or Experian. As a result, repayment of BNPL loans doesn't usually appear on credit reports or impact credit scores.

BNPL loans can give consumers more flexibility for purchases they make, but they can also lead to financial troubles. Before using a BNPL loan, you should know:

- BNPL loans can charge interest or fees. Late payments can result in fee charges. Also, large loans (ex: over \$10,000) and loans with longer repayment periods (ex: 1+ years) charge interest.
- BNPL borrowers are more likely to have higher balances on other credit accounts ([CFPB, 2025](#)). Using BNPL loans can lead to overspending. A [Harvard University study](#) found that BNPL borrowers spent 10% more after using BNPL than they did before using BNPL. If you overspend, then you may not be able to pay your bills on time and in full, which can lead to carrying more debt.
- If you use multiple BNPL companies or loans (called 'loan stacking'), it could be difficult to keep track of your payment dates and amounts.
- In some situations, BNPL loans may not offer consumer protections that you get with other payment methods. For example, a BNPL company could require repayment even if you don't get what you paid for or if you return a purchase.



Before using a BNPL loan, it may help if you know all your borrowing options and their costs. Options could include borrowing money from a friend, bank or credit union, or using a credit card.

You can talk about these options, and other financial topics, with your county's financial educator. Visit <https://counties.extension.wisc.edu/> for more information.