How to spot a "buy now, pay later" shopper

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Executive summary

Buy now, pay later (BNPL) is a product that offers interest-free, short-term loans to spread the payment for retail goods. The Financial Conduct Authority (FCA) has received recommendations that BNPL should be brought within its scope of regulation and is considering how best to do so. One useful contribution to the evidence base informing this process would be a detailed and accurate profile of the number and type of consumers who have used the product. This report presents such a profile.

Previous work in this area consists mainly of snapshots from online panel surveys on behalf of consumer rights bodies and comparison websites. The rigour of these investigations was limited by:

- the difficulty of distinguishing a BNPL product from other forms of credit or deferred payment in the mind of an online survey panellist answering a small number of survey questions;

- a lack of information on the importance of different characteristics of shoppers in explaining their use or non-use of BNPL, and on how survey responses can be weighted to be representative with regard to the most important of these characteristics;

- for the majority of the investigations, their limited sample sizes (commonly 2,000 respondents) from single waves of panel surveys.

To address these issues, late last year Which? commissioned Opinium Research to carry out a large, bespoke survey about experiences of BNPL. In the research design, care was taken to define BNPL clearly and to distinguish it from other categories of retail credit. Consumer demographics, attitudes and behaviours that had been suggested by prior research to be relevant were probed and recorded. Finally, an extended fieldwork period during December 2020 and January 2021 allowed responses from a nationally representative sample of over 15,000 adults to be secured.

Analysis of the results indicates that, all else equal, the strongest indicators in the survey data of a consumer ever having used BNPL are as follows.

- shoppers were **more** likely to have used BNPL if they:
    - had dependent children in the household;
    - earned a higher income;
    - reported having missed repayments on other (non-BNPL) credit products;
    - had experienced recent, stressful life events.
- they were **less** likely to have used it if they:
    - were older;
    - had retired from work;
    - were educated to A level qualification standard or higher.

The relatively few young respondents who reported being strongly affected by visual or memory impairments were also **more** likely to have used BNPL.

As in previous investigations, the survey responses were initially weighted by Opinium Research to be nationally representative by gender, age and region. To improve the estimation of the incidence of BNPL users, the data was re-weighted as part of the analysis to be better representative of the UK adult population by age, having dependent children, the respondent's highest education qualification, whether the respondent had retired and their household income. This re-weighting had a modest impact on the central estimate of the proportion of UK consumers who had ever used BNPL, which rose from 31 per cent to 33 per cent.

A demographic profile of these BNPL-using survey respondents, to inform quotas for sampling them effectively in future quantitative research, is documented in this report.

Introduction

BNPL is a product that offers interest-free, short-term loans to spread the payment for retail goods.

The FCA has received recommendations from a review of unsecured credit that BNPL should be brought within its scope of regulation and the regulator is considering if, and how best, to do so.[1] Toward the end of the review, Which? decided to prepare a detailed and accurate profile of the number and type of consumers who have used BNPL, to contribute to the evidence base informing any regulation. The analysis set out here is the result.

Previous research into BNPL

Several articles and reports have been published in recent months that included estimates of the proportions of consumers who have used BNPL and summarising their demographic characteristics. Three published examples are summarised below. Yonder (a research agency previously known as Populus) also carried out a preliminary (unpublished) panel survey on behalf of Which?, which is recorded here too.

Onepoll for Finder

Financial service comparison site Finder commissioned Onepoll to carry out a nationally representative survey of adults aged 18+.[2] A total of 2,000 people responded, against quotas set for gender, age and region within Great Britain. The results were published in October 2020.

The results suggested that 37 per cent of consumers had ever used BNPL. Younger shoppers (39 years or less) were most likely to have used the product, and men were more likely to have done so than women.

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[1] Chris Woolard (2021). The Woolard Review - A review of change and innovation in the unsecured credit market. 2 Feb 2021. Financial Conduct Authority, London. URL www.fca.org.uk/publication/corporate/woolard-review-report.pdf.

[2] Georgia-Rose Johnson (2020). Buy now pay later (BNPL) statistics | 2020. 8 Oct 2020. Finder. URL www.finder.com/uk/buy-now-pay-later-statistics. Accessed 17 Dec 2020. The precise fieldwork dates were not disclosed.

Research commissioned for money.co.uk

Comparison website money.co.uk commissioned a survey of 2,016 adults.[3] Limited details about the research method have been disclosed and there are some inconsistencies in the article reporting the findings.

The article suggests the researchers found that at least 49 per cent of adults had ever used BNPL;[4] those aged between 25 and 34 years old were most likely to have done so.

YouGov for Capital Economics

In preparing an assessment of the BNPL market for Klarna, Capital Economics commissioned a consumer survey from YouGov.[5] The fieldwork took place in January 2021 and achieved a nationally representative sample of 6,305 adults, the largest of the previous research projects noted here.

The economists estimated that 32 per cent of consumers in Great Britain had ever used BNPL.

Yonder for Which?

An online panel survey was conducted by Yonder on behalf of Which? in December 2020.[6] A nationally representative sample of 2,089 panellists responded.

The researchers estimated that 29 per cent of UK consumers had ever used BNPL. The results tables provide weak evidence that consumers in mid-life (aged 25 to 54 years) were more likely to have used the product, but found no differences between men and women.

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[3] Salman Haqqi (2020). Shop Now, Stress Later: Are millennials living through 'generation debt trap'? 27 Aug 2020. money.co.uk. URL www.money.co.uk/guides/generation-debt-trap. Accessed 17 Dec 2020. The research agency that carried out the fieldwork is not disclosed.

[4] The figure of 49% does not appear in the article. It has been estimated by averaging the proportions from each age category from the first chart, weighting them by the UK population of adults in each group. While the sample is described as a "Survey of 2,016 UK respondents aged 18-55", the chart includes a 55+ category. This is (just) numerically possible, but it seems more likely that the description of the sample is incorrect. There remains some uncertainty about the extent of the 55+ category, hence the estimate is presented here as "at least 49%".

[5] Grant Colquhoun et al. (2021). Buy Now, Pay Later (BNPL) and the new economic landscape. Mar 2021. Capital Economics. URL www.klarna.com/uk/bnpl-and-the-new-economic-landscape. Accessed 19 Mar 2021.

[6] Which?. (2020). Unpublished tables. Fieldwork conducted by Yonder 9 and 10 Dec 2020. Further information on the panel used is available at yonderconsulting.com/omnibus.

Limitations of the previous research

The previous work consists mainly of snapshots from online panel surveys on behalf of consumer rights bodies and financial service comparison websites. The rigour of each of these investigations was limited by one or more of the following factors:

- the difficulty of distinguishing a BNPL product from other forms of credit or deferred payment in the mind of an online survey panellist answering a small number of survey questions;

- a lack of information on the importance of different characteristics of shoppers in explaining their use or non-use of BNPL, and on how survey responses can be weighted to be representative with regard to the most important of these characteristics;

- for the majority of the investigations, their limited sample sizes (often about 2,000 respondents) from single waves of panel surveys.

In December 2020 it was agreed that Which? would commission a relatively large profiling survey, with the aim (amongst others) of addressing these limitations and producing robust evidence about consumers' use of BNPL. The results would be made available for the FCA and other interested stakeholders to draw upon.

Objectives of this analysis

The aims of the analysis reported here were to:

- create from the survey data a demographic profile of those respondents who had ever used BNPL to inform future quantitative research;

- identify which of the demographic characteristics are the strongest indicators that a consumer has ever used a BNPL product;

- explore the effect of re-weighting the survey data to be better representative of UK consumers with regard to these strongest indicators.

The survey dataset could be used to address a range of other issues, but only these three objectives are addressed in this report.

Research design, fieldwork and summary of responses

In December 2020 Which? commissioned Opinium Research to carry out a bespoke survey. In the research design, care was taken to define BNPL clearly and to distinguish it from other categories of retail credit. Consumer demographics, attitudes and behaviours that had been suggested by prior research to be relevant were probed and recorded.

A copy of the full survey questionnaire is attached at Annex A.

In order to achieve a large sample of responses during a period of Covid lockdown restrictions in the UK, an online panel survey method was chosen. An extended fieldwork period during December 2020 and January 2021 allowed responses from a nationally representative sample of 15,008 adults to be secured.

A breakdown of the respondent demographics is set out in the table below.

Who took part in the survey?

All respondents, unweighted response counts and percentages, by demographic

demographic	group	count	percent
use of bnpl	in 2020	1,978	13.2
	prior to 2020	2,719	18.1
	never	10,311	68.7
gender	male	7,186	47.9
	female	7,777	51.8
	(gender not recorded)	45	0.3
age group	18 to 24 yrs	1,155	7.7
	25 to 39 yrs	4,223	28.1
	40 to 54 yrs	3,522	23.5
	55 to 64 yrs	3,050	20.3
	65 yrs or older	3,058	20.4
region	Scotland	1,177	7.8
	North West	1,693	11.3
	North East	643	4.3
	Yorkshire and Humberside	1,245	8.3
	West Midlands	1,349	9.0
	East Midlands	1,119	7.5
	East of England	1,220	8.1
	South East	2,274	15.2
	London	2,004	13.4
	South West	1,240	8.3
	Wales	756	5.0
	Northern Ireland	288	1.9
ethnicity[7]	white	13,010	86.7
	BAME	1,266	8.4
	other	732	4.9
children in household	present	4,030	26.9
education level	GCSEs or no formal quals	4,251	28.3
	A levels or higher	10,633	70.8
	(education not recorded)	124	0.8
working status	employed full-time	6,848	45.6
	employed part-time	1,757	11.7
	self-employed full-time	546	3.6
	self-employed part-time	508	3.4
	retired	2,939	19.6
	(other working status)	2,410	16.1
household income	up to £10K	1,047	7.0
	£10K to £50K	8,742	58.2
	over £50K	3,866	25.8
	(income not recorded)	1,353	9.0
income pattern	some irregular	3,290	21.9

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[7] The broad categories White; Black, Asian and Minority Ethnic (BAME); and Other were found to have little influence upon whether a consumer had used BNPL products or not. The more detailed ethnicity data collected in the survey was therefore not used for this report, but is available for further analysis.

demographic	group	count	percent
vision	affected	170	1.1
hearing	affected	235	1.6
mobility	affected	814	5.4
dexterity	affected	432	2.9
stamina	affected	687	4.6
learning	affected	187	1.2
memory	affected	198	1.3
mental health	affected	748	5.0
social skills	affected	386	2.6
life events reported	at least one	6,002	40.0
access to credit	no or unsure	3,755	25.0
missed non-BNPL repayment	yes, not sure or refused	1,857	12.4
all respondents		**15,008**	

Note: the base for the percentages reported in the table for each demographic variable is all 15,008 respondents.

Where a demographic has just two categories - "affected" and "unaffected" for instance - a row has been included for only the first of them. In categorising respondents with physical health conditions (the table rows from vision to stamina), those who stated both that they had a physical condition and that it affected their day-to-day life "a lot" were classed as "affected". The same approach was taken for the mental health conditions, in the table rows from learning to social skills.

The "life events" that were presented are those in question D9 of the survey questionnaire at Annex A.

Analysis approach

Analysis of the survey data was carried out in three stages.

- the demographics of BNPL users were tabulated to create a user profile;

- a regression model was fitted to the data, explaining BNPL use using the demographic characteristics of the respondents;

- the survey data was re-weighted, better to reflect the consumer characteristics that had been found to have most impact on their likelihood to have used BNPL products.

Result 1: demographic profile of BNPL-using respondents

A demographic profile of the BNPL users in the survey is set out in the table below. Unweighted proportions of respondents are reported, because it cannot be established whether the sub-set of the survey respondents who have used BNPL is quantitatively representative of all consumers who have done so.

What are the BNPL users in the survey like?

All BNPL users responding, unweighted response counts and percentages, by demographic

demographic	group	count	percent
use of bnpl	in 2020	1,978	42.1
	prior to 2020	2,719	57.9
gender	male	2,308	49.3
	female	2,374	50.7
age group	18 to 24 yrs	449	9.6
	25 to 39 yrs	1,715	36.5
	40 to 54 yrs	1,248	26.6
	55 to 64 yrs	748	15.9

demographic	group	count	percent
	65 yrs or older	537	11.4
region	Scotland	367	7.8
	North West	599	12.8
	North East	228	4.9
	Yorkshire and Humberside	374	8.0
	West Midlands	430	9.2
	East Midlands	357	7.6
	East of England	321	6.8
	South East	658	14.0
	London	674	14.3
	South West	357	7.6
	Wales	240	5.1
	Northern Ireland	92	2.0
ethnicity	white	3,928	83.6
	BAME	491	10.5
	other	278	5.9
children in household	present	1,862	39.6
education level	GCSEs or no formal quals	1,279	27.5
	A levels or higher	3,378	72.5
working status	employed full-time	2,583	55.0
	employed part-time	579	12.3
	self-employed full-time	173	3.7
	self-employed part-time	140	3.0
	retired	504	10.7
	(other working status)	718	15.3
household income	up to £10K	250	5.7
	£10K to £50K	2,717	61.8
	over £50K	1,432	32.6
income pattern	some irregular	1,195	25.4
vision	affected	90	1.9
hearing	affected	103	2.2
mobility	affected	263	5.6
dexterity	affected	149	3.2
stamina	affected	232	4.9
learning	affected	90	1.9
memory	affected	97	2.1
mental health	affected	314	6.7
social skills	affected	160	3.4
life events reported	at least one	2,314	49.3
access to credit	no or unsure	1,400	29.8
missed non-BNPL repayment	yes, not sure or refused	1,089	23.2
all BNPL users responding		**4,697**	

Note: in this table, missing responses have been excluded from the bases, in order that the percentages may be used for setting response quotas for future research.
See also the notes below the "All respondents" table on page .

A comparison of the percentages between the profile for "All respondents" and that for "All BNPL users responding" (from the tables above) shows a number of differences.

For instance, only 11 per cent of the BNPL users were 65 years old or more, compared with 20 per cent of the survey respondents. In contrast, 37 per cent of the BNPL users were aged between 25 and 39 years, compared with 28 per cent of the survey respondents. This suggests that the older consumers were relatively unlikely to have used the product, and this accords with evidence from prior qualitative research.

The presence of dependent children in a respondent's household is less simple to interpret. Overall, 40 per cent of those respondents who have used BNPL have kids, compared with 27 per cent of the survey respondents. It is, however, unclear from this simple observation whether having children causes consumers to use BNPL products or whether it simply reflects the age group finding in the previous paragraph. Many respondents who were parents of dependent children were also in the 25-39 years age category.

In order to disentangle these effects, a regression model was fitted to the survey data. Its results are described in the following section.

Result 2: indicators of BNPL use

A logistic regression model was fitted to the survey data using R.[8] A technical description of the model is provided at Annex B. The output was an assessment of which demographic characteristics best explain whether or not a respondent had previously used BNPL, and this is summarised below.

Strongest general indicators

The results indicate that, all else equal, the strongest indicators in the survey data of a consumer ever having used BNPL are as follows.

- shoppers were **more** likely to have used BNPL if they:
    - had dependent children in the household;
    - earned a higher income;
    - reported having missed repayments on other (non-BNPL) credit products;
    - had experienced recent, stressful life events.
- they were **less** likely to have used it if they:
    - were older;
    - had retired from work;
    - were educated to A level qualification standard or higher.

None of the effects reported above from the modelling contradict comparisons between the percentages in the two survey tables ("All respondents" *versus* "All BNPL users responding"). The "all else equal" impacts of increasing income and education are, however, not apparent in those tables.

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[8] R Core Team (2020). R: A language and environment for statistical computing. R Foundation for Statistical Computing, Vienna, Austria. URL www.R-project.org. The regression modelling was carried out using version 4.0.3 of the software.

To get a sense of the size of the impact of the differences, consider as an example the effect of having dependent children in a household. Mr A is a graduate in his thirties, enjoys a household income of over £50,000 and has no children. His school friend Mr B (who lives round the corner) is also a graduate with a similar income, but has teenage daughters living at home. The regression model can be used to estimate the probability that each of them has ever used BNPL, based solely on these characteristics. For childless Mr A, the estimated probability is about 31 per cent; for doting father Mr B, about 43 per cent.

Other consumer characteristics that were tested but found to add little or no information to the model were: gender; ethnicity; and health conditions affecting any of hearing, dexterity, mobility, mental health, stamina or social skills.

Physical and mental health

The regression model indicates that the relatively few respondents who reported being strongly affected by visual or memory impairments were relatively **more** likely to have used BNPL. The proportions of respondents using the product are split by age group and health condition in the two charts below.

Young respondents reporting visual impairments were more likely to have used BNPL

95% confidence intervals around the proportions of respondents who have used BNPL, by age group and whether reported affected by a visual impairment
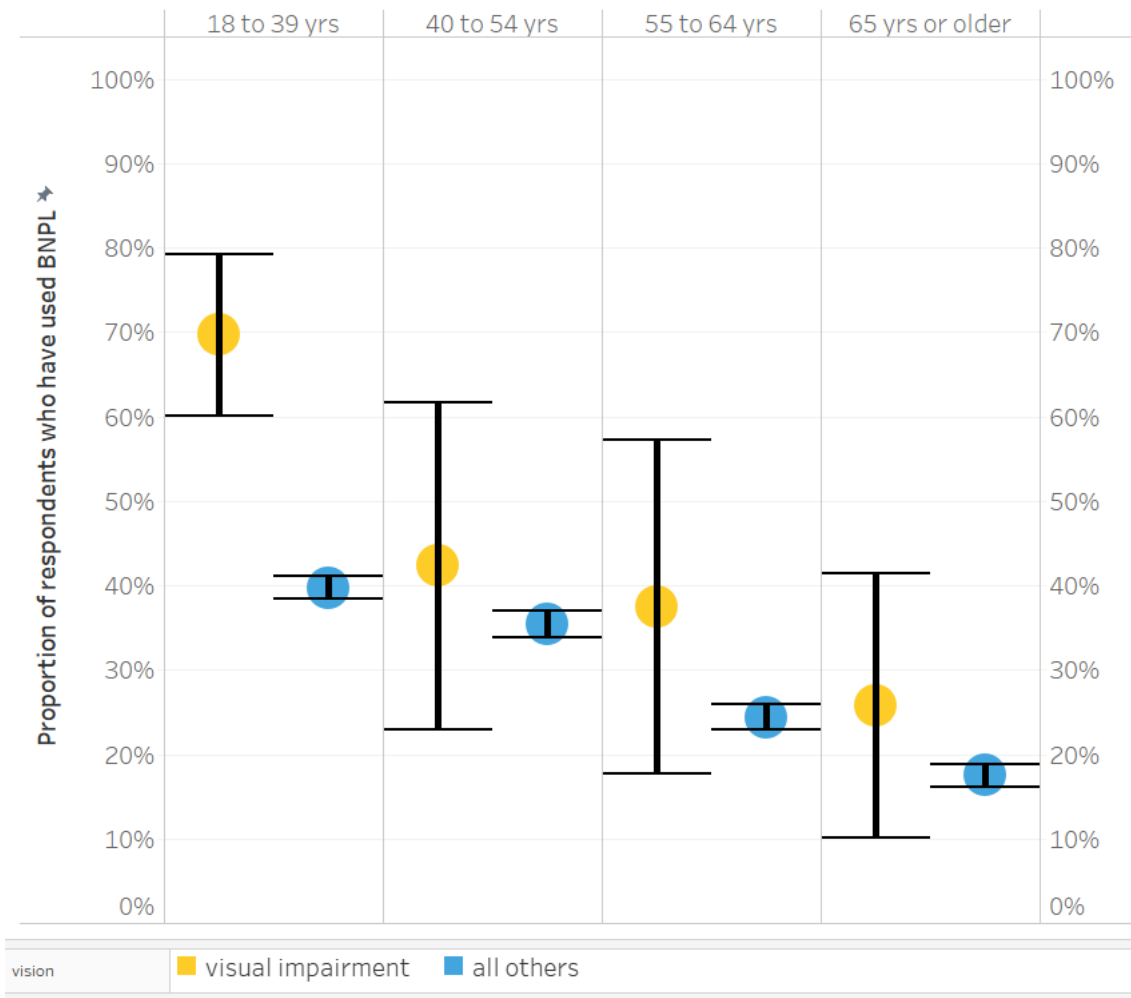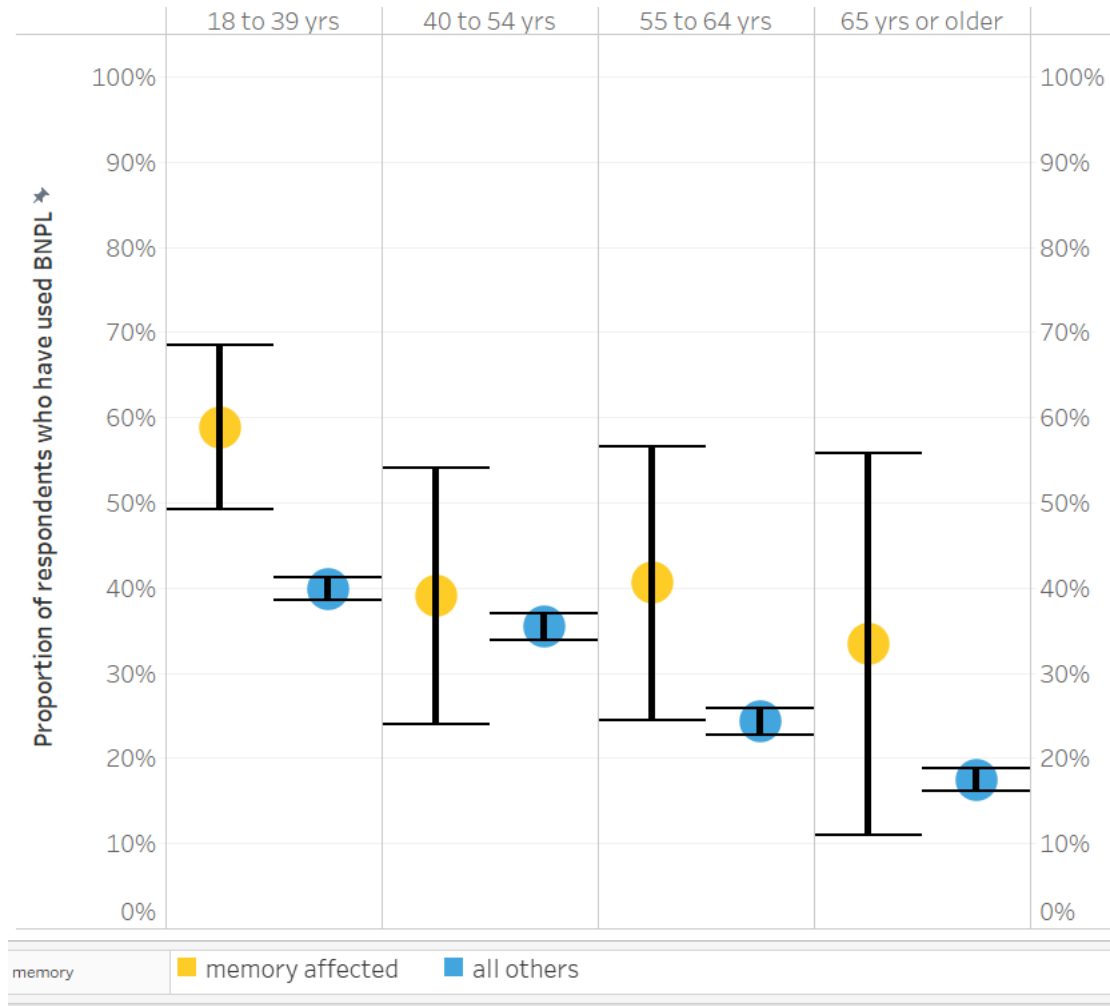

Based on 89 18-39 year olds reporting a visual impairment; 26 40-54 year olds; 24 55-64 year olds; and 31 65 years or older.
The bases for the "all others" (that is, with no reported impairment) statistics are between 3,000 and 5,300 - see the "All respondents" table if detailed figures are required.

The chart shows that, in each and every age group, the proportion of the survey respondents with a visual impairment who had used BNPL was higher than that for those respondents without such an impairment. The difference is largest (and achieves statistical significance despite the small base of 89 respondents) in the youngest age group.

Young respondents reporting health conditions that affect memory were also more likely to have used BNPL

95% confidence intervals around the proportions of respondents who have used BNPL,
by age group and whether reported memory affected by a health condition

Based on 102 18-39 year olds reporting a health condition that affects their memory; 41 40-54 year olds; 37 55-64 year olds;
and 18 65 years or older. The bases for the "all others" (that is, with no reported impairment) statistics are between 3,000 and 5,300 -
see the "All respondents" table if detailed figures are required.

The chart suggests a pattern of BNPL use amongst those respondents who report a health condition that affects memory similar to that seen above for those with a visual impairment, but somewhat less pronounced.

Strong caveats accompany these tentative indications of an effect from physical or mental conditions. The sample sizes for respondents reporting that they were affected by them are small and a general online panel methodology is not designed to secure a representative sample from these minority populations of consumers.

Result 3: effect of re-weighting survey responses

As in previous investigations, the survey responses were initially weighted by Opinium Research to be nationally representative by gender, age and region. To improve the estimation of the incidence of BNPL users, the data was re-weighted as part of the analysis to be better representative of the UK adult population by age, having dependent children, the respondent's highest education qualification, whether the respondent had retired and their household income. The results are shown in the table below alongside corresponding population figures from the 2011 UK Census.

Does re-weighting the results make any difference?

The effect of different weighting schemes on the estimated proportion of BNPL users

demographic	group	un-weighted %	panel-weighted %	re-weighted %	ONS UK population %
age group	18 to 39 yrs	35.8	36.1	36.9	36.3
	40 to 54 yrs	23.5	25.1	26.9	25.2
	55 to 64 yrs	20.3	17.1	16.5	15.2
	65 yrs or older	20.4	21.7	19.7	23.3
children in household	present	26.9	27.0	28.3	29.1
education level	GCSEs/no quals	28.6	29.7	53.5	54.3
	A levels or higher	71.4	70.3	46.5	45.7
working status	retired	19.6	22.3	16.9	13.9
household income	up to 10K	7.7	8.2	3.8	3.6
	10K to 50K	64.0	64.9	68.0	64.6
	over 50K	28.3	26.9	28.1	31.8
use of bnpl	**yes**	**31.3**	**31.1**	**32.7**	**n/a**

Note: For the education level and household income demographics, the survey included "rather not say" opt-out responses. In order to make the different percentages estimated from the survey more readily comparable with population estimates from the Office of National Statistics (ONS), these opt-out responses have been redistributed amongst the other categories in proportion to the number of responses in each category. A table with unadjusted percentages is available at Annex C.

The base for the un-weighted percentages is "All respondents" (15,008). Effective sample sizes for the percentages based on weighted data have not been included in this report but are available in the Opinium Research tables - see Further information on page .

The bottom row of the table shows that re-weighting had a modest impact on the central estimate of the proportion of UK consumers who had ever used BNPL, which rose from 31 per cent to 33 per cent. This is almost indistinguishable from the central estimate created by YouGov for Capital Economics that was cited earlier (page): YouGov reported that 32 per cent of consumers in Great Britain had ever used BNPL.

Qualitatively speaking, the small increase in the estimated incidence of BNPL use is mainly caused by adjusting the survey sample for education level and retirement. The table shows that the online panel sample had an over-representation of respondents with further or higher education (A levels and beyond) and of retired panellists. The regression modelling has shown that both of these effects are associated with being less likely to have used BNPL products. Down-weighting the views of the retired or better-educated respondents therefore tends to increase the estimate of the prevalence of BNPL use in the population.

Further information

For more details about the research, data and tables that underpin this report, please contact Steve Brown at strategicinsight@which.co.uk.

Annex A: Survey questionnaire

Introduction

This survey is for a consumer rights charity. The aim of this research is to understand how people in the UK pay for things. The charity will use the findings from this research to inform their thinking around consumer protections and to help them champion consumer rights.

The survey should take 10-15 minutes for you to complete. Your responses are completely anonymous.

We understand you may not want to share all the requested information, but please remember all responses you provide will be treated anonymously, in strict confidentiality and in line with the 2018 General Data Protection Regulation (GDPR). Your responses will not be attributable to you as an individual either by Opinium or consumer rights charity. They will be pseudonymised and aggregated to look at trends in the population.

You may withdraw your consent at any time by closing your browser and your responses will not be recorded.

You may also withdraw your consent after completing the survey, by emailing the Opinium support team at gdpr@opinium.com, but any such withdrawal will not affect the legality of processing before such withdrawal.

Thank you for taking the time to take part - we value your input.

Demographics

D1 ASK ALL

SINGLE

What is your gender?

1.   Male

2.   Female

3.   Other

4.   Prefer not to say

D2 ASK ALL

SINGLE

Please state your age

Under 18

18

…

[etc. to 80]

Over 80

D3 ASK ALL

SINGLE

I live in…

1.   North East

2.   North West

3.   Yorkshire & Humberside

4.   East Midlands

5.   West Midlands

6.   East of England

7.   London

8.   South East

9.   South West

10.   Wales

11.   Scotland

12.   Northern Ireland

D4 ASK ALL

SINGLE

Please select the highest level of qualification of academic or professional qualification you have completed.

1.   No formal qualifications

2.   GCSE, Standard Grades or equivalent (e.g. BTEC, S/NVQ level 2)

3.   A Level, Highers or equivalent (e.g. BTEC, S/NVQ level 3)

4.   Certificate of Higher Education or equivalent (e.g. HNC, BTEC, S/NVQ level 4)

5.   Diploma of Higher Education or equiv. (e.g. HND/Foundation Degree, BTEC, S/NVQ level 5)

6.   Undergraduate Degree or equivalent (e.g. BA, BSc)

7.   Postgraduate Cert or Dip

8.   MBA

9.   Other Master's Degree (e.g.MA, MSc, PGCE, PGDE)

10.   Doctoral Degree (e.g. PhD, DBA)

11.   Professional qualifications (e.g. CIMA, ACCA)

12.   Prefer not to say

D5 ASK ALL

SINGLE

Do you think of yourself as a member of any particular ethnic group? If you feel uncomfortable answering this question, please feel free to select 'prefer not to say'' White

1.   English / Welsh / Scottish / Northern Irish / British

2.   Irish

3.   Gypsy or Irish Traveller

4.   Any other White background

Mixed / Multiple ethnic groups

1.   White and Black Caribbean

2.   White and Black African

3.   White and Asian

4.   Any other Mixed / Multiple ethnic background Asian / Asian British

1.   Indian

2.   Pakistani

3.   Bangladeshi

4.   Chinese

5.   Any other Asian background

Black / African / Caribbean / Black British

1.   African

2.   Caribbean

3.   Any other Black/African/Caribbean background Other ethnic group

1.   Arab

2.   Any other ethnic group Additional options

1.   Don't think of myself as any of these

2.   Prefer not to say

D6 ASK ALL

SINGLE

Do you have any dependent children under the age of 16 years living with you?

1.   Yes

2.   No

3.   Prefer not to say

D7 ASK ALL

SINGLE

Do you have any physical or mental health conditions, illnesses or disabilities lasting or expected to last 12 months or more?

1. Yes, I have one or more physical conditions, illnesses or disabilities

2. Yes, I have one or more mental health conditions, illnesses or disabilities

3. Yes, I have both physical and mental health conditions, illnesses or disabilities

4. No

5. Don't know

6. Prefer not to say

D8 ASK THOSE WITH CONDITIONS

SINGLE GRID – ROTATED (OTHER FIXED)

To what extent do your [pipe from D7] impact you in the following areas day-to-day.

ROWS

1. Vision

2. Hearing

3. Mobility

4. Dexterity (e.g. lifting and carrying objects, or using a keyboard)

5. Learning, understanding or concentrating)

6. Memory

7. Mental health

8. Stamina, breathing or fatigue

9. Socially or behaviourally

10. In other ways

COLUMNS

1. Yes, a lot

2. Yes, a little

3. Not at all

4. Prefer not to say

D8B ASK THOSE EFFECTED IN OTHER WAYS (D8.10=1;2)

OPEN END

Please describe in what other ways your [pipe in from D7] impact you.

1. Open end

2.   Prefer not to say

MULTI – ROTATE (ANCHOR LAST TWO OPTIONS)

People sometimes have to deal with very important or difficult events which can impact on their lives, and sometimes on their finances.

Which of the following events have you experienced in the last 12 months? Please select all that apply.

1.   Getting married

2.   Receiving an inheritance

3.   Moving house

4.   New baby

5.   Losing your job/ being made redundant

6.   Reduction in working hours that you didn't want

7.   Being made bankrupt

8.   Relationship breakdown/ separation from your partner

9.   Divorce

10.   Serious accident or illness (myself)

11.   Serious accident or illness of a close family member

12.   Death of a parent

13.   Death of your partner

14.   Death of a child

15.   Becoming the main carer for a close family member

16.   None of these

17.   Don't know

D10 ASK ALL

SINGLE

Which of the following best describes your current working status?

1. Working for an employer(s) full-time (for 30 or more hours per week)

2. Working for an employer(s) part-time (for less than 30 hours per week)

3. Self-employed full-time (for 30 or more hours per week)

4. Self-employed part-time (for less than 30 hours per week)

5. Unemployed and looking for work

6. Unemployed and not looking for work

7. Retired

8. Student

9. Permanently sick/ disabled

10. Temporarily sick (no job to go to)

11. Looking after the home

12. Other not working

D11 ASK THOSE   OVER   55

SINGLE

Do you currently draw a pension?

1. Yes

2. No

D12 ASK ALL

SINGLE

What is your annual pre-tax personal income?

By 'personal income' we mean your total income received from all sources, including wages, bonuses, pension income, benefits or rents and before tax deductions. Your data will be kept confidential and not passed on to any third parties.

1.   Up to £10,000 a year

2.   £10,001 to £20,000 a year

3.   £20,001 to £30,000 a year

4.   £30,001 to £40,000 a year 5. £40,001 to £50,000 a year

6.   £50,001 to £60,000 a year 7. £60,001 to £70,000 a year

8.   £70,001 to £80,000 a year

9.   £80,001 to £90,000 a year

10.   £90,001 to £100,000 a year

11.   Over £100,001 a year

12.   Prefer not to say

D13 ASK ALL

SINGLE

What is your annual pre-tax household   income?

By 'household income' we mean the total income received from all sources, including wages earnt by you, your partner and/or any other earner in the household, bonuses, pension income, benefits or rents and before tax deductions.

Your data will be kept confidential and not passed on to any third parties.

1.   Up to £10,000 a year

2.   £10,001 to £20,000 a year

3.   £20,001 to £30,000 a year

4.   £30,001 to £40,000 a year

5.   £40,001 to £50,000 a year 6. £50,001 to £60,000 a year 7. £60,001 to £70,000 a year

8.   £70,001 to £80,000 a year

9.   £80,001 to £100,000 a year

10.   £100,001 to £120,000 a year

11.   Over £120,001 a year

12.   Prefer not to say

Main questionnaire

Q1 ASK ALL

SINGLE – ROTATE (HOLD LAST OPTION)

Which of the following statements best describes how often income comes into your household.

By income we include any money members of the household receive from paid employment, as well as income from pensions, state benefits or tax credits.

1. My household receives income on a regular basis - Money comes in on the same day of the week/month.
2. My household receives income on an irregular basis - although we expect to receive income we are not always sure when it will arrive
3. My household receives a mix of regular and irregular income
4. Prefer not to say

Q2 ASK ALL

SINGLE

If tomorrow you had to meet a major unexpected expense of about £500, would you be able to pay for this with credit?

1. Yes
2. No
3. Don't know

Q3 ASK ALL

SINGLE

In the last 12 months, have you fallen behind on, or missed, any payments for credit commitments or domestic bills for any 3 or more months?

These 3 months don't necessarily have to be consecutive months.

1. Yes
2. No
3. Don't know
4. Prefer not to say

Q4 ASK ALL

SINGLE

How confident do you feel managing your money?

Please answer on a scale of 0 to 10, where 0 is 'not at all confident' and 10 is 'very confident'.

0 – Not at all confident

...

10 – Very confident

Q5 ASK ALL

SINGLE GRID – ROTATE ROWS

How much do you agree or disagree with the following statements?

ROWS

1.   I never seem to have enough time to get things done

2.   When it comes to taking chances I'd rather be safe than sorry

3.   When it comes to financial services and products, I would consider myself to be a confident and savvy consumer

4.   I feel most financial firms are honest and transparent in the way they treat me

5.   I'd rather think about today than plan for the future

 COLUMNS

1.   Strongly agree

2.   Slightly agree

3.   Neither agree nor disagree

4.   Slightly disagree

5.   Strongly disagree

Q6 ASK ALL

SINGLE GRID – ROTATE 3-7 (WITH 3-4 AND 6-7 SHOW IN ORDER)

Which, if any, of these forms of credit have you used to make a payment in the last 12 months?

ROWS

1. Credit card(s) (This is a card that gives you access to credit you can spend to make purchases at any retailer where cards are accepted, either online or instore) [anchor]

2. Store card(s) (This is like a credit card in that it gives you access to credit. However, you can only use it to make a purchase at a specific shop or chain.) [anchor]

3. Motor finance (This is hire purchase or other credit to acquire a motor vehicle)

4. Hire purchase (HP) (i.e. other than motor finance) (This is where you hire goods with an option to buy, such as a TV or other household goods, rather than buying outright – sometimes referred to as 'rent to own' or 'conditional sale')

5. Catalogue credit (This is a shopping account, allowing you to buy goods on credit on an ongoing basis from a catalogue or mail order company.)

6. Delayed payment plans (This credit is a form of instalment loan. You pay nothing up front and have a 0% interest-free period (usually between 3 and 12 months). . After the interest free period you are charged interest. You can pay off your debt during the interest free period and face no additional charges. Argos and Littlewoods offer these types of delayed payment services.)

7. "Buy Now, Pay Later" credit (This credit lets you buy goods and services interest-free for   a relatively short period of time (usually 30 days) or over a few instalments (typically between 3 and 6). You never pay interest but if you miss a payment you may have to pay a fee. Klarna, Clearpay Laybuy, OpenPay, Flava, and Payl8r are examples of "Buy Now, Pay Later" credit providers)

COLUMNS

1. I have used this in the past 12 months

2. I have used this longer than 12 months ago

3. I have never used this

4. Not sure whether I have used this

Q7 ASK THOSE WHO HAVE USED BNPL (Q6.7=1;2)

SINGLE GRID – ROTATE

Earlier you said that you have used "Buy Now, Pay Later" credit.

As a reminder this type of credit is a form of interest-free credit, paid over a few instalments (typically between 3 and 6). You never pay interest but if you miss a payment you may have to pay a fee.

Which of the following "Buy Now, Pay Later" credit providers have you used? Rows

1.   Klarna

2.   ClearPay

3.   Laybuy

4.   OpenPay

5.   Payl8r

6.   Flava

7.   Other

Columns

1.   I have used this brand in the past 12 months

2.   I have used this brand, but longer than 12 months ago

3.   I have never used this brand

4.   Not sure whether I have used this

Q7A ASK THOSE WHO SELECTED OTHER AT Q7 (Q7.7=1;2)

OPEN ENDS

Which other Buy Now Pay Later services have you used?

Please enter each brand into a different box below, leaving empty boxes if required.

        None – I have used no other Buy Now Pay Later services

Q8_KLARNA ASK THOSE WHO HAVE USED KLARNA IN THE LAST 12 MONTHS (Q7.1=1)

MULTI

Which of the following "Buy Now, Pay Later" products have you used?

Please select all that apply

1. Klarna - Pay in 3 (Spread the cost of your purchase equally over three months. Payments are due at the time of ordering and then 30 and 60 days later.)

2. Klarna - Pay in 30 (Receive an invoice for your full order total with up to 30 days to pay the full amount.)

3. A Klarna product that was not a "Buy Now, Pay Later" product, such as Klarna Financing (Split your payments into monthly instalments that you pay over time. (Requires a full credit check and charges interest: representative APR 18.9%, variable.)

4. I used a Klarna Product but I don't know if it was BNPL.

5. I made a mistake - I've not used a product from this brand in the last 12 months

Q8_PAYL8 R ASK THOSE WHO HAVE USED PAYL8 R IN THE LAST 12 MONTHS (Q7.5=1)

MULTI

Which of the following "Buy Now, Pay Later" products have you used?

Please select all that apply

1. Payl8r - Speedy. Pay 0% interest if you pay us back the total amount within 30 days.

2. Payl8r - Spread. Spread the cost at 0% interest

3. A Payl8r product that was not a "Buy Now, Pay Later" product, such as Payl8r - Split. Split your payments across 3, 6, 9 or 12 months (interest will apply).

4. I used a Payl8r Product but I don't know if it was BNPL.

5. I made a mistake - I've not used a product from this brand in the last 12 months

Q9 ASK THOSE WHO HAVE USED BNPL IN THE LAST 12 MONTHS (Q7.1-7=1)

SINGLE GRID

How frequently have you used a "Buy Now, Pay Later" product for each of the brands you have used in the past 12 months?

ROWS

PIPE THROUGH BRANDS USED IN THE LAST 12 MONTHS (AS PER Q7 & 7A)

COLUMNS

1.   Once only

2.   Every six months

3.   Every three months

4.   Every month

5.   Every week

6.   More than once a week

7.   I made a mistake - I've not used a product from this brand in the last 12 months

Q10 ASK THOSE WHO HAVE USED BNPL IN THE LAST 12 MONTHS (Q7.1-7=1)

SINGLE GRID

Now thinking about each of the "Buy Now, Pay Later" providers you have used, approximately how much do you currently owe to each in total?

If you are unsure, please give your best estimate

ROWS

PIPE THROUGH BRANDS USED IN THE LAST 12 MONTHS (AS PER Q7 & 7A)

COLUMNS

1.   Nothing at present

2.   Up to £49

3.   £50 to £99

4.   £100 to £199

5.   £200 to £299

6.   £300 to £399

7.   £400 or £499

8.   £500 to £749

9.   £750 to £999

10.   £1,000 or more

11.   Don't know

12.   Prefer not to say

Q11 ASK THOSE WHO OWE MORE THAN £500 IN TOTAL

OPEN END

You mentioned you owe more than £500 in total across all "Buy Now, Pay Later" services, can you list the types of products you have purchased e.g. clothes, electronics, sports equipment?

Please note you do not need to go into detail about each of the products e.g. brand or makes

OPEN END

Q12 ASK THOSE WHO HAVE USED BNPL IN THE LAST 12 MONTHS (Q7.1-7=1)

SINGLE GRID

Have you missed any payments for the "Buy Now, Pay Later" credit you've taken out in the last 12 months

ROWS

PIPE THROUGH BRANDS USED IN THE LAST 12 MONTHS (AS PER Q7 & 7A)

COLUMNS

1.   Yes - I've missed one or more payments

2.   No - I've not missed a payment

3.   Don't Know

Q13 ASK THOSE WHO HAVE MISSED A PAYMENT (Q 12.ANY=1)

SINGLE GRID

As a result of having missed a payment with [BRAND] have you experienced any of the following:

ROWS

1.   I have had my account blocked and/or suspended [all]

2.   I was charged a late fee [Do not show for Klarna or Flava]

3.   I received a letter from a debt collection agency [Do not show for Flava]

4.   I was visited by debt collectors [Do not show for Flava]

5.   My credit rating was damaged [Do not show for Klarna, Flava and OpenPay]

6.   None of the above

COLUMNS

1.   Yes

2.   No

3.   Don't Know

Annex B: Logistic regression model summary

Respondent records with one or more of gender, education or household income missing were excluded from the regression modelling, leaving 13,562 responses for analysis.[9] These were divided into strata defined by whether the respondent had used BNPL or not, and by three age groups. From each of these strata, a 20 per cent random sample was drawn and set aside as a test dataset for assessing the performance of candidate regression models. The remaining 80 per cent of the respondents was used as a training dataset to which models were fitted.

The models were built by adding variables step-wise. The target was a binary indicator of whether the respondent had ever used BNPL, and a logistic model was chosen. Predictor variables were introduced one at a time. A decrease in the reported Akaike information criterion (AIC) value and/or an improvement in explaining the outcomes in the test dataset were used to judge whether the increase in the complexity of a model was justified by its greater power to explain BNPL use. Those variables with the strongest pairwise associations with the target were introduced earliest.

The R script fitting the models was:

```
glm(formula = [fm_predictors], family = binomial, data = tbl_training_dataset)
```

All of the variables in the final model were significant at a 0.05 level and described first order effects. No attempt was made to explore interactions between the predictors.

	Estimate	Std. Error	z value	Pr(>|z|)	
(Intercept)	-1.06705	0.10525	-10.138	< 2e-16	***
fac_kids yes	0.53750	0.05005	10.740	< 2e-16	***
fac_income 10K to 50K	0.40346	0.09058	4.454	8.42e-06	***
fac_income Over 50K	0.53305	0.09867	5.403	6.57e-08	***
fac_income_pattern some irregular	0.10343	0.05123	2.019	0.043476	*
fac_vision affected	0.70937	0.18917	3.750	0.000177	***
fac_memory affected	0.52651	0.17595	2.992	0.002768	**
fac_missed_not_bnpl Yes or Not recorded	0.32227	0.06619	4.869	1.12e-06	***
fac_life At least one life event	0.30368	0.04418	6.873	6.28e-12	***
fac_access_to_credit No or unsure	0.14515	0.05372	2.702	0.006896	**
fac_age4 40 to 54 yrs	-0.19017	0.05424	-3.506	0.000455	***
fac_age4 55 to 64 yrs	-0.48137	0.06503	-7.402	1.34e-13	***
fac_age4 65 yrs or older	-0.62504	0.10371	-6.027	1.67e-09	***
fac_work2 Retired	-0.22304	0.09924	-2.248	0.024605	*
fac_educ A levels or higher	-0.28369	0.05135	-5.525	3.29e-08	***
fac_region2 South East	-0.13285	0.06047	-2.197	0.028038	*

```
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

Predictions using this model were able to assign correctly two thirds of the cases in the test dataset.

---

[9] The best-fitting model identified did not include gender as an explanatory factor. It would therefore have been possible at the end of the model fitting to re-introduce into the analysis 32 respondents who had only their gender unrecorded; but this minor refinement seemed unlikely to affect the reported conclusions and so was not pursued.

```
Performance in test dataset with cutoff probability set to 37.5 %
                 int_used_bnpl
int_pred_used_bnpl    0    1
                0 1393  449
                1  446  420
dbl_accuracy 66.9%
```

Annex C: Details about missing education and income demographics in re-weighting

Below is a fuller version of the table introduced on page 12 with the "not recorded" responses from the education and household income questions broken out separately.

demographic	group	un-weighted %	panel-weighted %	re-weighted %	ONS UK population %
education level	GCSEs or no formal quals	28.3	29.4	52.2	54.3
	A levels or higher	70.8	69.7	45.5	45.7
	(education not recorded)	0.8	1.0	2.3	n/a
household income	up to 10K	7.0	7.4	3.4	3.6
	10K to 50K	58.2	58.8	59.3	64.6
	over 50K	25.8	24.4	24.6	31.8
	(income not recorded)	9.0	9.4	12.8	n/a