

Buy now, pay later: Consumer credit researcher warns of overspending risks this Christmas

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As the festive season approaches, Dr. Joy Malala, a consumer credit researcher from the University of Warwick, sheds light on the

heightened financial burden faced by vulnerable families during this period.

Dr. Malala emphasizes the impact of Buy Now, Pay Later (BNPL) services on holiday spending and urges consumers to exercise caution and understanding of the potential risks associated with such [payment](#) options.

Dr. Malala notes, "The cost of living is hitting poorer families harder this Christmas. BNPL services offer a tempting option for immediate purchases without up-front payment, resulting in increased spending during the [holiday season](#) when the inclination to buy gifts and other items rises. While these services seem convenient with deferred payments and no interest charges, they can encourage overspending and lead to financial strain."

Key points highlighted by Dr. Malala include:

- Understanding the differences between BNPL services and traditional [credit cards](#), particularly in their impact on holiday spending habits.
- Advising consumers to determine affordable spending limits when utilizing BNPL services, involving discussions with family and friends to manage expectations.
- Highlighting the potential consequences of financial stress stemming from debt accumulation and its adverse effects on mental health.
- Encouraging individuals to thoroughly review and comprehend payment terms, interest rates, fees, and potential penalties for late payments when using BNPL or other financing options.
- Addressing the variations between [credit](#) cards and BNPL services, including credit checks, spending limits, payment flexibility, and credit reporting differences.

- Guidance for minimizing negative effects by understanding and adhering to payment terms, making timely payments, and limiting multiple credit inquiries within a short timeframe.

"It's crucial to grasp that BNPL services, while offering immediate gratification, represent a form of credit. As we navigate through this cost-of-living crisis, it's imperative to be vigilant about our financial decisions," Dr. Malala adds. "Understanding the terms and potential risks associated with BNPL or credit card usage is essential to prevent the accumulation of unmanageable debt."

Dr. Malala concludes, "Managing [personal finances](#) during the holiday season, especially amidst [economic challenges](#), requires a nuanced approach. Being aware of income, outgoings, and thoroughly understanding payment terms for services like BNPL or credit cards is vital to maintain financial stability."

Provided by University of Warwick

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