



# Impressions of Buy Now, Pay Later Services

## *Summary*

**Prepared for the Financial Consumer Agency of Canada**

**Supplier: EKOS RESEARCH ASSOCIATES INC.**

**Contract Number: 5R000-201828/001/CY**

**Contract Value: \$39,999.99**

**Award Date: March 2021**

**Delivery Date: October 4, 2021**

**Registration Number: POR 129-20**

For more information on this report, please contact [info@fcac-acfc.gc.ca](mailto:info@fcac-acfc.gc.ca)

*Ce rapport est aussi disponible en français*

## Summary

**Prepared for the Financial Consumer Agency of Canada**

**Supplier name:** EKOS RESEARCH ASSOCIATES INC.

**Date:** October 2021

This public opinion research report presents the methodology used to collect an online survey conducted with 1,034 Canadians by EKOS Research Associates Inc. on behalf of the Financial Consumer Agency of Canada. Findings are also described from 20 follow-up interviews with a subset of survey respondents who have used relevant services. The research study was conducted in March (survey), and April (interviews) 2021.

Cette publication est aussi disponible en français sous le titre Impressions à l'égard des services « Achetez maintenant, payez plus tard » : Résultats révisés des entretiens et rapport méthodologique de l'OÉCP.

This publication may be reproduced for non-commercial purposes only. Prior written permission must be obtained from Public Services and Procurement Canada. For more information on this report, please contact Public Services and Procurement Canada at: [tpsgc.questions-questions.pwgsc@tpsgc-pwgsc.gc.ca](mailto:tpsgc.questions-questions.pwgsc@tpsgc-pwgsc.gc.ca) or at:

Communications Branch  
Public Services and Procurement Canada  
Portage III Tower A  
16A1-11 Laurier Street  
Gatineau QC K1A 0S5

**Catalogue Number:**

FC5-74/2-2021E-PDF

**International Standard Book Number (ISBN):**

978-0-660-40798-2

**Related publications (registration number: POR 129-20):**

Catalogue Number FC5-74/2-2021F-PDF (French)

ISBN 978-0-660-40800-2

© Her Majesty the Queen in Right of Canada, as represented by the Minister of Public Works and Government Services, 2021

# EXECUTIVE SUMMARY

## A. BACKGROUND AND OBJECTIVES

The Financial Consumer Agency of Canada (FCAC) is an independent federal government agency tasked with ensuring that federally regulated financial entities comply with consumer protection measures set out in legislation, public commitments, and codes of conduct. Mandated to protect Canadian financial consumers, FCAC also promotes financial education to strengthen the knowledge, skills and confidence of Canadians and raise awareness of consumer rights and responsibilities.

Consumers are purchasing more goods and services online than ever before, particularly during the global pandemic. Nearly half of Canadians intend to continue using digital payments for the long term<sup>1</sup>. In recent years, several “fintechs”<sup>2</sup> have developed services that integrate with point-of-sale platforms to allow consumers to use Buy Now Pay Later (BNPL) services in the retail e-commerce space to pay for goods and services. In addition, some financial service providers (including several federally regulated banks) offer a BNPL feature for certain purchases made with their credit cards.

BNPL services allow consumers to receive goods and services immediately, while spreading out their payments over time. BNPL is a form of credit, and BNPL services offered at the point-of-sale are marketed as a cheaper way to access credit almost instantly. BNPL services linked to the use of a credit card are also available. There are several types of BNPL services available; generally they fall into one of two categories:

1. Online BNPL services:

Online BNPL services provide consumers with instant access to credit at the point-of-sale and are often provided by a third party fintech, partnered with a merchant<sup>3</sup>. These online BNPL services allow consumers to spread their payments out over several equal installments, typically 4 payments over 6 weeks but in some instances through monthly payments. However, the

---

<sup>1</sup> <https://www.payments.ca/about-us/news/canadian-spending-and-purchase-habits-have-not-yet-retained-pre-pandemic-preferences>

<sup>2</sup> “Fintechs” refers to financial technology companies

<sup>3</sup> “Online BNPL services” refers primarily to “fintech” enabled BNPL services primarily available in the retail e-commerce space but may include a small number of users who made online purchases using a credit card with a BNPL feature.

payment terms may vary depending on the BNPL provider. BNPL services may also be available in-store at the check-out.

## 2. Credit card based BNPL services:

There are several types of credit card based BNPL services currently available in Canada, including:

- “Traditional” credit card based BNPL services: with this type of credit card based BNPL service, consumers can choose to finance a purchase with a credit card and can generally choose to defer payments for a specific period of time or spread payments out into smaller equal monthly instalments. These types of credit card based BNPL services can be used in-store, and online at the point-of-sale. These types of BNPL services are often linked to store-specific or store-branded credit cards.
- “Post-purchase” credit card based BNPL services: with this type of credit card based BNPL service, consumers can choose to convert a portion of an outstanding credit card balance, or a specific purchase or purchases, into an instalment loan. With this type of BNPL service, generally no new credit is being originated, the purchase has already been made, and it is later converted to an instalment plan (a BNPL service plan).

FCAC is mandated to monitor trends and issues that could impact financial consumers and therefore, wished to learn more about the BNPL market in Canada through public opinion research focusing on consumer experiences with BNPL services.

## **B. METHODOLOGY**

### *Survey*

A bilingual, national online survey was conducted with 1,034 Canadians 18 years of age or older, between March 16 and 27, 2021. The sample included randomly selected respondents from all provinces and territories. The questionnaire covered awareness and use of BNPL services, as well as how the process unfolded for those using these services (consumer information provided about the service and conditions, type of purchases, as well as method of purchase), motivation for using this type of service, nature of any disputes and/or negative impacts from using these services.

The survey sample relied on EKOS' Probit panel, which is assembled using a random digit dial process for sampling from a blended land-line cell-phone frame, and provides full coverage of Canadians with telephone access. The distribution of the recruitment process is meant to mirror the actual population in Canada (as defined by Statistics Canada). As such, our more than 120,000 member panel can be considered representative of the general public in Canada (meaning that the incidence of a given target population within our panel very closely resembles the public at large) and margins of error can be applied.

### ***Follow-up Interviews***

From the online survey of 1,034, any respondent indicating use of BNPL services within the previous 18 months was asked about the possibility of a follow-up interview. Among the 66 individuals who indicated that they had used these services, 39 agreed to follow-up contact. A total of 20 interviews were conducted between April 21 and May 3, 2021. Participants were asked to describe their experience and provide feedback on their impressions of these services, including the perceived benefits and drawbacks. The interview guide can be found in Appendix B. Interview participants were provided with a \$50 honorarium for their time.

Results of the interviews are described, along with anonymized, illustrative quotes based on a review of the notes from interviews. It should be noted that the results are qualitative in nature. The analysis is based on multiple reviews of the notes by the three senior researchers conducting the interviews. These results are not generalizable and cannot be used to estimate the percentage of total Canadians who would hold a similar view. Results from the follow-up interviews do, however, provide additional detail and insight into the findings of the online survey (not described in this report) through illustrative experience and perspectives.

As per section 10.2.3 of Public Works and Government Services Canada's (PWGSC) Qualitative Research Standards, "Qualitative research is designed to reveal a rich range of opinions and interpretations rather than to measure what percentage of the target population holds a given opinion. These results cannot be used to estimate the numeric proportion or number of individuals in the population who hold a particular opinion because they are not statistically projectable"<sup>4</sup>. In order to avoid portraying these results as generalizable to the population, terms such as "a few," "some" and "most" are used to broadly indicate views, rather than using specific percentages. To ensure a common understanding of the terms used in the analysis, the following guidelines were used in analysing and reporting on participant results:

---

<sup>4</sup> Public Services and Procurement Canada. *Qualitative Research. Standards for the Conduct of Government of Canada Public Opinion Research*. Last updated: Spring 2019.

- “A few participants” = at least two people but less than 25 per cent;
- “Some participants” = 25 to 49 per cent;
- “Many participants” = 50 to 75 per cent;
- “Most participants” = over 75 per cent; and
- “Almost all participants” = 95 per cent or more.

It should also be understood that the information provided by participants is subjective in nature, based on their own recollection, and perceptions of interactions with merchants and information provided. Respondents were not provided with a description to differentiate between online and credit card based BNPL services at the time of the interview. Any attribution to a specific service was determined based on the service described by the participant.

Appendix A provides the details of the methodology for the collection of the survey, along with the follow-up interviews.

## **C. KEY FINDINGS (FOLLOW-UP INTERVIEWS)**

### **General Use of BNPL services**

Those interviewed have all used a BNPL service for at least one purchase in the past 18 months. About two in three interview participants described experience using online BNPL services. Almost as many also said they had had experiences with a credit card based BNPL service, with some participants describing use of both types of services.

Participants who used online BNPL services, did so for purchases made online, typically in the previous six months at the time of the interview (later 2020 or early 2021). Purchases included a wide range of relatively lower value items such as sunglass lenses, clothing, summer tires, gardening supplies, often with a total purchase price of between \$100 and \$600. One participant used an online BNPL service for the larger purchase of a vacation booked online. Payment plans offered were most often between four and six payments, scheduled bi-weekly for two to three months.

Users of credit card based BNPL services were typically purchasing in-store, anywhere from a few months to 18 months prior to the interview. Purchases were more often for larger ticket items such as appliances and furniture, often with total prices from \$1,000 to \$5,000 or more. In some cases, this was a “Don’t Pay for XX Months” event. In most cases, a monthly payment plan was established spreading payments over a year or two.

## **Marketing**

When using an online BNPL service for the first time, participants found out about it from information presented at check out, and had intended to use other methods of payment when making the purchase; often a credit card. In some cases, among those using this form of BNPL service for a second or third time, the offer of BNPL was factored into the decision, and they expected to be able to take advantage of this service.

Almost all users of credit card based BNPL services or installment loans/payment deferrals had previously been aware of this type of service offer prior to the most recent use of it; in some cases for decades, likely in the case of installment loans. Some participants had initially been made aware of them through advertisements on television, newspaper or flyers. Others were told about this service in-store.

## **Disclosure**

Everyone using an online BNPL service described the presentation of information about the service as immediate, clear and easy to follow. Everyone said the terms and conditions were clearly laid out, including no interest or service fees, unless they were unable to meet their payment obligations.

For their most recent purchases using credit card based plans, all were presented with the BNPL option by the sales representative for in-person purchases. A few, however, noted that the paperwork outlining the detailed “fine print” terms (e.g., amount of payment required up front) were only provided to them after the purchase was made, and a few said it took some effort to obtain all relevant information. A few described “surprises” at the conclusion of the sale, including one seeing a higher than expected initial payment, and one who would incur a higher level of interest than expected in the case of defaulting on the payment plan.

## **Reasons for Use**

The most common appeal or motivation for using a BNPL service was the way it made payments more manageable, by spreading them out into smaller amounts, making it easier for many to meet the financial obligation. Others talked about the convenience of the service in bridging a timing gap when a sudden need or opportunity arose, and they did not have the funds available, such as a sale or emergency arose. The BNPL was seen as buying them a little bit of time in those cases. Some described the flexibility of being able to keep their money for a longer period of time in case of other needs. Some also talked about the appeal of no interest and relative advantage over credit cards for this reason, wishing to take advantage of a “good deal”, seeing “no reason not to”. For a few participants, however, the BNPL was the only way that they could make the

purchase, not having access to the credit to cover the purchase or because the purchase was large.

### ***Advantages***

Using a BNPL service (either through a credit card or an online BNPL loan) was a positive experience according to most participants. They felt the service allowed them to make a purchase, in some instances, before they had enough savings. Further, most felt that spreading payments over time helped them budget, by making the purchase more manageable and reducing the need to juggle a number of financial obligations at the same time, or allowed them to hold onto their money for longer.

### ***Disadvantages***

Some participants noted the need for caution when using BNPL services. According to a few participants, some credit card based BNPL services have a service fee at the onset that should be considered in the overall cost. A few observed that BNPL services can create conditions where consumers make purchase decisions too quickly, or easily, or spend more than they intended. A few pointed to the inherent risk of a change in income, such as a job loss, or unexpected expense, such as a vehicle repair, that could affect their ability to make their payments, and lead to incurring interest charges or financial strain during repayment.

### ***Using BNPL in the Future and Advice to Friends or Family***

Some participants expect that they will use a BNPL service again in the future either to pay for larger purchases that they may not have money saved for at the time of purchase. Some said they would continue to use BNPL services for smaller items that can be paid off in a short amount of time. Most participants would recommend using a BNPL service to friends and family, advising that if they want to buy something, and could not pay for it right away, a BNPL service is a good option. Many participants noted that they would caution friends and family to be mindful of their ability to pay off the product with the service and not to use it to overspend.

## **D. CONTRACT VALUE**

The contract value for the POR project is \$39,999.99 (including HST).

Supplier Name: EKOS Research Associates

PWGSC Contract Number: 5R000-201828/001/CY

Contract Award Date: March 3, 2021

To obtain more information on this study, please e-mail [info@fcac-acfc.gc.ca](mailto:info@fcac-acfc.gc.ca)



## **E. POLITICAL NEUTRALITY CERTIFICATION**

I hereby certify as Senior Officer of EKOS Research Associates Inc. that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the Communications Policy of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not include information on electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leaders.

Signed by:



Susan Galley (Vice President)