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CFPB ENCOURAGES STANDARDIZED CREDIT REPORTING FOR “BUY NOW, PAY LATER”

In a recent blog post, the Consumer Financial Protection Bureau (“CFPB”) returned to the topic of Buy Now, Pay Later (“BNPL”) to encourage standardized credit reporting of BNPL lines. BNPL programs typically involve short-term, no-interest consumer credit offered at the point of sale, online and occasionally in brick-and-mortar stores. In December 2021, the CFPB announced an inquiry into BNPL, issuing orders to five major BNPL companies requesting information regarding the risks and benefits of their programs. See our ALERT of Dec. 17, 2021. The inquiry named the accumulation of debt as an area of focus, targeting a concern that lack of credit reporting heightens the potential for people to accumulate debt by making multiple BNPL purchases with multiple companies.

Recently, Equifax began including BNPL trade lines in consumer credit reports. See our ALERT of Jan. 19, 2022. Experian and TransUnion have likewise indicated their plans to accept BNPL data. However, the CFPB reports that until recently, few BNPL lenders furnished information about consumers to the reporting agencies. Additionally, the CFPB indicates that the reporting structures currently in place for BNPL data are not uniform. For example, one reporting company has implemented a specialized business industry code for BNPL, but allows BNPL lenders to furnish payment data in the format of their choice. Another reporting company plans to keep BNPL data in a “specialty” file separate from the “core” credit files used to generate traditional credit reports. This inconsistent handling of BNPL data may limit the potential benefits of furnished BNPL data to consumers and the credit reporting system, according to the CFPB.

The CFPB’s blog post encourages lenders to furnish both positive and negative data and the industry to adopt standardized BNPL furnishing codes and formats that take into consideration the unique characteristics of the product, with BNPL data to be incorporated into core credit files. The CFPB encourages reporting companies to incorporate feedback from BNPL lenders and other industry members while building standardized reporting systems.

The CFPB indicates an intent to monitor the progress of standardization, and will revisit the issue as part of the CFPB’s

broader report on the BNPL industry stemming from its initial December 2021 inquiry into BNPL products. □

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