

AMPLIFIED GLOBAL RESPONSE

CP25/23 Deferred Payment Credit (unregulated Buy Now Pay Later): Proposed approach to regulation

25 September 2025

INTRODUCTION

We are pleased to respond to the HM Treasury consultation regarding FCA's proposed approach to regulating the deferred payment credit market. This is a rapidly emerging and widely used payment method across not only retail, but increasingly used in other sectors, and for a range of products and services. It provides flexibility for consumers, but due to the deferred nature of the payment, it does carry a higher risk of potential detriment for consumers who use it to make purchases beyond their means.

As with other forms of credit, enabling the consumer to be clear about the nature of the agreement they are entering into, their rights and obligations, and the risk that it may carry for them is critical. It is therefore vital that the legislation and subsequent regulations are focused on consumer protection, and support consumer understanding outcomes. We support the underlying need for regulation covering the BNPL market, and for the focus on applying the spirit and requirements of the Consumer Duty to it.

About Amplifi and Intelligibility Assessment Technology

Amplifi is a new tool able to assess intelligibility and simplify complex information. It uses AI engines and machine learning techniques trained on legal and regulated communications. It is based on established linguistic and reading frameworks, comprehension models and proprietary research.

The technology assesses the likelihood that the information will be understood by an average adult. Communications can also be assessed for readers with certain characteristics, such as not being a native English speaker, high/low education, high/low income, or certain vulnerabilities.

The approach provides a range of metrics that show what is causing complexity. This includes the proportion of conceptually or technically complex words and sentences, grammatical issues, long words or sentences, and how well the message is constructed. The editor is guided to where the text needs to be made simpler. The technology can offer alternative single words or suggest alternative wording for entire sentences and paragraphs. Documents can then be re-tested, and an audit trail provided to show what changes have been made, and any improvement to intelligibility and the various component metrics.

An increasing number of firms are now using intelligibility assessment and simplification technology as part of their Consumer Duty testing, tailoring and compliance programmes.

There is an often-unacknowledged issue with the way that key information for products or services is communicated to consumers. Whether provided via websites, pre-sales, at the point of contract via terms and conditions, or communicated over the lifetime of a service, key information is too often provided in a form that is difficult to read and challenging for many consumers to understand.

This is particularly true for more complex products and services, such as consumer credit.

The problem is that individuals very infrequently read or otherwise engage with complex information of this type, yet it is critically important if they are to be empowered to decide if credit, or deferred payment options such as BNPL are suitable for them. They are often unable to fully understand what is involved in the service, their rights and obligations, or their means of redress if things go wrong, such as if they find they cannot make the payment terms when they are later due.

These problems often stem from the compliance and legal teams within providers - both BNPL providers and more traditional financial service firms - who have retained a long-standing culture based on compliance and following prescription rather than seeking the outcome that consumers need. The Consumer Duty has begun to change this, but slowly. Further action may be needed to further embed an outcome-focused way of communicating with consumers, and a 'test and improve' approach to be truly embraced by the legal and compliance teams, given their role as gatekeepers at a firm level.

A stronger focus on testing and creating more intelligible consumer communications will reduce consumer detriment.

We therefore strongly support the initiative to regulate BNPL activities, to extend the same expectations for firms providing BNPL services as applies to providers of other similar forms of credit, and to bring to bear the oversight of the FCA and the Consumer Duty's outcome-focused regime.

SPECIFIC COMMENTS

Question 1: Do you agree that our proposed rules will not have a material impact on groups with protected characteristics?

There is a risk that poorly designed or overly complex communications could disproportionately affect those with lower literacy, financially unsophisticated consumers, those with English as a second language, or certain other vulnerabilities.

To mitigate this, firms should be expected to test communications across diverse consumer groups and adapt content where barriers are identified.

Question 2: Do you agree that our proposed rules for provision of information before entering a DPC agreement are appropriate?

Key terms, including a consumer's rights (including cancellation rights), obligations and protections, potential impact on credit ratings as well as a clear indication of cost and potential penalties or charges are vital to providing customers with information to inform their choice, and ensure that they are aware of the most important information at the point of sale. We believe that using a focused, layered approach this can be communicated quickly and effectively, while minimising friction (and introducing only positive friction into the process).

Ensuring there is easy and ongoing access to the terms of the agreement, and to keep them updated if they change for any reason, will also be key. This is an issue that frustrates consumers currently across a wide range of financial service products.

We therefore support the rules but believe effectiveness will entirely depend on intelligibility. These disclosures must go beyond compliance templates to be simplified, layered, and tested for real-world comprehension. This ensures consumers make informed decisions at the point of commitment.

Question 3: Do you think that reliance on the Duty could deliver our policy objectives for information provided before an agreement instead? If so, how?

Yes, in principle. The Duty already obliges firms to deliver understanding outcomes and avoid foreseeable harm. As part of their obligations, firms are required to undertake testing of communications and disclosure prior to communicating with customers, and to simplify text where it is not understood, and monitor understanding outcomes. This provides a good level of proportionate protection.

However, the consumer duty's protections for consumers are only as strong as the monitoring, reporting and enforcement regime that accompanies it.

To date the FCA has demonstrated that there is too little jeopardy for firms undertaking the minimum (and often below the minimum) required of them in this regard. Too often we see still complex terms and product information being served to customers. We have a large volume of primary research undertaken with high quality academic institutions that can demonstrate that a lot of key documents are objectively unintelligible for most consumers, and do not lead to positive understanding outcomes.

However, to our knowledge this is not being actively or publicly addressed by the FCA. We hope and expect that that firms will be required to increase the quality of their compliance activities and demonstrate improved testing, tailoring and monitoring.

To make this effective, the FCA must set clear and rigid expectations for firms to use consumer testing, simplification, and ongoing monitoring of disclosures to evidence compliance.

Question 4: Do you agree that our proposed guidance for provision of information to customers during a DPC agreement is appropriate?

Yes.

Ongoing information is essential, but presentation also matters. Use of digital tools such as repayment trackers or alerts should be encouraged, provided they are accessible and intelligible for all consumer groups.

Question 5: Do you agree that our proposed new rules on providing information to DPC borrowers who have missed a repayment are appropriate?

We agree. Firms should be required to notify consumers when an event occurs during a DPC agreement that could have a negative impact on their financial wellbeing and/or could lead to their financial situation deteriorating.

Our research shows current statutory arrears and default notices are often poorly understood and can worsen distress. Reframing communications around practical actions rather than leading with warnings, simplifying the language, and testing with consumers will improve engagement and outcomes.

Question 6: Do you agree that our proposed new rules requiring firms to give notice before taking certain actions are appropriate?

Yes. Advance notice is important, but its value depends on whether consumers understand what action is being taken and what they can do in response. We recommend firms be required to test these notices for intelligibility and behavioural impact.

What is 'reasonable' in terms of the time parameters for notice to be given should be more explicitly set out to ensure customers are given adequate time to consider and act on the information.

Question 7: Do you think that reliance on the Duty could deliver our policy objectives for our proposed new rules on firms' communications to DPC customers who have missed a repayment or where a firm intends to take certain actions instead?

Yes, provided reliance on the Duty is underpinned by clear expectations that firms measure and evidence understanding outcomes. Without this, reliance on the Duty risks inconsistency across the market.

See also our previous comments above concerning the need to exhibit a strong and effective monitoring and enforcement regime to ensure firms comply with the intent and rules of the new regulatory regime.

Question 8: Do you agree that applying our current creditworthiness rules and guidance to DPC lending is appropriate?

Yes. Creditworthiness assessments are a vital safeguard.

To be effective, they should be complemented by intelligible disclosures and affordability tools that help consumers understand their repayment capacity.

The FCA should monitor the effectiveness and proportionality of the credit worthiness assessment requirements to ensure that they are reducing unaffordable credit provision while not being disproportionately burdensome on providers.

Question 9: Do you have any views on the extent to which our approach to creditworthiness might inadvertently restrict access to DPC for customers who could afford it?

There is inevitably a small risk of some exclusion. This should be managed through proportionality in assessments, rather than relaxing standards.

Clear, consumer-friendly affordability tools can help both firms and customers strike the right balance.

Question 10: Could we achieve appropriate outcomes if we relied substantively on the Duty instead (most notably the obligation to avoid causing foreseeable harm to consumers) rather than the creditworthiness rules in CONC 5.2A?

We recommend a blended approach. Creditworthiness rules provide minimum safeguards, while the Duty ensures firms test, simplify, and monitor outcomes.

We strongly believe that removing creditworthiness checks entirely would create uneven and ineffective protection.

Question 11: Do you agree with our proposal to apply our creditworthiness rules to DPC agreements of any value, or do you have views as to alternative approaches to small sum lending (including relying on the Duty)?

We agree with universal application. Even small-value agreements can accumulate into harmful debt. That said, processes should be proportionate for very low-value lending.

Question 12: Do you agree with our proposal for applying high level standards and all other relevant Handbook provisions to DPC lenders?

Yes. Applying the full set of standards ensures consistency with other credit markets and avoids regulatory arbitrage.

Question 13: Do you agree with our overall approach to regulatory reporting? If not, why not?

Yes. Data collection is essential.

We recommend reporting also capture indicators of consumer understanding and communication effectiveness, not just transactional outcomes.

Question 14: Do you agree that DPC should be subject to PSD returns? If not, what alternatives are there to requiring firms to submit PSD returns to meet our intentions?

No comment.

Question 15: Do you agree that we should collect regular, predictable transaction level data? If not, why not? And how would you propose mitigating the risks of not collecting regular, predictable transaction level data?

Yes. Transaction-level data helps identify risks of over-indebtedness and market concentration. Analysis should also consider outcomes for vulnerable consumers, and firms should be encouraged to monitor links between poor repayment and unintelligible disclosures.

Question 16: Are there areas where firms may need longer implementation times? If so, how do you propose to mitigate any risks posed by a delay in firms providing us with data?

No comment.

Question 17: Do you agree with our proposal to apply our rules in DISP Chapter 1 to DPC complaints?

Yes. DISP provides clarity and protection to consumers, and set clear and achievable requirements for firms' handling of complaints in a timely and effective manner.

Question 18: Do you agree with:

- **The FCA's proposals to extend the Financial Ombudsman's CJ to DPC activities?**

Yes, consumers need access to effective means of seeking redress.

- **The Financial Ombudsman's proposals to exclude pre regulation DPC activities from the VJ?; and**

Yes, we believe this is proportionate.

- **The Financial Ombudsman's proposals to expand the scope of the VJ to cover DPC activities carried on after regulation day from an EEA or Gibraltar establishment?**

Yes, consistent application of redress routes is important, regardless of location.

If you disagree with the proposals, please provide details in your response.

Question 19: Do you agree with the FCA's proposals to suspend complaints reporting rules for complaints arising from DPC activities for firms in the TPR until they become fully authorised?

No comment.

Question 20: Do you agree with our proposal not to extend FSCS cover to DPC activities consistently with the approach to other consumer credit activities? If not, please provide details on why you think DPC should be treated differently.

No comment.

Question 21: Do you agree with our proposals for the TPR?

No comment.

Question 22: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons and provide any evidence you can.

No comment.

Question 23: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

No comment.

Summary

We strongly support the FCA's direction of travel. To be effective, these proposals must ensure that consumers not only receive information but that they understand it. Testing, simplification, and ongoing monitoring of consumer outcomes are the critical levers to achieve this.

Amplified Global's technology and expertise are focused on helping firms meet this challenge in practice, and we stand ready to share evidence and insights from our work.

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