

Buy Now Pay Later – what you need to know

Audio transcript

Online shopping can make life really easy. Choose what you want, add it to your basket, then a few clicks later it's time to pay, and your new stuff is on its way to your door.

When you get that all-important final screen, you normally get offered a few different ways to pay and one of them you're likely to see is from a provider that lets you **"Buy Now Pay Later"**, or **"BNPL"**.

It's really just a form of credit that lets you buy the things you want now, without paying the full price straight away – so you can spread the cost of your shopping.

Lots of people are using "Buy Now Pay Later" and if you manage it properly and don't miss any repayments, it can be a different way to borrow money when you're buying something new.

But it's really important to remember that what you're buying isn't going to be any cheaper, there's no discount. You've still got to be able to afford the full price – it's just that you can take longer to pay.

And that's not the only thing...

Some providers charge late repayment fees if you forget when your money is due and it can also damage your credit rating if you miss, or are late for repayments.

And if you haven't got enough cash in your account when the repayment date comes, it could put you over your overdraft limit.

So, if you're not careful, it might encourage you to spend money you don't have because you can't actually afford the repayments.

Here are some things worth asking yourself before you check out, either online or in a shop:

- would you buy that new item if you couldn't pay later?
- will you have enough money to make those future payments?
- is there a better or more cost-effective way of borrowing that amount of money?
- and how many BNPL agreements have you got already?

That last one's important, because all those repayments might seem small on their own but together, they could really pile up.

So before you go ahead and use BNPL, make sure you've read the terms and conditions so you know what fees you might get charged.

Even though you'll get sent reminders, it's a good idea to write down when those instalments are due, so you don't miss them.

Finally, remember that while it might be convenient, it's just like any other type of debt, so never borrow more than you can afford.

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