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Host: Marina Da Silva Rapp

Buy Now Pay (Less) Later: Leveraging Private BNPL Data in Consumer Banking*

Abstract:

Buy Now, Pay Later loans (BNPL) are an increasingly popular way to finance smallticket purchases. We provide new evidence on how BNPL influences regular bank credit markets, benefiting both lenders and borrowers through information production and learning. Using data from over one million unsecured bank loan applications from a bank that also provides BNPL services, we exploit the fact that BNPL enhances the bank's ability to assess creditworthiness by incorporating transaction data beyond shared credit registers. We establish four key findings. First, BNPL users are more likely to be approved for bank loans due to lower internally assessed credit risk, while those with late BNPL payments face lower approval rates. Second, BNPL customers benefit from discounted interest rates, while the bank earns a profit margin by price discriminating among customers with a good internal payment history but differing external credit scores. Third, customers with a BNPL history exhibit better repayment behavior and lower default rates, partly driven by improved loan terms. Fourth, learning effects from prior BNPL use likely reinforce this behavior. Our findings suggest that BNPL improves risk assessment and fosters learning, enhancing credit outcomes and access for higher-risk borrowers, thereby promoting financial inclusion.

*Joint work with [Elin Molin](#), [Kasper Roszbach](#), and [Talina Sondershaus](#)