

## A NEW UK REGULATED WORLD FOR BUY-NOW, PAY-LATER (BNPL) PRODUCTS

MAY 2025

### HM TREASURY LAYS UK LEGISLATION TO REGULATE BNPL LENDING WITH REGIME TO BE IN PLACE BY MID- 2026.

HM Treasury has laid before Parliament [The Financial Services and Markets Act 2000 \(Regulated Activities etc.\) \(Amendment\) Order 2025](#) (final Order) to bring interest-free Buy-Now, Pay-Later (BNPL) agreements into UK regulation. From around mid-2026, BNPL lenders will require authorisation by the Financial Conduct Authority (FCA) unless there is an available exemption. BNPL agreements will also be subject to a tailored application of the Consumer Credit Act 1974 (CCA), on the reform of which HM Treasury has also begun a phased consultation. Lenders will need to comply with new FCA rules which will be consulted on soon.

### Background

Following recommendations from the Woolard Review in 2021 that BNPL should be regulated in the UK, the UK's Conservative government consulted on BNPL regulation in 2021 and again in 2023, originally with a view to introducing BNPL regulation in 2024. After the 2024 UK general election, the new Labour government picked up the mantle with a further consultation in October 2024 that largely took forward the 2023 proposals. We outlined the proposed regime in our [previous briefing](#) in November 2024. On 19 May 2025, HM Treasury published its [consultation response](#) and the final Order. It also launched its [phase 1 consultation](#) on CCA reform.

### What products and activities will be caught?

Under the final Order, deferred payment credit agreements offered by a third-party lender ("Regulated Deferred Payment Credit Agreements") will no longer fall within the 'deferred payment credit' exemption from consumer credit

#### Key issues

- HM Treasury has laid the Financial Services and Markets Act 2000 (Regulated Activities etc) (Amendment) Order 2025 before Parliament.
- Once made, the Order will bring BNPL lending into UK regulation. HM Treasury intends to disapply certain CCA requirements with respect to regulated BNPL, including in relation to disclosures pre-contract and during the life of the agreement, and provisions on arrears, default, variation and termination. HM Treasury has also launched a phased consultation process on wider CCA reform.
- Firms wishing to offer regulated BNPL products will require FCA authorisation and will need to register for the temporary permissions regime (TPR) to allow them to continue to operate while their application is processed.
- Merchants who offer regulated BNPL as a payment option will not need to be authorised to conduct the regulated activity of credit broking, except for broking done in the home of a customer.
- Other exemptions will apply for merchants who provide credit directly, invoicing, and agreements funding insurance premiums, employers/employee lending and agreements offered by registered social landlords.
- The FCA will have 12 months to consult on and finalise regulatory rules for BNPL Lending.
- FCA is expected to consult shortly on rules for the BNPL regime, including disclosures, potential adaptation of the CONC regime (including the introduction of creditworthiness requirements), and complaints handling. Regulated BNPL agreements will also be covered by the Financial Ombudsman Service.

regulation that is set out in Article 60F(2) of the Financial Services and Markets Act (Regulated Activities) Order 2001 (RAO).

Three new BNPL-related regulated activities will be created by amendment to the RAO. These are:

- entering into a Regulated Deferred Payment Credit Agreement as lender;
- exercising, or having the right to exercise, the lender's rights and duties under a Regulated Deferred Payment Credit Agreement; and
- credit broking (for domestic premises suppliers that offer newly regulated agreements).

Firms wishing to offer regulated BNPL products will require FCA authorisation and will need to register for the proposed temporary permissions regime (TPR) to allow them to continue to operate while their application is processed. We outlined the rationale for the TPR and its operation in our previous briefing.

## **What agreements will still be exempt?**

The removal of the Article 60F(2) exemption does not apply to invoicing, agreements funding insurance premiums, employers/employee lending or agreements offered by registered social landlords.

Merchants such as e-commerce platforms who offer regulated BNPL as a payment option, for example by referring customers to a third-party BNPL provider at checkout, will not need to be authorised to conduct the regulated activity of credit broking.

Merchants who provide credit directly will also be outside the scope of the BNPL regime. Respondents to the consultation raised concerns that exempting such 'merchant-provided credit' (where the provider of goods/services is also the provider of the credit) could create an uneven playing field and could cause consumer harm. The government has committed to closely monitor the merchant-provided BNPL market and take action if there is evidence of consumer harm.

## **How does the final Order differ from the draft consulted on?**

HM Treasury is keen to get the process of bringing in BNPL regulation underway as soon as possible. As such, the final Order has minimal changes from the previous draft, as outlined below, and some of the issues raised by respondents will be covered in due course either during the consultation process on wider CCA reform or following further stakeholder engagement.

There are several differences that should be noted:

1. **Financial promotions** - Article 11(2) of the final Order has been amended with the result that BNPL firms in the TPR will be able to approve their own financial promotions for onward communication by their unauthorised merchant partners. However, it should be noted that this change does not give firms in the TPR approver permissions – they will

still not be able to approve financial promotions for their merchants where they are unregulated.

2. **Senior Managers & Certification Regime (SM&CR)** – The government has decided to exempt firms in the TPR from the both the senior managers and certification parts of the SM&CR regime. The final Order has been updated in article 11(2)(e) to reflect this decision, so that the temporary permission of a person within the TPR also does not have effect as a Part 4A permission for the purposes of the Certification Regime (section 63E of FSMA).
3. **Scottish social landlords** - The drafting has been revised in the final Order to include provisions for shared ownership arrangements in Scotland. This change has been made to ensure the proposed regulatory exemption for registered social landlords will also apply with respect to Scottish registered social landlords.

## What will BNPL regulation look like?

Removing the availability of the CCA exemption for BNPL products would result in BNPL lenders having to comply with the detailed requirements in the CCA in respect of pre-contract information and other obligations to provide disclosures, notices and statements during the life of the agreement. However, the final Order will disapply certain information requirements in the CCA in respect of Regulated Deferred Payment Credit Agreements. Lenders will need to comply instead with FCA rules. Respondents to HM Treasury's consultation broadly supported the proposed disapplication of certain CCA provisions, but the FCA rules that will replace them are not yet out for consultation.

Respondents raised new points about domestic premises suppliers (i.e. businesses that sell, offer to sell or agree to sell goods or offer to supply or contract to supply services in people's homes) – but addressing them at this stage would have delayed the legislation. The government had sought to regulate domestic premises suppliers for credit broking, due to concerns about potential pressure selling, but is now actively engaging with stakeholders and will set out next steps in due course on whether further legislative change should be introduced so that domestic premises suppliers would also benefit from an exemption. Respondents had highlighted emerging practices such as domestic tradesmen offering BNPL options for payment of their fees.

The FCA is expected to consult soon on draft rules tailored for BNPL, which will likely involve an adapted set of Consumer Credit (CONC) rules, including on affordability and creditworthiness checks, as well as application of the Consumer Duty in respect of these products. In its related Phase 1 consultation on CCA reform, HM Treasury outlines a range of stakeholder feedback on possible areas for improvement, to which the FCA is likely to have regard.

Borrowers using BNPL products will have access to the Financial Ombudsman Service (FOS) and will also be able to benefit from the protections of section 75 of the CCA if there is contractual breach (such as faulty goods) or misrepresentation by the supplier whose product is being financed by the arrangement.

## **Next steps**

The final Order will need to be approved by both Houses of Parliament before it can be made and enter into force. Once the Order is made, the FCA will have 12 months to draft, consult on and finalise its rules for BNPL lending. Regulation of BNPL products is expected to begin mid-2026.

Wider CCA reform is likely to involve a much longer timeframe. The Phase 1 consultation is open until 21 July 2025 and covers information requirements, sanctions, and criminal offences. The Phase 2 consultation expected at a future date will set out how the Government intends to reform the scope of regulation, definitions, rights and protections, and include possible consequential changes to other legislation such as the RAO, Payment Services Regulations 2017 and the Financial Services (Distance Marketing) Regulations 2004. This extensive consultation is then expected to be followed by a lengthy transitional period, which will be set by HM Treasury and the FCA.

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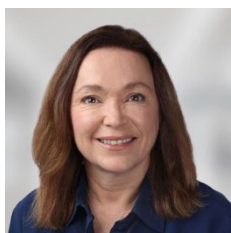
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