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**The FCA's approach to
regulating Deferred Payment
Credit (unregulated BNPL)**

Details of the Regime

- The FCA has just published its [Final Rules \(PS26/1\)](#) for the Regulation of Deferred Payment Credit (DPC) - unregulated Buy-Now Pay-Later products. The FCA is **largely proceeding as consulted on CP25/23** with a few minor changes. Firms only have a **few months to Regulation Day** (15 July 2026) to achieve compliance with the new regime.
- The approach to DPC regulation includes applying a significant part of the FCA rulebook to firms. Some of the requirements will apply from Regulation Day, whilst others will only apply from the point the firm obtains full authorisation. Below we include a visual of the different regulatory areas and their timing, alongside a brief description of some of the requirements.

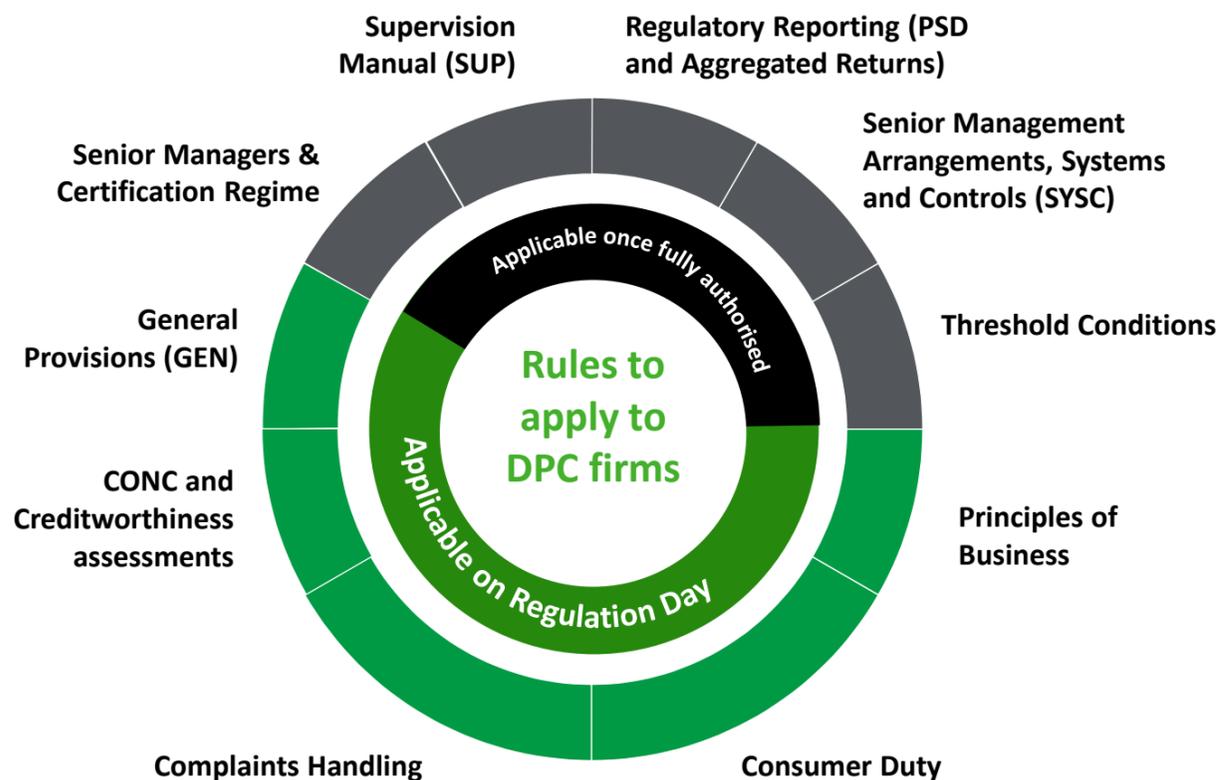
Key highlights of the regime FCA rules that will apply to DPC firms

To comply by Regulation Day – 15 July 2026

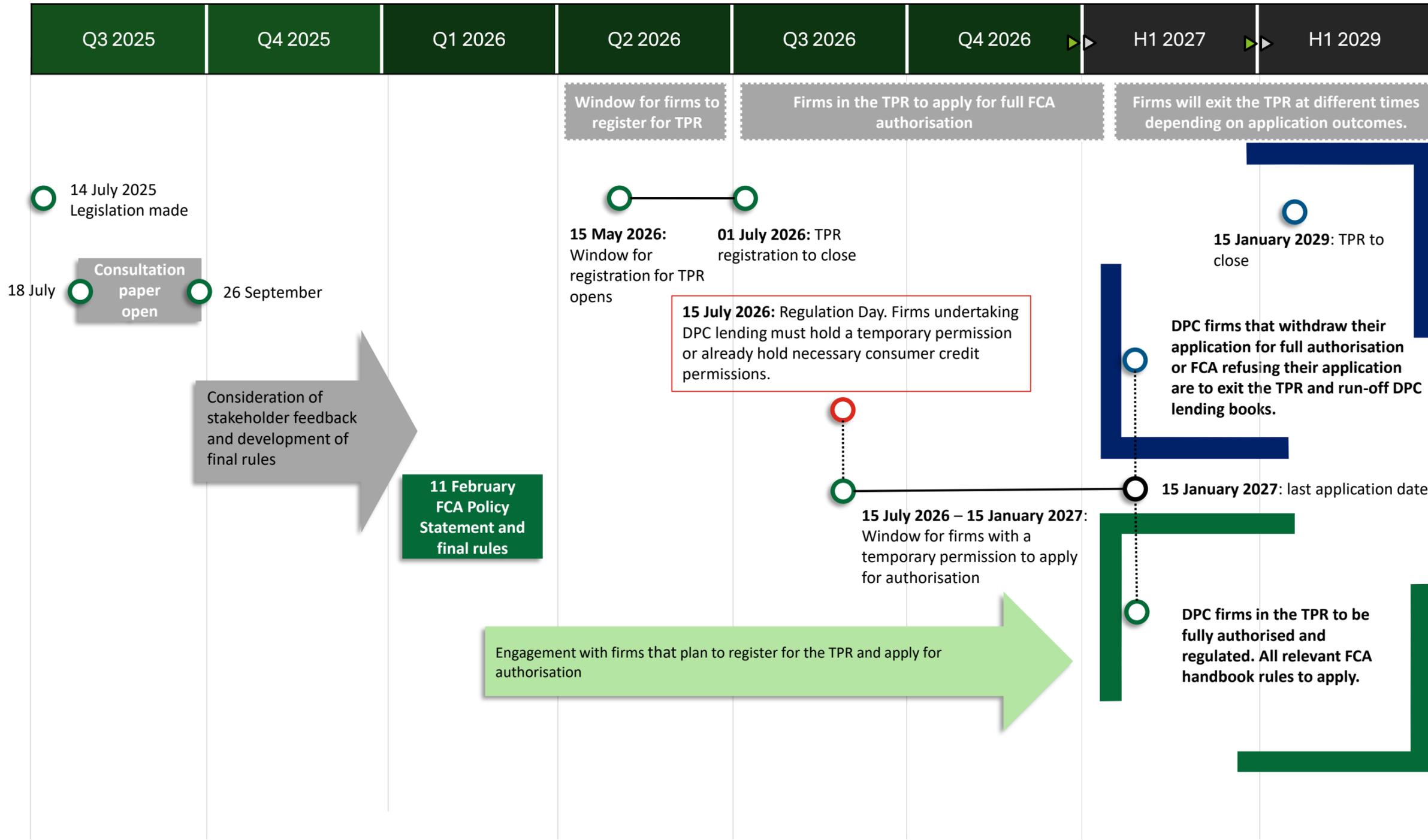
- **Consumer Duty:** The full scope of the Duty will apply to DPC firms, posing a **significant challenge** due to the range and depth of requirements. In particular, the need to evidence compliance with the Duty will require appropriate monitoring of outcomes which for previously unregulated firms might uncover a big capability gap.
- **Information Requirements:** DPC firms must **proactively provide key information** to customers before entering a DPC agreement. Firms must also provide access to other **additional product information** such as consumer rights to withdrawal or cancellation, consequences of missed payments, and how to escalate a complaint to FOS. Whilst the rules are less prescriptive than existing requirements in CONC 4.2, they will still represent a significant shift in key information that will need to be provided to customers.
- **Missed payments:** new rules will require firms to **communicate** with a customer when they have missed a repayment. Firms will also be required to give customers reasonable notice before taking steps to enforce a DPC agreement or terminating one. Firms will also be required to signpost free and impartial money guidance and debt advice when giving notice to customers who are in arrears.
- **Creditworthiness:** DPC firms will be subject to creditworthiness rules in CONC 5.2A, even for small agreements (<£50). DPC firms will have the ability to use the exception in CONC 5.2A.15 for customers where there is no obvious material affordability risk. However, DPC firms will need to clearly evidence the rationale behind the decision.
- **Complaints Handling:** DPC firms will be subject to FCA’s Complaints Handling (DISP) rules and complaints can be referred to the FOS. FOS will only consider complaints arising from regulated DPC agreements entered on or after Regulation Day.

To comply once fully authorised

- **SM&CR:** the FCA is aware of upcoming changes to the SM&CR regime and reassures DPC lenders that any changes will be considered during the authorisation window, including if there is a need to implement a 'Modification by consent' approach that could be used to temporarily waive any Handbook requirements.
- **Data Reporting:** once authorised, DPC firms will be required to submit Product Sales Data returns and other Aggregated Returns to the FCA.
- **Other FCA requirements:** the FCA will introduce high-level standards on SM&CR, COCON, COND, and SYSC once the DPC firms are fully authorised.



Timeline of developments



Implementation challenges

- Since 2025, the DPC sector has already undergone some market consolidation. For DPC firms seeking authorisation, they should not underestimate the resource intensity required to comply with the full scope of the Duty and broader requirements in CONC, PRIN, DISP, COND, GEN, SYSC and SM&CR.
- Outlined below are some of the key implementation challenges and considerations for firms moving into the scope of FCA regulation:

DUTY CONSIDERATIONS

- **Fair Value:** DPC products are typically subject to relatively high late payment and default fees. Firms should evidence how these deliver fair value to customers.
- **Consumer understanding:** Firms should focus on how they communicate complex features of DPC contracts to ensure customer understand the risks.
- **Consumer support:** Firms need to consider the support available to customers throughout the customer journey, focusing on late payment and default areas of the journey.

CREDITWORTHINESS CHECKS

- **Assessments:** firms will have some flexibility in designing their approach to creditworthiness assessments. Determining instances where an exception is used will require robust rationale and granular customer data.
- **Optimising onboarding:** firms will need to balance the length of the customer journey and the data required from customers or third-party credit rating agencies, all while maintaining a relatively frictionless experience.

CUSTOMERS IN FINANCIAL DIFFICULTY

- **Support:** firms will need to implement proactive processes for **identifying and managing customers experiencing financial difficulty**. This includes early identification of hardship; robust customer contact strategies across multiple channels; and appropriately tailored forbearance options.
- **Comparable outcomes:** firms will need to demonstrate that vulnerable customers (VCs) receive comparable good outcomes as other groups of customers.

COMPLAINTS HANDLING

- **Potential escalation:** the consumer credit sector has seen an increasing trend in **affordability complaints escalated to FOS**. Firms should be prepared to deal with **increased complaints volumes**.
- **Established processes:** firms will need to have complaints processes that promote good customer outcomes, and include oversight monitoring (e.g., quality assurance, testing, and MI), and root cause analysis to address systemic issues.

MERCHANTS MONITORING

- **Approval:** Unauthorised merchants promoting DPC agreements need approval from an FCA authorised entity. **DPC firms will need robust merchant oversight** which can be complex for firms with large merchant bases.
- **Domestic premises suppliers (DPS):** DPS merchants no longer need FCA credit broker authorisation. However, under the Duty, DPC firms will need to have greater oversight of merchants, including DPS merchants.

Preparing for the transition to regulation

Even though firms would have taken steps to consider their business model and determine whether they plan to remain in the DPC market and therefore seek authorisation, there are a number of other key actions that firms will need to accelerate between now and Regulation Day as summarised below:



Pathway to regulatory compliance

- By now, firms should be well advanced in completing a **detailed regulatory gap analysis** of the FCA's rules (including CONC, PRIN (including Consumer Duty), SYSC, COND, GEN, and SMCR) against the firms' policy, processes and framework in respect to DPC activities.
- A robust gap analysis will help firms identify capability gaps or areas where **tight timeframes may create extra pressure**. Firms can subsequently determine the level of resources required to complete the project on time.
- Firms might want to develop granular implementation plans to allow them to better **identify the more challenging areas** and allocate resources accordingly, for example: creditworthiness assessments, disclosures, complaints handling, consumer duty compliance with a focus on outcomes monitoring and treatment of vulnerable customers (focusing on those in financial difficulty).



Preparing for Authorisation

- Firms will have **six months to apply for full authorisation**, requiring demonstration of compliance with FCA threshold conditions, PRIN, and a detailed Regulatory Business Plan (RBP).
- The RBP must cover business background, growth strategy, financial information, a robust compliance framework and sufficient resources for regulatory compliance to **deliver good customer outcomes**.
- Commencing RBP activities now is crucial for firms to understand the required work, including any changes to Target Operating Model (TOM), policies, responsibilities across the lines of defence and the nature and scale of resources required to ensure a smooth pathway to authorisation.



Programme Oversight & Governance

- DPC firms will need to develop a **robust delivery programme** to navigate TPR and the authorisation process. Programmes will require:
 - Clear lines of **accountability and governance structure** including pathways to escalate decisions, identify and address programme risks promptly to ensure deadlines are met.
 - Identifying and securing **resources and expertise** needed to complete the programme.

Key contacts and relevant insights



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Buy-Now-Pay-Later - regulation
moves closer



Buy-Now-Pay-Later – Getting ahead
of the game



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