NetManagement®

Whitepaper

The New EU Rules on Mandatory Creditworthiness Assessments for Buy Now, Pay Later (BNPL) and Instalment Payments

(Implications for Merchants, Payment Providers and Consumers in Physical Retail and eCommerce)

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English

Introduction

The European Union is introducing significant reforms to the consumer credit landscape that directly affect the way instalment payments and “Buy Now, Pay Later” (BNPL) solutions may be offered. These new rules form part of the revised EU Consumer Credit Directive (CCD II), designed to modernise the regulatory framework for consumer lending and ensure that emerging digital credit models do not expose consumers to unnecessary financial risk.

For merchants—whether operating online or in brick-and-mortar environments—these regulatory changes will reshape how deferred payment options may be offered to customers. While BNPL has grown rapidly due to its ease of use and customer appeal, the new legal requirements now place stronger emphasis on consumer protection, transparency, responsible lending, and suitability of payment methods.

This whitepaper provides a clear, accessible overview of the directive and its consequences for merchants, payment service providers (PSPs), and the wider payments ecosystem.

Purpose and Scope of the New Directive

The revised EU Consumer Credit Directive aims to:

- Protect consumers—particularly those with low or unstable income—from over-indebtedness
- Strengthen responsible lending practices, even for small short-term credit
- Increase transparency and comparability of credit offers
- Ensure fair and clear disclosure of costs associated with deferred payments

The reform applies from 20 November 2025, following the EU implementation period that began in late 2023. It extends regulatory requirements to small-value and short-term credit products below €200, a segment previously exempt from full creditworthiness assessments.

BNPL products, short-term instalment plans, and certain interest-free deferred payment models will now require mandatory creditworthiness checks before approval.

Applicability to Payment Methods

The following table summarises whether each payment method is affected by the new creditworthiness assessment requirements (Yes / No / Partially):

Payment Method / APM / Provider	Falls under the new Directive?	Reason
Credit card (Visa, Mastercard, Amex)	Yes (issuer conducts check)	Revolving or deferred credit; issuer must assess
Debit card	No	Immediate payment, no credit granted
SEPA Direct Debit	No	No credit granted; payment collected immediately or with short clearing delay
SEPA Direct Debit with Payment Guarantee	No	Guarantee is insurer-based, not consumer credit
Bank transfer (immediate)	No	No credit granted

Payment Method / APM / Provider	Falls under the new Directive?	Reason
PayPal “Pay in 3” / “Pay Later”	Yes	BNPL instalment model with deferred credit
Klarna BNPL	Yes	Consumer credit model
Apple Pay / Google Pay	No*	Wallet only; underlying card rules apply
Sofort / iDEAL / Trustly / Wero	No	Immediate bank-funded payments
Invoice payment (B2C) with 30–90 days	Yes	Deferred payment equates to credit if merchant grants it
Invoice payment (B2B)	No	Directive applies to consumers only
Instalment payment with no fees or interest and no delivery until fully paid	No	Treated as advance payment, not credit
BNPL via PSP where PSP funds upfront	Yes (PSP must assess)	Consumer credit is granted
In-store instalment plans with immediate product delivery	Yes	Equivalent to consumer credit
Card tokenised recurring subscription	No	Not credit; recurring payment for service

*Apple Pay / Google Pay only fall under the Directive if the underlying card product constitutes credit.

What This Means for Merchants

The new regulatory regime introduces important changes for merchants:

- BNPL and consumer instalment models can no longer be offered informally without a regulated party performing the creditworthiness assessment.
- Merchants are not required to perform the credit check themselves when using a licensed BNPL or PSP provider—this responsibility lies with the creditor (BNPL provider, bank, or card issuer).
- If a merchant offers their own deferred payment or instalment plan to consumers, they may fall under consumer credit regulation, triggering licensing and compliance requirements.

In practice, merchants should:

- Rely on licensed PSPs, BNPL providers, or financial institutions that perform the necessary checks
- Avoid granting private credit to consumers without regulatory approval
- Update payment flow, T&Cs, and checkout information to reflect new transparency requirements

Data Sharing & Legal Basis

When a BNPL or credit-based payment method is used, certain personal data may need to be shared with the authorised credit provider to perform the required assessment. Common data elements include:

- Name, address, and contact information of the consumer
- Date of birth

- Transaction amount and purchase details
- Historical repayment or behavioural data (if previously known)

Legal basis under GDPR

The processing of such data is justified under Article 6(1)(b) GDPR ("performance of a contract") and Article 6(1)(c) GDPR ("compliance with a legal obligation"). No separate consent is required when data is legally required to assess creditworthiness.

Merchants must ensure transparency via a privacy notice and clearly identify the regulated party responsible for the credit assessment.

BNPL and Instalment Products Covered

The Directive applies to a wide range of consumer credit models, including:

- Short-term loans and micro-credit (below €200)
- "Pay in X" instalment schemes (e.g., Pay in 3, Pay in 4)
- Interest-free instalment plans, if product is delivered before full payment
- Deferred invoicing beyond a short period when credit risk exists
- Digital BNPL schemes integrated at checkout

The core determinant is whether the consumer receives the product or benefits immediately but pays later. If so, this constitutes consumer credit, regardless of interest or fees.

When Merchants Need Regulatory Permission

A merchant may require a credit licence if they:

- Grant consumer credit independently, without using a licensed PSP/BNPL provider
- Offer instalment plans where the product is delivered before full payment
- Provide long deferred invoicing (typically beyond 30 days)

No licence is required if:

- Instalments are pre-payment and goods are delivered only once fully paid
- No interest or fees are charged, and no credit risk falls on the merchant
- The model is classified as "advance payment" and not credit

Important distinction:

Scenario	Licence Required?	Reason
B2B invoices with 30–90 day terms	No	Business customers are not covered
Consumer invoice with 90 days to pay	Likely Yes	Equivalent to granting consumer credit
4 instalments paid before event takes place (e.g., concert ticket)	No	Pre-payment; no credit granted

Instalments as Advance Payment (e.g., Tickets, Furniture Orders)

Where the consumer pays instalments in advance of receiving the goods or services, this is generally not treated as credit, as long as:

- No interest or fees are charged
- Delivery/usage only occurs after the balance is fully paid
- The instalments represent a form of lay-by / advance purchase

Examples:

- Four instalments for a concert ticket where the ticket is only issued after full payment
- A sofa order where the manufacturer only delivers once full balance is paid
- A travel package where the booking is secured, but the ticket is released only after full payment

This model remains permissible and unregulated, provided there is no access to the product or service before full settlement.

Why SEPA Direct Debit Is Not Considered BNPL

SEPA direct debit is not classified as BNPL because:

- Payment is initiated at the time of purchase
- The consumer does not receive extended credit from the merchant
- The bank processes the debit within standard clearing cycles

Even guaranteed SEPA direct debit, where a payment guarantee is provided by a third party, does not constitute consumer credit. The guarantee insures the merchant against payment failure; it does not grant credit to the consumer.

"Tabs" and Open Accounts in the Hospitality Sector: Transition to BNPL Criteria

Within the context of the new EU directive on creditworthiness checks for "Buy Now – Pay Later" (BNPL) or instalment purchases, many restaurateurs and event operators are faced with the question of when an informal credit extended to a guest—the so-called "tab" or a long-standing open account—effectively falls under the definition of a BNPL or credit arrangement. This consideration addresses both the economic risks and regulatory implications associated with such practices.

Traditionally, a "tab" refers to the short-term extension of meals or drinks on account by the proprietor, with the tacit agreement that the guest will settle the total amount by the end of the evening or day. In this classic form, it constitutes an informal, very short-term deferred payment arrangement that involves neither interest nor fees, and therefore does not fall under the new EU Consumer Credit Directive.

However, when the outstanding amount extends beyond hours into days or even weeks, the proprietor assumes a greater financial risk, and the informal arrangement increasingly resembles a private line of credit. Outstanding periods exceeding two weeks, particularly for amounts over €200, significantly increase economic exposure. At the same time, the distinction from regulated credit provision becomes relevant, especially when such tabs are granted regularly or systematically.

Special attention must be paid to deferred payments exceeding 90 days, which, under current EU consumer credit definitions, clearly qualify as a credit in the sense of consumer protection regulations. In such cases, a license from a payment service provider or even a banking license is required if the model is offered commercially or in a standardized manner. Short-term, one-off tabs without interest or fees remain unproblematic from a regulatory perspective.

The amount and frequency of usage are also critical: isolated, one-off tabs of small sums remain unproblematic, whereas repeated tabs involving medium or larger amounts carry increasing economic and regulatory significance. The proprietor's risk assessment is key in such scenarios.

From a practical standpoint, it is advisable for restaurateurs, event operators, or ticket sellers to systematically document open accounts and tabs in terms of duration, amount, and recurrence. This approach not only facilitates clear economic assessment but also allows timely identification of situations in which a creditworthiness check or involvement of a payment service provider is prudent or legally required.

In conjunction with modern payment solutions, such as those offered by specialized providers like NetManagement, real-time credit checks can be conducted at the point of entering billing or delivery information. This enables merchants to offer customers the payment methods best suited to their profile while simultaneously minimizing their own financial risk. In particular, for higher-value transactions, recurring usage, or extended payment terms, this ensures compliance with regulatory requirements without unduly restricting the customer's flexibility.

In summary, short-term, one-off tabs in the hospitality sector remain unproblematic, whereas longer-term, systematic open accounts effectively take on the characteristics of BNPL or credit arrangements. Merchants, restaurateurs, and ticket sellers should therefore monitor these thresholds—duration, amount, and frequency—carefully and implement appropriate creditworthiness checks or payment service provider authorisations where necessary.

Customer Screening for Higher-Value Goods

For higher-value purchases or goods prone to resale or fraud, a pre-payment or BNPL model may involve higher risk exposure.

NetManagement provides merchants with real-time access to credit and identity verification platforms, enabling a risk-based selection of payment methods during the checkout process.

This allows merchants to:

- Conduct instant creditworthiness and identity checks
- Offer appropriate payment methods dynamically based on risk
- Reduce fraud, chargebacks, and bad debt

NetManagement can offer preferential terms for merchants seeking to implement integrated credit screening.

Leading European Credit Reference Agencies

Segment	Company	Website
B2C	SCHUFA (Germany)	https://www.schufa.de
B2C/B2B	CRIF (Europe-wide)	https://www.crif.com
B2C	Experian	https://www.experian.com
B2C	Equifax	https://www.equifax.com
B2B	Creditsafe	https://www.creditsafe.com
B2B	Dun & Bradstreet	https://www.dnb.com
B2C (Nordics)	Bisnode (now part of Dun & Bradstreet)	https://www.dnb.com
B2C (France)	Banque de France (FIICP)	https://www.banque-france.fr

Additional Considerations

- Merchants must be aware that marketing BNPL as “free” or “risk-free” will face stricter guidance to avoid misleading claims.
- Checkout flows will require improved customer information, especially regarding cost, repayment obligations, and consequences of late payment.
- PSPs and BNPL providers will increasingly compete on speed of decisioning, transparency, and approval accuracy.

Advantages and Disadvantages

Benefits for Merchants

- ✓ Reduced fraud and default risk via mandatory credit assessments
- ✓ More sustainable consumer spending improves long-term revenue stability
- ✓ Higher conversion through trusted BNPL providers
- ✓ Protection against regulatory penalties

Drawbacks for Merchants

- û Stricter onboarding processes may lengthen checkout for BNPL
- û Reduced consumer eligibility may temporarily lower BNPL usage
- û Additional compliance and integration work may be required

Benefits for Consumers

- ü Enhanced protection against excessive debt
- ü Clearer cost transparency and reduced risk of hidden fees
- ü Better alignment between affordability and credit availability

Drawbacks for Consumers

- û More data sharing and identity checks required
- û Some customers may no longer qualify for BNPL or certain instalment plans

Conclusion

The revised EU Consumer Credit Directive represents a major evolution in the European retail and eCommerce payment landscape. While it introduces additional compliance considerations, it ultimately creates a healthier, more transparent and sustainable payments ecosystem. Merchants who prepare early will benefit from improved consumer trust, lower default risk, and a more resilient business model.

Now is the ideal moment for merchants to review deferred payment offerings, update processes, and partner with regulated providers capable of supporting compliant BNPL solutions. Those who adapt strategically will maintain competitive advantage and continue to offer attractive, responsible, and consumer-friendly payment options.

Disclaimer

This whitepaper does not constitute legal advice. It is intended solely for general informational purposes regarding regulatory developments related to “Buy Now, Pay Later” and instalment purchases. The content is not exhaustive, nor is it legally binding, and it should not be regarded as a substitute for professional legal advice. For specific matters or decision-making, organisations should seek guidance from qualified legal professionals.

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