The Future of the **Pay-Later Economy**

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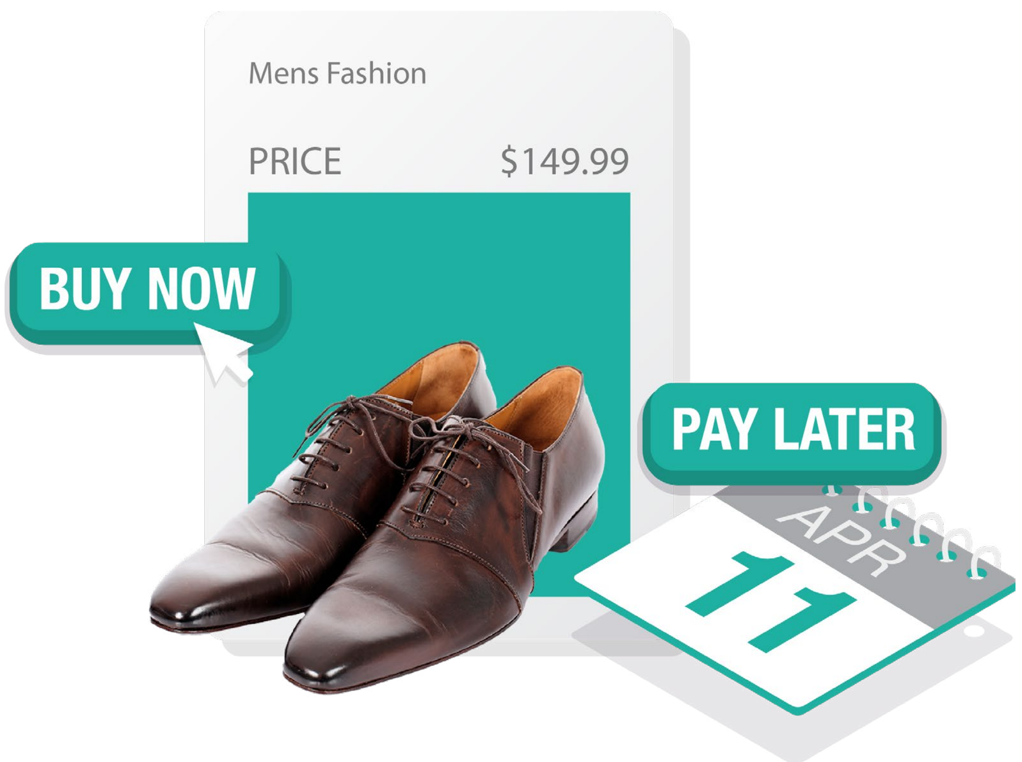

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Beyond Credit Cards:

How BNPL Is Reshaping the Payments Ecosystem

Buy now, pay later (BNPL) isn't just a niche payment option anymore — it's rapidly becoming a permanent fixture in how consumers budget, shop and pay, according to five industry leaders whose insights preview the new eBook, "The Future of the Pay-Later Economy."

Max Levchin, founder and CEO of **Affirm**, sees the sector evolving into a trusted, ubiquitous service — similar to how American Express became a household name in credit. In his view, consumers value BNPL's predictability and sense of control over repayment more than the ability to borrow. Affirm's model, Levchin says, focuses on clarity: "Our appeal is not that it's some cool way of borrowing money," but that it eliminates late fees and hidden costs while boosting merchants' conversion rates and average transaction values.

Ed O'Donnell, CEO of **Versatile Credit**, highlights how economic headwinds have increased demand for pay-later financing.

"People want certainty — especially in an environment where things are a bit uncertain," O'Donnell notes. Versatile Credit connects merchants with multiple lenders, enabling them to offer short-term and promotional financing that appeals to cost-conscious consumers, especially younger shoppers wary of high interest rates. Larger retailers once dominated this space, but O'Donnell has observed smaller merchants embracing BNPL to stay competitive and increase sales.

From a technology standpoint, **Todd Pollak**, chief revenue officer at **Marqeta**, believes modernizing outdated payment infrastructure is driving BNPL's explosive growth.

"Even the networks and their operating procedures are based on code from 50, 60 years ago," Pollak says. Marqeta's application programming interface (API)-driven platform supports BNPL's real-time capabilities and seamless integrations with digital wallets. This reduces merchant friction, Pollak adds, which remains a key hurdle. Regulatory scrutiny is inevitable, but centralizing risk management and compliance within technology platforms can help BNPL providers stay ahead of new rules.

Meanwhile, **Mastercard** is embedding installments directly into its global network, explains **Seema Chibber**, the company's executive vice president for Core Payments in North America. Chibber sees BNPL as a "core capability" rather than a side offering, pointing to heightened consumer demand for installment-based flexibility across all types of transactions — from eCommerce to healthcare. By partnering with both FinTechs and traditional financial institutions, Mastercard aims to provide a universal framework that makes BNPL seamless for merchants.

"We've literally seen an explosion in the preference for installments," Chibber says, underlining the demand for control and transparency.

Finally, **Nandan Sheth**, CEO of **Splitit**, believes the market is fragmenting as consumers seek new BNPL models and banks enter the space. Splitit's approach leverages existing credit lines for interest-free installments, a strategy Sheth says fosters loyalty while preserving credit card rewards.

He notes that large banks are looking to partner with orchestrators like Splitit, smoothing integration and offering a unified point-of-sale experience. Sheth also points to Klarna's success in evolving from a mere financing tool into a consumer shopping hub as a sign that BNPL's future lies in more than just splitting payments — it's about capturing and retaining consumer attention.

Collectively, these five perspectives paint a picture of a rapidly maturing BNPL industry poised for mainstream adoption — and they form the foundation of our new eBook, which delves deeper into how installment-based payments may shape the future of retail, banking and beyond.

Why Affirm's Max Levchin Believes Predictability Beats Traditional Credit

MAX LEVCHIN
FOUNDER & CEO

When Affirm founder and CEO Max Levchin looks to the future of his company, he envisions it becoming the American Express of its sector — an indispensable brand synonymous with consumer trust and financial clarity. At a time when younger consumers are increasingly wary of traditional credit cards and long-term debt, Levchin believes the structured repayment plans offered by Affirm resonate deeply, providing both predictability and a reassuring sense of control.

In a recent discussion with Karen Webster during PYMNTS' Pay Later Unpacked event, Levchin emphasized that the main attraction of buy now, pay later (BNPL) isn't the ability to borrow, but rather the clarity around fixed payment timelines and schedules that consumers can set and easily understand.

Merchants, Levchin noted, find significant value in BNPL by markedly boosting conversion rates. Retailers often invest more than 30% of their gross sales simply to attract consumers, making the ability to efficiently finalize sales crucial. Affirm, now in its 13th year but still operating with a startup's nimbleness, has become deeply embedded across digital wallets, merchant sites and eCommerce platforms. Levchin likens Affirm's role in payments to that of American Express, emphasizing the company's commitment to consumer advocacy and trustworthiness.

Despite increasing competition from traditional banks entering the BNPL space, Levchin maintains that Affirm's agility and innovation allow it to move "at 10 times the speed of any bank." He welcomes greater bank participation, believing it heightens consumer awareness and overall adoption. According to Levchin, BNPL has evolved from a niche offering into an essential checkout feature, particularly appealing to young adults skeptical of traditional credit options.

Affirm anticipates processing $35 billion in transactions this fiscal year, supported by more than 20 million active users. Levchin highlights the tangible benefits merchants experience when integrating Affirm, notably reducing cart abandonment by 28% and increasing average transaction values by 60%. Affirm distinguishes itself by rejecting late fees and hidden charges, instead prioritizing transparency and responsible financial management through consumer-focused feedback in its app.

"Our appeal is not that it's some cool way of borrowing money," Levchin said. "It's the sense of control around the schedule and the plan that you create."

Strategically, Affirm is also expanding through its Affirm Card, facilitating financing for everyday expenses from groceries to medical procedures. A recent partnership with FIS further positions Affirm to integrate BNPL functionalities directly into banks' debit cards.

Despite ongoing regulatory uncertainty, Levchin sees stable consumer demand for transparent, manageable payment options like Affirm's, particularly amid cautious economic conditions.

Versatile Credit CEO: Pay-Later Solutions Thrive Amid Economic Uncertainty

ED O'DONNELL
CEO

Economic uncertainty is fueling consumer and merchant interest in pay-later financing, according to Versatile Credit CEO Ed O'Donnell. Speaking at the PYMNTS Pay Later Unpacked event, O'Donnell said predictable, installment-based payment options help consumers manage their budgets confidently during volatile times, while also providing merchants a valuable tool for driving sales.

Versatile Credit, which connects merchants with multiple lenders to offer diverse financing options at the point of sale, has seen an increase in credit applications early this year. O'Donnell highlighted growing demand from consumers, particularly younger demographics, seeking to avoid costly long-term interest payments. Short-term and promotional financing allows these buyers to make purchases they perceive as necessary or desirable without significantly inflating their overall costs.

"People want certainty — especially in an environment where, economically, things are a bit uncertain," O'Donnell said. "Planning is important and confidence is important — and with pay later, you can create your own confidence within your own budget."

The profile of merchants adopting these financing options is also shifting. While larger retailers once dominated the use of pay-later programs, small and mid-sized businesses increasingly embrace these credit solutions, supported by versatile white-label offerings. This expansion allows smaller businesses access to comprehensive credit programs previously reserved for larger enterprises, enhancing their competitiveness without significant investment.

Technological advancements, particularly in data analytics and artificial intelligence (AI), have streamlined the lending process. Improved risk assessment capabilities enable lenders to confidently expand their target customer bases, including traditionally subprime segments, capturing profitable and loyal consumers. These developments have replaced outdated, manual underwriting processes with automated, compliant and transparent digital experiences.

Ultimately, O'Donnell said, broader financing options benefit both merchants and consumers, particularly during uncertain economic periods. Merchants enjoy increased sales opportunities, while consumers appreciate the flexibility and certainty pay-later solutions provide in managing their finances.

Behind the BNPL Surge: Marqeta's Mission to Modernize

TODD POLLAK
CHIEF REVENUE OFFICER

MARQETA

Buy now, pay later (BNPL) owes its explosive growth not merely to shifting consumer behaviors but to technological innovations in payment processing, according to Todd Pollak, chief revenue officer at Marqeta.

Pollak said most merchants still rely on payment infrastructure created decades ago. "Even the networks and their operating procedures are still based on code that was developed almost 50, 60 years ago." Such legacy systems were not built to support the requirements of BNPL transactions, creating challenges that Marqeta addresses through advanced, API-driven solutions. Marqeta has enabled BNPL's rapid market penetration by overcoming these technology barriers.

BNPL has expanded into an $18 billion lending market within a decade, with Marqeta playing a central role. "Without a Marqeta, BNPL probably doesn't exist in the form or the size and scale that you see it at today," Pollak said. As traditional financial institutions enter the BNPL space, Pollak highlighted technology gaps, particularly concerning legacy systems' inability to smoothly integrate real-time capabilities or access digital wallets like Apple Pay and Google Pay. Financial institutions are seeking solutions from firms like Marqeta to bridge these tech divides.

Marqeta's strategy focuses on easing merchant friction, identified by Pollak as a major hurdle in BNPL adoption. Merchants must integrate multiple systems — inventory management, shipping and returns — to seamlessly complete BNPL transactions. Marqeta prioritizes this integration, aiming to streamline merchant operations and enhance efficiency.

Pollak also addressed regulatory challenges, acknowledging the complexity and uncertainty surrounding BNPL oversight. While regulation often lags innovation, he said the industry is adapting, particularly by centralizing risk management. Marqeta assumes regulatory and compliance responsibilities, enabling BNPL providers to concentrate on their core strengths: enhancing underwriting and improving merchant and consumer offerings.

Looking forward, Pollak envisions BNPL as a part of a broader embedded finance trend, expanding financial inclusion through advanced data-driven underwriting. Marqeta intends to remain a critical facilitator, providing the technological foundation for innovators seeking new ways to offer financial services, especially to traditionally underserved consumers.

Inside Mastercard's Plan to Embed BNPL Across Payments Ecosystem

SEEMA CHIBBER

Executive Vice President, Core Payments, North America, Mastercard

Mastercard sees buy now, pay later (BNPL) as much more than a retail trend, positioning itself to embed installment payments into its global payments network and expanding into new verticals such as healthcare and professional services, according to Seema Chibber, Mastercard's executive vice president of Core Products for the Americas.

Mastercard is responding to growing consumer demand for flexible payment solutions by integrating installments into its network infrastructure. "We've literally seen an explosion in the preference for installments," Chibber explained. "And when you put it all together — people seeking expanded buying power, control and financial management, and the flexibility and convenience of a digital experience — we had to be ahead of this trend."

Mastercard's strategy isn't merely about offering installments as an additional payment option; instead, installments have become core capabilities embedded in Mastercard's network, supported by APIs, secure settlement protocols, and robust rule frameworks.

The company's "partner-first" strategy is critical, working collaboratively with FinTechs such as Affirm and financial giants like J.P. Morgan, Galileo and various acquirers. Recognizing that BNPL demands vary widely among merchants, from global retailers to local healthcare providers, Mastercard offers flexible tools and frameworks tailored to different business needs. Chibber said Mastercard's approach helps businesses adopt BNPL universally without technical friction or infrastructure gaps.

Chibber also emphasized Mastercard's commitment to responsible growth amid heightened regulatory scrutiny surrounding BNPL. Mastercard ensures strict compliance with lending and consumer protection regulations worldwide, establishing baseline standards for transparency, safety and consumer rights. "We strictly comply with regulatory requirements," Chibber said, underscoring Mastercard's dedication to maintaining trust and credibility.

Looking ahead, Mastercard anticipates BNPL will become a ubiquitous, frictionless payment experience integrated into everyday transactions. Innovations like tokenization, biometric authentication, and Mastercard's One Credential, which consolidates multiple payment methods under a single user profile, represent steps toward this future. "Embedded is the way to go," Chibber said, because consumers expect seamless, connected payment journeys.

As BNPL evolves beyond traditional retail into areas such as healthcare, professional services and B2B transactions, Mastercard's integrated network approach aims to position installments as a standardized payment choice, backed by the security and reliability of its global payment infrastructure.

Splitit CEO Sees Fragmented BNPL Market Moving Toward Bank-FinTech Partnerships

NANDAN SHETH
CEO

The buy now, pay later (BNPL) market has become fragmented, with consumer preferences diversifying beyond the original pure-play FinTech lenders, said Nandan Sheth, CEO of Splitit. In an interview during PYMNTS' Pay Later: Unpacked series, Sheth highlighted the evolution of the BNPL ecosystem as merchants grapple with shifting consumer spending patterns and seek ways to foster loyalty by making transactions more affordable.

Sheth emphasized that the BNPL space now features a range of solutions, from longer-term bank loans to transactional credit provided at the point of sale. Banks, latecomers to the BNPL phenomenon, are interested in directly embedding their offerings into checkout experiences. However, integrating multiple banking partners individually into merchant systems poses logistical challenges. Sheth said that, to reach critical mass, banks will rely on partnerships with companies like Splitit, using a flexible "orchestration layer" to streamline integrations.

"If I'm a dominant credit provider," Sheth said, "whether it's Klarna or a JPMorgan Chase, there's a value and a utility in consolidating the credit needs of a consumer off of my [own] platform."

Splitit focuses on leveraging consumers' existing credit cards, breaking down purchases into interest-free installments without pushing consumers toward new credit lines. Sheth said this model benefits consumers by enabling them to maintain existing credit relationships and card rewards, while merchants benefit from increased repeat purchases and transaction values.

Sheth also pointed to Klarna's strategy as illustrative of broader industry shifts. With 75% of Klarna's revenue derived from merchants paying fees for consumer adoption and marketing, the model demonstrates that BNPL platforms have become crucial marketing tools, driving consumer discovery and loyalty. Moreover, Klarna's success in moving consumer shopping journeys onto its own platform rather than merchant sites highlights the shift from financing-driven commerce to integrated, experience-driven shopping.

Looking ahead, Sheth believes banks will take a much larger role in BNPL, using FinTech partnerships to achieve greater integration at checkout. He predicted omnichannel options, embedded experiences across a wider range of platforms (such as Shopify), and continued merchant willingness to pay premiums for improved conversion rates and larger basket sizes will define the market's future direction.

About

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PYMNTS is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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Reimagining Consumer Finance:

The Strategic Rise of Buy Now, Pay Later

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