

The UK Publishes Final Rules on the Regulation of Buy Now Pay Later

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By Alix Prentice
Partner | Financial Regulation

On 11 February 2026, the UK's Financial Conduct Authority (**FCA**) published Policy Statement 26/1: "**Regulation of Deferred Payment Credit (unregulated Buy Now Pay Later): Feedback to CP25/23**" (**PS26/1**), giving consumers of Deferred Payment Credit (**DPC**) new protections when borrowing.

As distinct from the current position, DPC (an interest-free credit product repayable over 12 months or less in 12 or few instalments) will no longer be unregulated. Lenders offering DPC agreements to finance goods or services obtained from merchants will require the prior authorisation of the FCA to do so. This represents a significant milestone in the UK consumer credit market – PS26/1 points out that 20% of UK consumers (10.9 million adults) used DPC in the 12 months leading up to May 2024. Note, however, that in a change from the earlier Government position, merchants who broker DPC agreements will be exempt from regulation.

Obtaining FCA authorisation will not simply involve the licensing process. The FCA is concerned that the uptake of DPC is particularly prevalent within a market segment that is more likely to be in financial difficulty than the general population, and so its approach is to 'regularise' DPC by treating it largely as regulated consumer credit (and applying most of the existing conduct rules and guidance in the Consumer Credit Sourcebook). This means that the following obligations are going to be key for DPC lenders:

1. *Pre-agreement customer information:* consumers must receive key product information that includes their obligations and risks under the agreement, as well as additional information on their rights and information about the involvement of credit reference agencies;
2. *Communications with customers in arrears or default:* firms will need to show that they have taken customers' individual circumstances into account in these communications;
3. *Creditworthiness* DPC providers will be required to undertake a creditworthiness assessment for each DPC transaction, including small-sum DPC agreements of £50 or less.

ABS and DPC

While regulated receivables might appear a more challenging asset class for this sector of the ABS market, the large DPC providers have welcomed regulation as ensuring a fairer, safer market for consumers. Rules on creditworthiness and affordability should enhance the credit quality of the asset pool, potentially hastening the likelihood of the first public DPC-backed ABS issuance.

Next steps and timeline

- The Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) Order sets out that DPC becomes regulated on 15 July 2026.
- DPC firms wishing to continue lending after this date must notify the FCA to register under the Temporary Permissions Regime (**TPR**).
- The TPR notification window opens on 15 May 2026.
- Firms in the TPR can then apply for full authorisation within a six-month window following 15 July 2026.
- Any firm without the necessary consumer credit permissions and which does not register for the TPR will not be permitted to enter new DPC agreements after 15 July 2026, but may continue to service agreements taken out before that date.