



# The economic impact of Clearpay in the UK



A report for Clearpay October 2023

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## October 2023

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# Executive summary

High inflation and interest rates have strained UK household finances, with many cutting back on spending, dipping into savings or using more credit than usual to cope with rising prices.<sup>1</sup> In this context, the use of **Buy Now, Pay Later (BNPL) services has increased significantly**. BNPL is an easy-to-use and convenient deferred payment solution that allows consumers to pay for purchases over a short period of time. Our analysis indicates that households view BNPL as a **valuable tool in confronting financial challenges and managing the stress created by high inflation**.

Clearpay commissioned Oxford Economics to analyse the role of BNPL services for consumers and to develop quantitative estimates of Clearpay's value to merchant partners and the wider UK economy. The findings in this report are based on a survey of 1,170 UK consumers of BNPL services and a survey of 1,028 UK merchants using Clearpay to support their sales, supplemented by data from Clearpay and other third-party sources. Case studies presented in this report were developed and drafted by Primer Studio in collaboration with Clearpay.

**78%**

of BNPL customers surveyed believe it is cheaper than other credit payment options

[11.5% of all UK households]

# 3.1 million

## UK households used BNPL services in 2022, up from 6.8% in 2020.

Proportion of households using overdrafts and credit cards declined during the same period.

## A growing payment option, especially among millennials

Bank of England [BoE] data shows that UK households using BNPL services increased to 11.5% in 2022, up from 6.8% in 2020, meanwhile the proportion of households borrowing through credit cards and overdrafts declined. This study found that about 30% of UK adults, with a higher proportion of Millennials [41%] and Gen X [36%] adults, used BNPL services in the year leading up to August 2023.<sup>2</sup>

BNPL usage is increasing across all age groups, especially among Boomers. Research from the Centre for Financial Capability found that almost 20% of over-65-year-olds indicated that they had used BNPL products or intended to in 2022, compared to less than 10% in 2021.<sup>3</sup> Increased availability at retailers, convenience of BNPL services, and higher inflation have contributed to increased BNPL spending across all ages.

## BNPL is a preferred payment option

Customers prefer BNPL services over other payment options. A majority [53%] of BNPL customers, with higher proportions of Gen Z [64%] and Millennials [57%], prefer BNPL services over credit cards, consistent with findings from a Financial Conduct Authority [FCA] survey which found that a larger proportion of Gen Z UK adults had stopped using credit cards.<sup>4</sup>

Survey evidence indicates a demand for wider availability of BNPL services, not just for clothing, electronics and furniture shopping, but also for paying bills and maintenance services, including for household upkeep, groceries, and utilities, especially among older and low-income BNPL customers. This demonstrates that BNPL is increasingly becoming a preferred payment method for a wide range of goods and services, and a viable alternative to credit card spending.

## BNPL attributes valued by customers

BNPL services are considered a convenient, low-cost payment option enabling households to manage their finances better and reduce financial stress.

BNPL services allow financial flexibility as they are seen as cheaper and more accessible than other credit payment options. BNPL services are free to use, charge no interest, and if payments are made on time, late fees are not incurred.

More than three-quarters [78%] of BNPL customers believe that BNPL is cheaper than other deferred payment options and 77% said that BNPL helps avoid potentially high-interest credit card debt. Customers value the easy access to funds, with 74% reporting that it is more convenient than other payment options and two-thirds [66%] indicating that it provides better access for payment when shopping.

A significant majority of BNPL customers reported that BNPL helps them reduce the financial stress of large expenses [78%], particularly during the festive season [65%]. A larger proportion of Gen Z and Millennial customers reported feeling the positive impacts of BNPL services during the festive season. Importantly, BNPL helps manage financial stress for general spending across all generations.

Using survey responses, we estimate that these UK customers using BNPL derived a total value of £191 million, as measured by 'consumer surplus',<sup>5</sup> from the various benefits made accessible by BNPL services.

# 78%

of BNPL customers reported that BNPL helps reduce the financial stress of large expenses, and helps manage stress related to festive spending [65%].

# 77%

of BNPL customers reported BNPL helps avoid potentially high interest credit card debt

# 74%

of BNPL customers reported being able to anticipate their payments in advance

# 66%

of BNPL customers reported finding it convenient to access when shopping

## Clearpay helped boost retail sales by £940 million in FY 2022/23

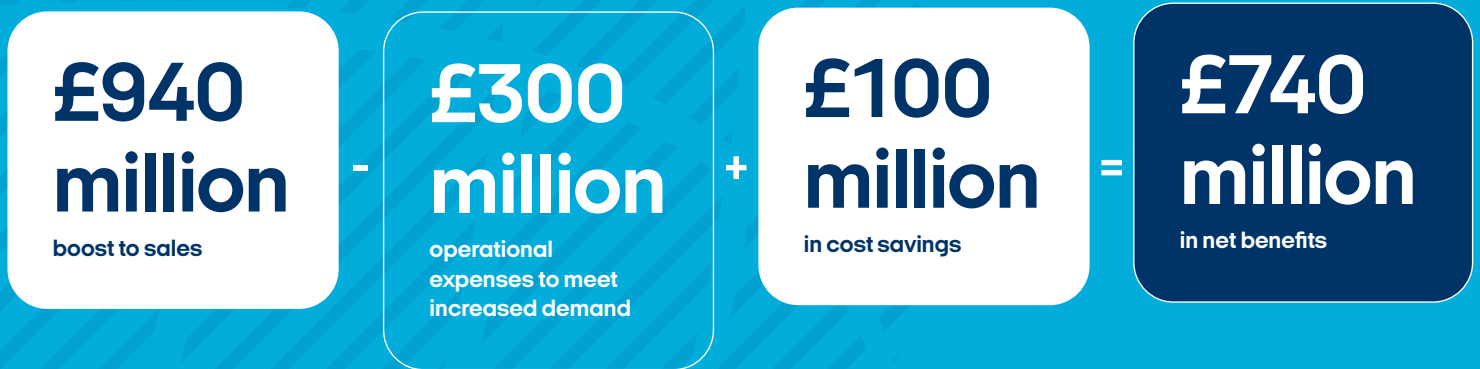
Clearpay is one of the largest BNPL partners for merchants in the UK, helping retailers provide consumers with better value and an improved shopping experience.

Merchants in our survey indicated that the incremental impact of using Clearpay on sales was substantial. Without Clearpay, merchants reported that they would have lost, on average, around 18% of their BNPL

revenues even if they used other payment options. This implies that Clearpay helped UK merchants generate an **incremental £940 million in sales** in the financial year ending 2023 (FY 2022/23), through exposure to new customers, greater retention of existing customers, increase in repeat purchases and larger basket sizes. Clearpay's BNPL service also created efficiencies, helping **reduce costs by**

**approximately £100 million**, which stems from lower fraud rates and efficiencies from improved order processing and inventory management.

The overall net benefit to UK businesses amounted to **£740 million** in FY 2022/23, after accounting for the increase in operating costs required to meet the incremental demand stimulated by Clearpay.



Based on the survey data and not representative of Clearpay GMV.

## Clearpay contributed £700 million to UK GDP in FY 2022/23

The incremental sales enabled by Clearpay contribute to economic activity, measured using contributions to GDP, and support jobs across the wider UK economy. The incremental sales mean that retailers place larger orders with suppliers and hire additional staff to meet the increased demand. Increased spending with suppliers, as well as by employees, is associated with further rounds of economic activity in the wider economy. We refer to the economic effects supported through the incremental sales as 'direct' effects, through the supply-chain as 'indirect' effects, and through employee-spending as 'induced' effects.

The incremental sales of **£940 million** contributed a total of approximately **£700 million** to UK GDP in FY 2022/23 through the direct, indirect and induced channels described above. Of the **£700 million** total contribution to GDP, **£290 million** was supported through direct channels, **£190 million** through indirect supply-chain channels, and a further **£210 million** through employee-wage spending induced channels.



## Clearpay supported 11,000 jobs in the UK in FY 2022/23

Our analysis indicates that Clearpay-stimulated sales helped support a total of 11,000 jobs through direct, indirect and induced channels.

While 32% of the jobs supported were based in London, given the concentration of consumer spending and retail in the region, more than two-thirds of jobs supported were outside the capital. Clearpay's contributions to regional employment were highly concentrated in the North West, where 2,300 jobs were supported [21% of total jobs supported], and in Yorkshire and the Humber where 1,200 jobs were sustained [11% of total jobs supported] by the platform's operations.

# £700 million

in GDP and 11,100 jobs through direct, indirect and induced channels.



# 1. Introduction

High inflation in the UK, fuelled by rising food, energy and housing expenses, is straining household budgets. In a September 2023 Office for National Statistics (ONS) survey, nearly 90% of UK adults identified inflation as their top concern. To cope, households are adopting various strategies: 45% are cutting back on essentials, 67% are trimming non-essential spending and 18% are using more credit.<sup>6</sup>

## What is Buy Now, Pay Later?

Buy Now, Pay Later (BNPL) services have become a valuable tool for households to manage their finances, particularly to manage the impact of rising prices. BNPL is a short-term deferred payment solution that allows consumers to make purchases and pay for them over a short period of time. Consumers value the flexibility of being able to spread payments, interest-free, for both low and high cost items.

## Purpose of this report

Clearpay commissioned Oxford Economics to analyse the role of BNPL services for consumers and the importance of Clearpay for merchants and the wider UK economy. The findings in this report are based on a survey of 1,170 UK consumers of BNPL services and a survey of 1,028 UK merchants using Clearpay to support their sales, supplemented by data from Clearpay and other third-party sources.

This report is structured as follows:

- **Section 2** discusses the evidence from our BNPL customer survey on the role of BNPL services in helping UK households navigate the impact of high inflation;
- **Section 3** presents our estimates of the value generated by BNPL services for customers based on findings from the customer survey and bespoke econometric modelling;
- **Section 4** explores how Clearpay in particular is valued by consumers; and
- **Section 5** discusses how Clearpay is helping businesses, supporting jobs and creating value in the wider economy.

The appendix contains a description of our methodology.

**45%**

spending less on food and essentials

**67%**

spending less on non-essentials

**18%**

using more credit than usual







# The cosmetics business that's grown into a glittering global success

Glisten Cosmetics began as a side-hustle. Today, it's a multi-million-pound brand.

Natalie Chapple's cosmetic glitter business started off as a side-hustle to help cover the costs of her childcare.

Six years later, Glisten Cosmetics has evolved into a multi-million-pound business. Its signature eyeliners and eye shadows worn by everyone from festival goers to TikTok stars and even rappers and singers like Doja Cat.

It's a level of success the former teacher, who studied fashion design at university, could never have predicted.

Chapple came up with the idea because she had always worn glitter to festivals and special events, and she knew she could easily create products from home. Glisten Cosmetics soon expanded into other products, including mascara, lip-gloss and eyeliners, and is today known for its bright, fun aesthetic.

From the beginning, the brand has sold its products internationally.

"Glisten was a global brand from day one. We sell small-sized products, so it was quite cheap to send things to the US, which is one of our biggest markets," she says.

Clearpay's Cross Border Trade programme, which allows customers to purchase products in their own currency and pay in instalments, has helped reduce friction for international sales. "Being able to offer Clearpay abroad has helped me keep my international customers. It used to be hard to explain that my Clearpay payment option was only for my country - customers never understood why I couldn't offer it worldwide. So, it makes for an easier conversion."

Looking back, Chapple says her biggest mistake was not signing up to Clearpay earlier. "I should have just jumped on it."

**"Being able to offer Clearpay abroad has helped me keep my international customers."**

## 2. Buy Now, Pay Later: helping UK consumers in challenging times

The financial strain on UK households has intensified in the last 24 months due to escalating energy and commodity prices. Consumer prices surged by 9.6% in the year to October 2022, the fastest in four decades. Although inflation has fallen back slightly since—at the time of writing the latest reading was 6.8% in September 2023—it remains well above the BoE’s target rate.

In response to inflation concerns, the BoE has implemented 14 interest rate hikes since December 2021, pushing mortgage rates to their highest since February 2008. In this context, it is not surprising that more than two-thirds of UK adults are spending less on non-essentials.<sup>7</sup> The impact of higher interest rates on household budgets is expected to be felt more intensely in the near future, especially by those transitioning from fixed-rate mortgage agreements.

Fig. 1. Usage of credit cards and BNPL services, 2018-2022, % UK households surveyed. Source Bank of England/NMG survey, Oxford Economics analysis

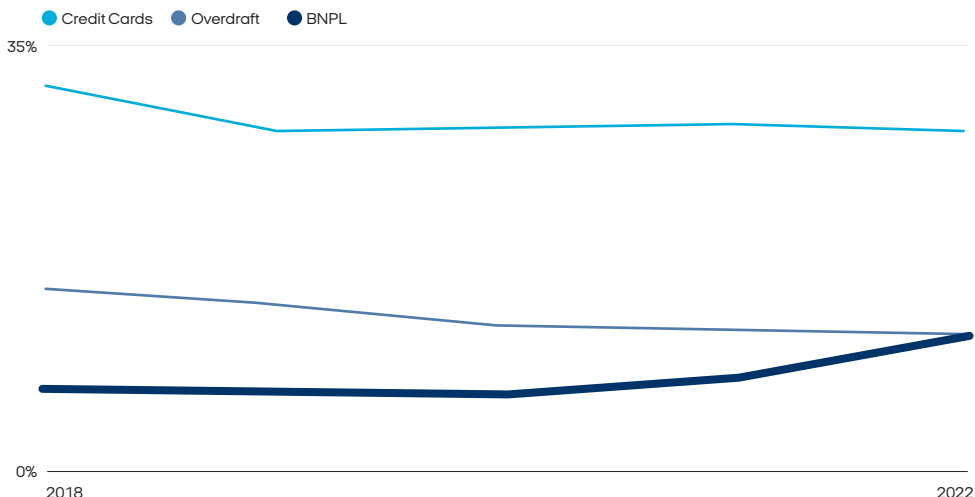
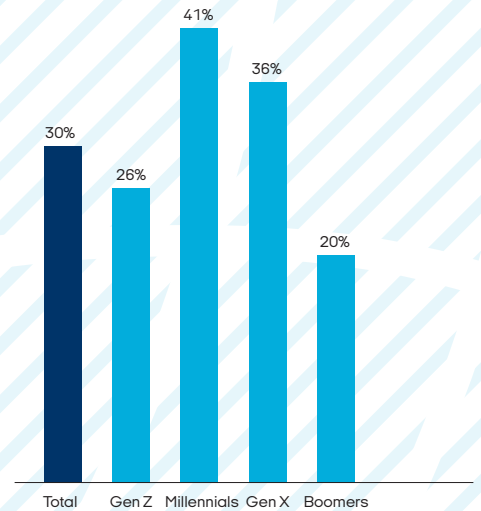


Fig. 2. BNPL usage in the 12 months to August 2023, by age, % UK adults surveyed who used BNPL



### BNPL: A growing service helping to manage household finances

BNPL represents a growing share of payment options used by UK households. Around 3.1 million households [11% of total UK households] used deferred payment or BNPL services in 2022, according to the BoE and the FCA.<sup>8,9</sup> Since 2020, the proportion of UK households indicating they used BNPL services for purchases has grown rapidly, from 6.8% in 2020 to

11.5% in 2022. During the same period, the proportion of households borrowing using credit cards and overdrafts has declined slightly – as shown in Fig. 1.<sup>10</sup>

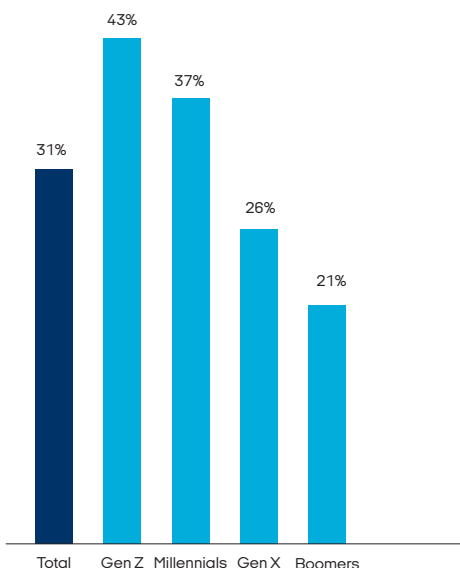
Our survey found that about **30% of UK adults used BNPL services** in the year leading up to August 2023, with a **higher proportion of Millennials (41%) and Gen X (36%) adults**. Millennials and Gen X typically have higher incomes than Gen Z and Boomers, and spend more, particularly on clothing, footwear, and household goods and services.<sup>11</sup> Hence, it is unsurprising that a greater percentage of surveyed UK Millennials and Gen X individuals used BNPL services compared to other age groups.

Among BNPL customers, younger cohorts use BNPL more frequently; 43% of Gen Z customers and 37% of Millennials reported using BNPL at least once a month in the last year, compared to 26% of Gen X and 21% of Boomers in our survey. Younger demographics, who typically have less savings, valued BNPL services for the ability to purchase products and services without having to pay for them upfront or taking on potentially high-cost debt.<sup>12</sup> BNPL customers in London [37%] used it more frequently than those in other regions, reflecting the capital's younger population and the higher cost of living compared to the rest of the UK.

However, BNPL usage is increasing across all age groups, especially among Boomers. Research from the Centre for Financial Capability found that almost one-fifth of over-65-year-olds had used the products or intended to in 2022, compared to under 10% in 2021.<sup>13</sup>

The value of transactions facilitated by BNPL services is expected to increase by around 10.9% per year in the next five years, reaching £44 billion by 2028. Some forecasts project even stronger growth of around 25% annually between 2022 and 2028, translating into projected transaction values of £88 billion in 2028.<sup>14, 15, 16</sup>

Fig. 3. Proportion of frequent BNPL customers in the 12 months to August 2023, by age, % BNPL customers surveyed who use BNPL at least once a month. Source: YouGov, Oxford Economics



## BNPL helps mitigate the impact of price rises

In the current inflationary economic landscape, BNPL is a useful financial management tool helping households mitigate the impact of rising prices on their finances. Close to half of BNPL customers surveyed indicated that they had increased their BNPL usage in the last 12 months to manage the impact of inflation.

Over half of BNPL customers [55%] surveyed told us that BNPL helps them manage the impact of inflation and 59% indicated that BNPL helps them manage their finances better. A greater proportion of younger BNPL customers, especially Gen Z [61%] and students [70%], reported that the service helps them manage the impact of inflation.

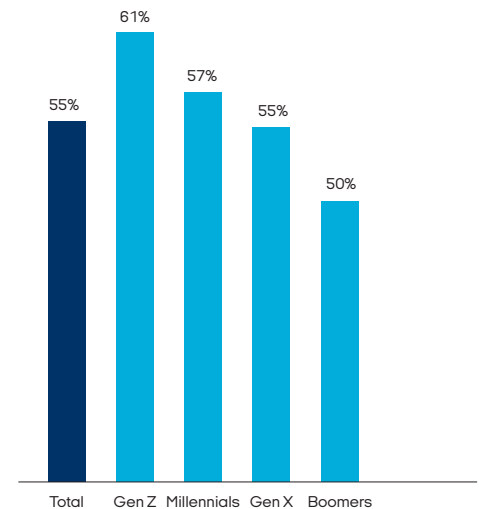
## BNPL is a low-cost and more accessible payment option

BNPL services provide financial flexibility as they are cheaper and considered more accessible than other credit payment options. More than three-quarters [78%] of the BNPL customers surveyed believe that BNPL is cheaper than other credit payment options and 77% said that BNPL helps them avoid paying high-interest credit card debt. Customers value the access to funds provided by these services, with close to three-quarters [74%] reporting that they found it more convenient than other payment options and two-thirds [66%] indicating that it provided better access for payment when shopping. A fifth of respondents [21%] told us that they had replaced some of their credit card use with BNPL services in the last year.

Fig 5. Low-cost and access benefits of BNPL services. % of BNPL customers who use the service for. Source: YouGov, Oxford Economics



Fig. 4. BNPL role in managing the impact of inflation, by age categories, % of BNPL customers surveyed who indicated that the service helps reduce the impact of inflation on their finances. Source: Oxford Economics



**£44 bn-  
£88 bn**

Forecast value of transactions supported by BNPL services in 2028 could be as high as £88 billion implying a forecast annual growth of 25% per year.

## BNPL helps reduce financial stress

Rising financial pressures have resulted in lower happiness, poorer life satisfaction and higher anxiety among UK adults as many have struggled to keep up with bills and payments and have fallen into debt, according to survey data from the ONS.<sup>17</sup> A key trigger for financial stress for households is the inability to pay for large purchases, which could result in households resorting to more expensive forms of credit or foregoing essentials.

Better payment options, such as **BNPL services**, can help reduce the stress associated with large expenses. In our survey, a significant majority reported that BNPL helps them reduce the financial stress of large expenses (78%), particularly around the festive season (65%). The benefits of BNPL to help households manage financial stress in their general spending was extremely important across all generations. Additionally, the stress reducing impacts of BNPL during the festive season were highlighted by a larger proportion of Gen Z and Millennial customers.

More than four-times as many respondents, across all age groups, reported that they perceive BNPL debt to be less stressful than credit card borrowing. When comparing BNPL to credit cards, 45% of BNPL customers surveyed found BNPL debt to be less stressful whereas just 10% found credit card debt to be less stressful.

# 78%

of BNPL customers reported that BNPL helps reduce the financial stress of large expenses, particularly during the festive season (65%).



# How Clearpay helps Alternative Airlines fly high

Offering customer choice is at the heart of this airline ticketing platform, which is why it partners with Clearpay.

Sam Argyle, Managing Director of Alternative Airlines, believes that everyone, everywhere should have the freedom to fly. "Travel is immensely important," he says. "From family reunions to taking a break, everyone should have access to flights."

It's this passion for travel, and the belief that it should be accessible to everyone, that underpins every part of the customer journey at the airline ticketing platform.

Founded in 2006, Alternative Airlines allows travellers to book flights on more than 600 airlines – while also choosing the way they prefer to pay.

The business has offered Clearpay since 2022, and Argyle says the Buy Now, Pay Later payment option has been crucial for increasing its Gen Z customer base in the UK, which is the company's second biggest market.

"The beauty for us is in the flexibility," he explains. "Buy Now, Pay Later has grown significantly as a budgeting tool for younger generations to help them manage their spend, and as an alternative to high-interest-bearing credit."

Since introducing Clearpay, the brand has seen a 400 per cent increase in transactions from 18-to-24 year olds. That demographic now accounts for 28 per cent of UK sales.

Clearpay has helped Alternative Airlines improve its conversion rates for sales and grow its brand presence. "We've worked closely with Clearpay to optimise our search and booking flow, including the addition of a price divider in our search results, driving conversion. We've partnered on co-promotions and campaigns. Offering Clearpay, which is widely recognised and trusted, instils confidence amongst new users," says Argyle.

Since the turbulence of the pandemic, Alternative Airlines has seen impressive growth, generating £67.9m in 2022 – a 622 per cent annual growth in the past two years. The business has increased its staff from 39 people to 90, and Argyle says that offering excellent customer service has been crucial to its growth.

Argyle believes that excellent customer service is crucial to growth in the travel sector. "We try to offer the most personalised experience online," he says. "People are looking for value. We see customer service as essential to that. Being able to speak to our team and resolve any issues within 24 hours is really important."

The travel industry as whole has been slower than fashion or luxury sectors to offer 'Buy Now, Pay Later' options. "It's a mature industry with a lot of legacy systems," Argyle explains. "There's not a huge returns policy, as there is with fashion, where you might buy two sizes and send one back." But for Alternative Airlines, understanding younger generations' need for flexible payment options has contributed to soaring growth.



**"Buy Now, Pay Later has grown significantly as a budgeting tool for younger generations to help them manage their spend, and as an alternative to high-interest-bearing credit."**

# 3. Empowering and generating value for UK consumers

BNPL services are empowering and creating value for UK consumers amidst a challenging economic and financial landscape. In this section, we discuss how BNPL creates value for UK consumers and how this translates into demand for more choice of payment options at checkout.

## BNPL generated an estimated £191 million in value for customers

While the idea of spreading payments for purchases is not new, what has propelled BNPL to prominence is the streamlining of the process, the easy-to-understand repayment structure, and the low access and use costs (interest-free and no fees if payments are made on time). These features deliver tangible benefits to customers, enhancing their overall well-being. Using survey responses and econometric methods typically used to assess consumer value (detailed in Box 1 in the Appendix), we calculated the “consumer surplus”<sup>18</sup> associated with BNPL services, i.e. the value gained by customers through BNPL services.

Our analysis indicates that UK BNPL customers have derived £191 million in value from BNPL services in the last 12 months.

## BNPL is a preferred payment option

BNPL customers prefer these services over other sources of funds or payment options.

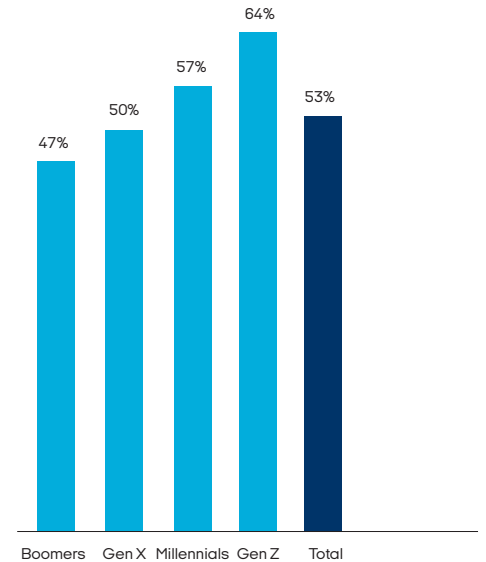
In 2022, payments with credit cards comprised an estimated 24% of all e-commerce sales and BNPL payments comprised only 8%.<sup>19</sup> However, in our survey, a majority [53%] of BNPL customers, with higher proportions of Gen Z [64%] and Millennials [57%], expressed their preference for BNPL services over credit cards.

**When managing sudden, unexpected bills or expenses, more Gen Z customers prefer using BNPL.** More than one in five [22%] of Gen Z BNPL customers stated they would use BNPL to pay for an unexpected bill or expense, compared with just 13% who would use credit cards and 10% who would borrow money from their friends or family.

These findings are consistent with FCA data which shows that since 2020, the proportion of UK adults holding credit cards has declined [2 percentage points or pp decline], with the larger declines seen among Gen Z adults [7pp decline], Millennials [around 3.5pp decline] and Gen X adults [around 4pp decline].<sup>20</sup>

Around a quarter of BNPL customers in our survey who had reduced credit card spending over the last year reported that they did so to avoid accumulating high-

Fig. 6. Preference for BNPL over credit cards, for different sections of society. Source: YouGov, Oxford Economics



interest debt [28%] and preferred to use their own cash and debit cards [27%] or BNPL services [25%] to control their spending and improve financial discipline.

**BNPL is cheaper than using credit cards.** The effective commercial bank interest rate on credit card usage is approximately 18.6%.<sup>21</sup> In comparison, the only cost associated with missing BNPL payments (using Clearpay’s rates to illustrate) is typically lower and capped at the lower of £24 or 25% of the purchase value. For example, consider a £500 purchase with a credit card and with BNPL where payments are missed. The total amount owed when BNPL is used would be only £524 by the

**£191 million**

estimated value (consumer surplus) gained by customers using BNPL services.

Fig. 7. Change in credit card ownership by age group, 2022 vs 2020. pp change in % of adults who hold a credit card  
Source: FCA, Oxford Economics

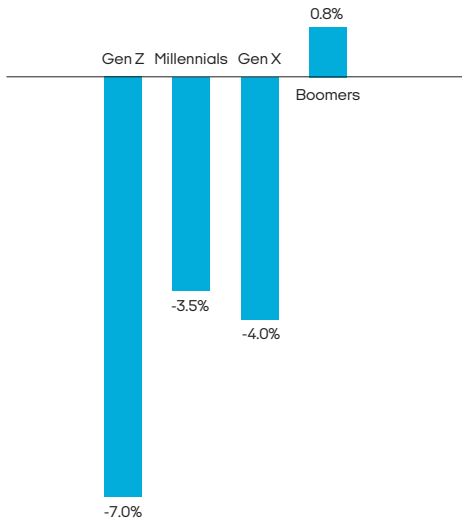


Fig. 8. Credit card interest vs. BNPL late fees: Hypothetical £500 purchase after 12 months. Interest accrued or late fees, £.  
Source: Clearpay, Oxford Economics

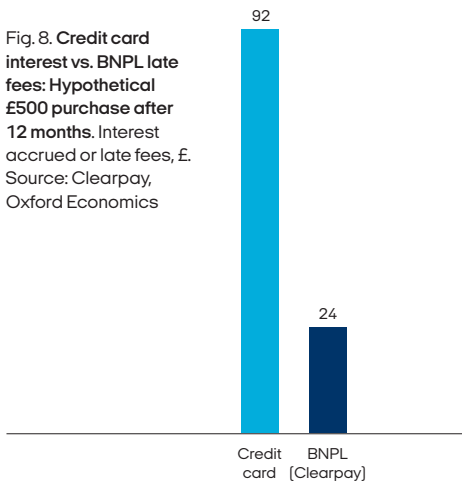
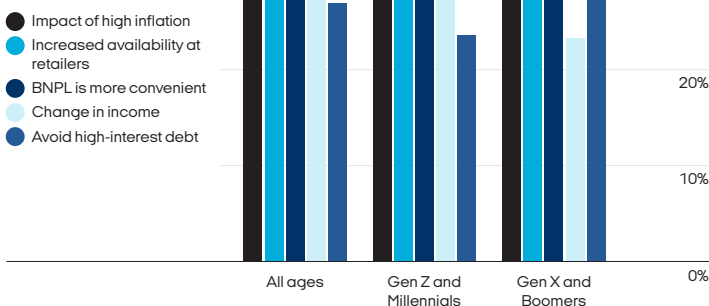


Fig. 9. Reasons for increasing BNPL usage, by age cohort.  
Source: YouGov, Oxford Economics



end of the year. However, for the same purchase made using a credit card, the total amount owed would be approximately £592 at the end of the same period.<sup>22</sup> In other words, a £500 purchase made using a credit card would accrue almost 4-times more in interest in 12 months compared to the cost of missing BNPL payments for the same purchase, as shown in Fig. 8 below.

**More generally, spending through BNPL is increasing not only due to high inflation but also because customers value the increased availability and convenience of the service.** A large proportion of survey respondents [78%] indicated that they had maintained or increased their spending through BNPL services in the last year. Respondents across different age groups told us that their increased BNPL use was related to the cost-of-living [45%], increased availability [35%] and convenience of the service [33%].

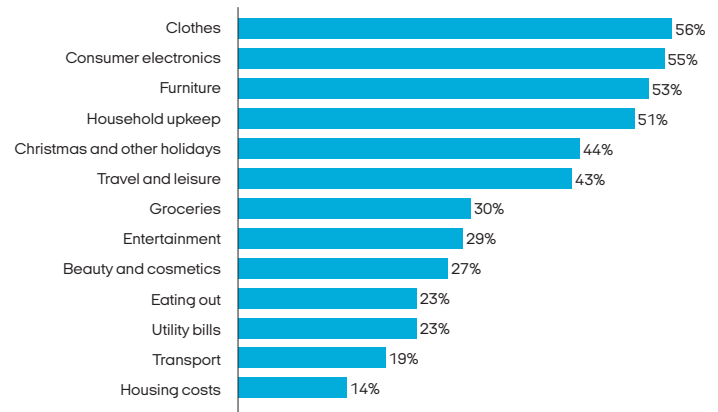
**Fluctuations in income have driven increased spending among younger BNPL customers, whereas the low cost of BNPL services is more important for older customers.** More Gen Z and Millennial customers [32%] increased their BNPL usage due to changes in their income compared to Gen X and Boomers [23%]. Conversely, a larger proportion of older BNPL customers [33%] increased their BNPL spending to avoid taking on potentially high-interest debt, compared to Gen Z and Millennials [24%].

## Financially prudent consumers keen to use BNPL more

**BNPL is primarily used for non-essential expenses, helping customers to manage their discretionary budget responsibly.** While BNPL services help ease the financial burden of large expenses, it is often argued that BNPL encourages consumers to make purchases that they cannot afford, and that they do not understand the repayment terms of BNPL services.<sup>23</sup> However, our survey indicates otherwise. A vast majority of Clearpay customers in our survey [86%] were able to anticipate payments correctly and a similar proportion [80%] indicated that they did not struggle to make their payments. Further, according to Clearpay data, globally 95% of Clearpay's instalments are paid on time and 90% of Clearpay customers use a debit card for their repayments. This clearly indicates Clearpay customers are financially prudent and make repayments with money that they have in a vast majority of cases.

**Survey respondents indicated that BNPL has potential as a more widely available payment method, with a third [33%] of surveyed customers and almost half [48%] of Gen Z customers, reporting they would increase their use of BNPL if it were more widely available.** BNPL customers surveyed indicated they want greater options shopping, unsurprisingly for clothing, electronics and furniture, but also on everyday purchases such as household upkeep [51%], groceries [30%] and utilities [23%].

Fig. 10. Customers indicating increase in spending through BNPL, if available, by product. Source: Oxford Economics



## 4. Clearpay: a highly valued brand for consumers

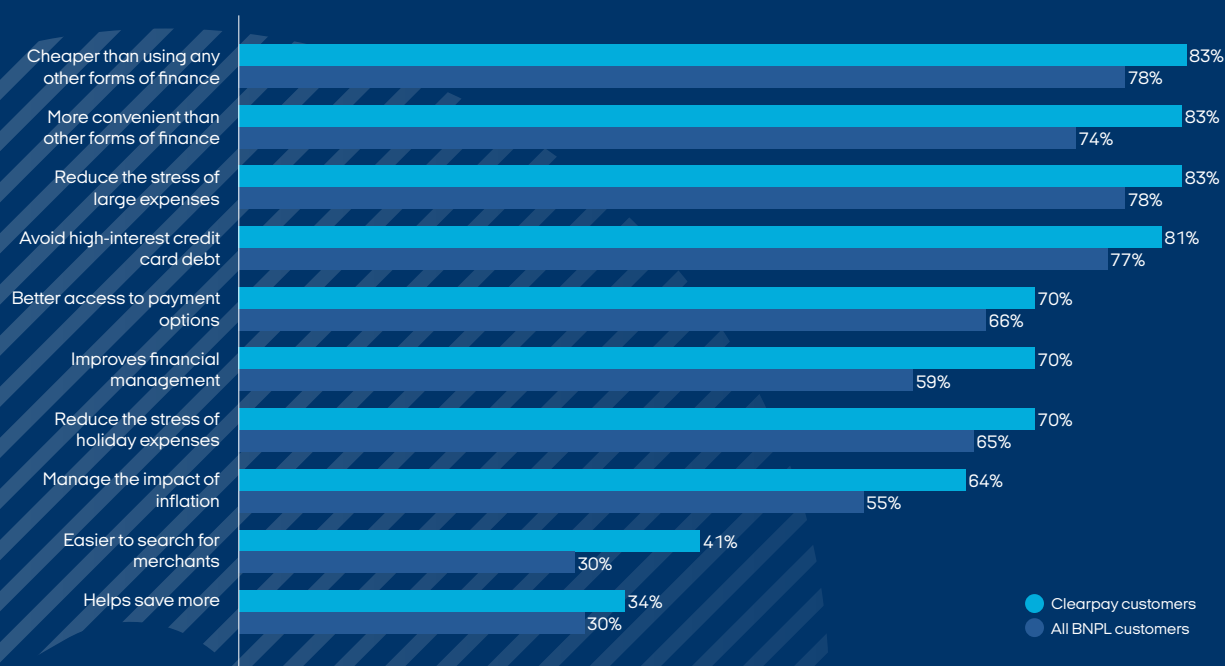
Clearpay is a leading provider of BNPL services in the UK, providing credit payment options and connecting shoppers to merchants since 2019. **Clearpay customers, more so than other BNPL customers, consider BNPL services to be less expensive than other sources of funds.** More than four-in-five [83%] Clearpay customers, a larger proportion than other BNPL customers [78%], felt that BNPL services were cheaper than other credit payment options and a similar proportion [81%] indicated that it helped them avoid potentially high interest credit card debt.

A greater share of Clearpay customers also indicated that they consider it more convenient than other forms of finance [83% compared to 74% of customers using other BNPL services]. Clearpay customers also felt that it helps reduce stress related to festive expenses [70%].

Interestingly, 41% of Clearpay customers value the ease of finding merchants through its Shop Directory, around 11% higher than the corresponding value for all BNPL customers. This suggests that Clearpay customers are more satisfied than other BNPL customers with access to merchants through directories.



Fig. 11. Reasons for using Clearpay vs other BNPL services. Source YouGov, Oxford Economics





# The luxury sneaker brand putting a premium on service

How ultra-speedy delivery and superlative customer experience has helped The Edit LDN succeed.

It was at a sneaker festival that Moses Rashid, a self-confessed “sneakerhead”, came up with the concept for The Edit LDN.

He’d just purchased a £700 pair of sneakers, but when he asked for a bag in which to carry them, the sales assistant couldn’t supply one. “It blew my mind that I was paying a premium but not getting premium service,” he recalls.

That experience helped convince him that there was an opportunity to create a luxury sneaker platform that offered excellent service, including speedy delivery.

He launched The Edit LDN in 2020 with the help of a £200,000 investment, and last year raised £3.8m in seed funding. The brand has since carved out a niche, offering prestigious new and pre-owned accessories and footwear from the likes of Dior and Air Jordan.

Ultra-fast delivery is a hallmark of the brand; unlike some luxury consignment stores, which take weeks to process, authenticate and ship pre-owned products to customers, The Edit LDN aims to do it in a matter of days.

In today’s digitised and always-on world, this emphasis on speed and convenience has helped set The Edit LDN apart. Just two years after the business launched, Rashid now employs some 50 staff, and opened a retail concession at Harrods.

The Edit LDN operates like a private marketplace, connecting customers with resellers. Sellers can upload their products directly onto The Edit LDN’s platform, and once the sneakers sell, they are sent to the customer via The Edit LDN headquarters, where they are authenticated.

“Sneakers and streetwear are a culture that has become a commodity; there are people willing to spend on things that matter to them,” explains Rashid, whose personal highlight was selling a signed Virgil Abloh sneaker – “a real piece of history” – for £50,000.

“Clearpay has increased conversions and built trust with our audience.”

Clearpay has been a key partner in The Edit LDN’s growth. “There is a growing desire for people wanting to spread the cost of purchasing higher-value products,” adds Rashid, and that’s where Clearpay comes in. “Clearpay has increased conversions and built trust with our audience.”



# 5. Clearpay: supporting UK businesses and the wider economy

BNPL providers, and Clearpay in particular, have become key partners for merchants in enabling them to adapt and compete in the digital marketplace as consumers seek better shopping experiences. However, rising living costs have made consumers more cautious about non-essential spending and limited their ability to afford large, essential purchases. Businesses — especially Small and Medium Businesses (SMBs)<sup>24</sup> — have partnered with BNPL providers to help customers manage larger expenses through short-term instalments. This has boosted sales for businesses, mitigating the impact of inflation to some extent, while also reducing the costs of attracting new customers.

## Clearpay is a leading partner for UK businesses

Clearpay is one of the largest BNPL partners for merchants in the UK and has partnerships in a wide range of retail sectors, including fashion [48%] beauty and cosmetics [17%], jewellery [7%] and pet products [5%].

Clearpay supports a more diverse merchant representation compared to the mix of businesses across the UK. According to our survey data, two-thirds [66%] of businesses affiliated with Clearpay are owned by women. Further, minority-owned businesses account for 39% of Clearpay's partner merchants whereas businesses owned by young entrepreneurs comprise 44% of this group.

Fig. 12. Merchants partnering with Clearpay, by product type. Source: Clearpay, Oxford Economics

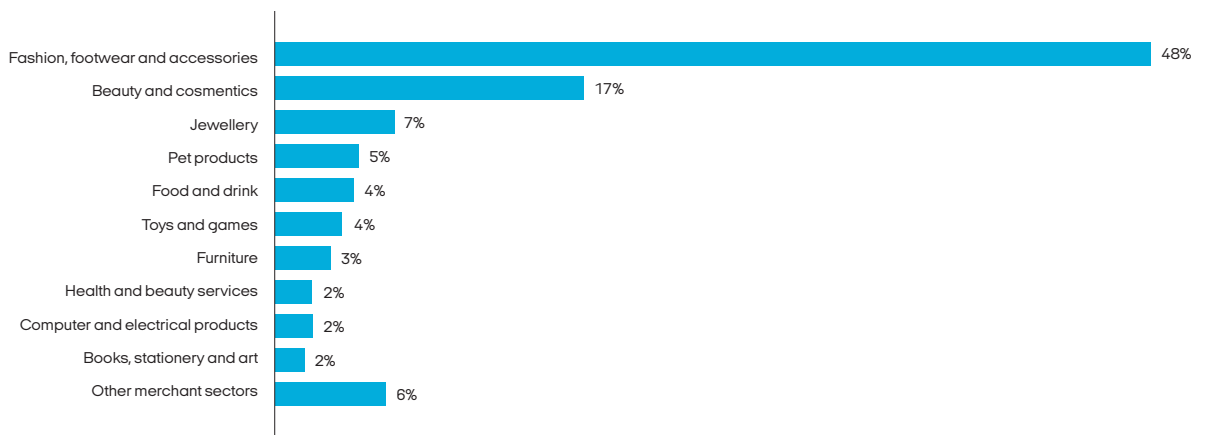
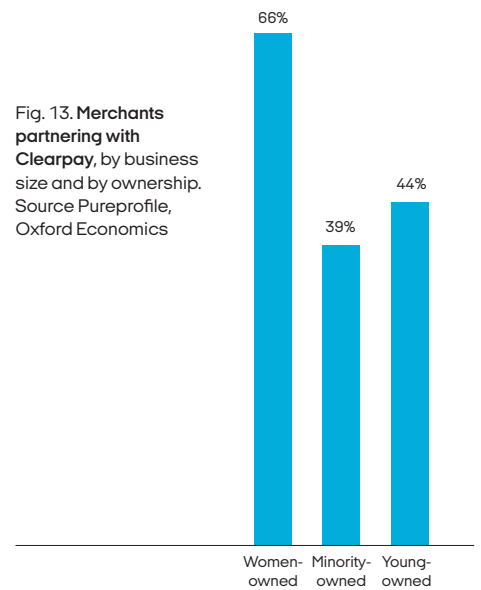


Fig. 13. Merchants partnering with Clearpay, by business size and by ownership. Source Pureprofile, Oxford Economics



These findings indicate that Clearpay has a higher representation of these types of businesses compared to the overall UK business landscape: women-owned businesses represent only 19% of all UK businesses whereas minority-owned businesses and young entrepreneurs constitute 16% and 5% respectively of all UK businesses.<sup>25,26</sup>

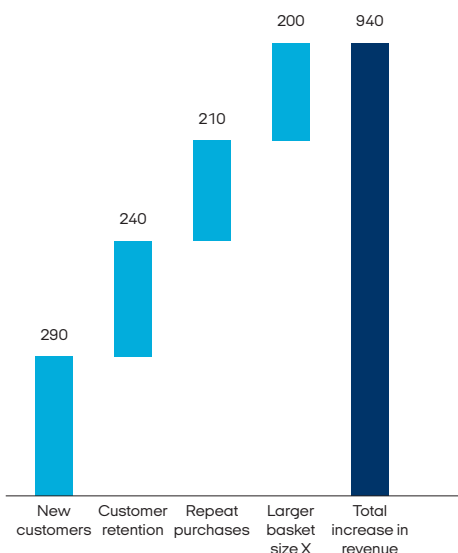
## Clearpay helps boost sales

Clearpay's BNPL service offers substantial advantages for merchants. Those surveyed highlighted the significant impact of Clearpay on their sales. They reported that, if not for Clearpay, they would have lost approximately 18% of their BNPL revenues, even when accounting for sales that could have been made through other payment options. In other words, Clearpay generated an incremental £940 million in sales for merchants during FY 2022/23, which they would not have achieved otherwise.

A number of factors contributed to the growth in sales during this period, including:

- **Exposure to new customers:** Merchants, especially SMBs, can leverage Clearpay's online shop directory to gain exposure to new customers - estimated to have increased sales by £290 million.
- **Increased retention of existing customers:** Clearpay customers are more likely to shop with retailers offering Clearpay over those who do not use the platform, allowing merchants to improve their retention of existing customers - estimated to have contributed £240 million in increased sales.

Fig. 14. Increase in sales attributed to Clearpay, £ Millions. Source Pureprofile, Oxford Economics



- **Rise in repeat purchases:** Clearpay's flexible payment structure helps customers manage their budget, thus generating more frequent repeat purchases for merchants offering the platform - estimated to have contributed £210 million to incremental sales.
- **Larger customer basket size:** Increased control over payments removes barriers to purchase at checkout and gives customers confidence to increase purchase value because repayments can be managed responsibly over a short period of time to align with when they have funds - estimated to have increased merchant revenues by £200 million.

The importance merchants place upon these factors indicate that Clearpay enables them to reach more customers and helps improve affordability.

## Clearpay helps reduce costs

Clearpay's BNPL service has helped reduce merchant costs by approximately £100 million, which stems from lower fraud rates (£39 million), improved order processing, inventory management (£39 million), lower marketing costs (£13 million), lower default rates (£7 million) and lower returns (£6 million).

Fig. 15. Cost benefits attributed to Clearpay, £ Millions. Source Pureprofile, Oxford Economics

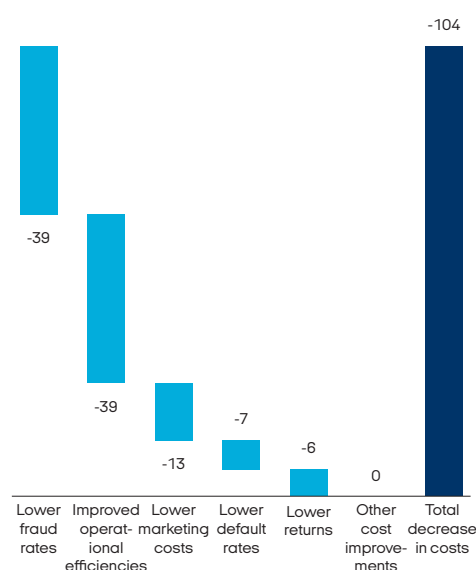
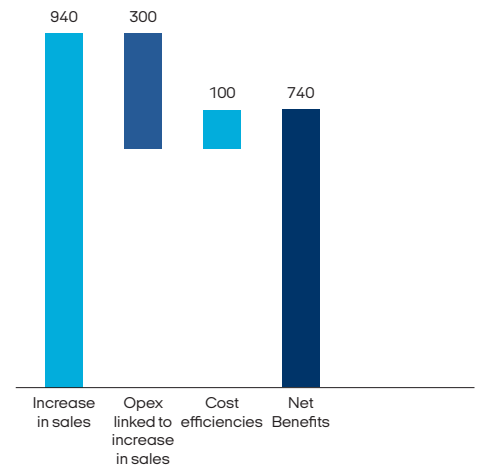


Fig. 16. Net benefits to businesses, £ Millions. Source: Pureprofile, Oxford Economics



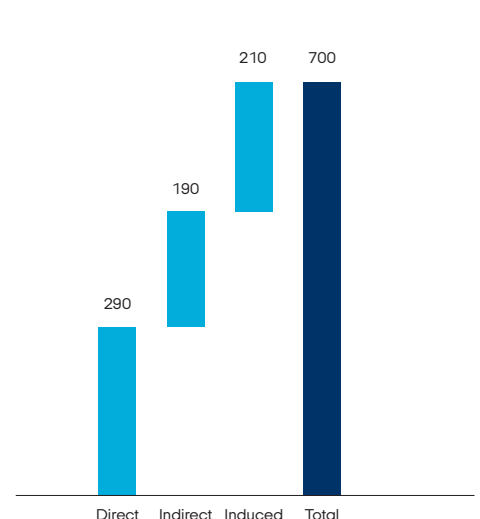
## Clearpay generates a net benefit for businesses

The overall net benefit to businesses is noteworthy, amounting to £740 million, after accounting for the increase in operating expenses required to meet the additional demand stimulated by Clearpay, as shown in Fig. 16 above.

## Clearpay contributed £700 million to UK GDP

The increased sales stimulated by Clearpay helps support jobs and economic activity directly within merchant partner businesses, but also indirectly through merchants' supply-chain and employee-wage spending. We estimated the economic contribution through these channels using our in-house Economic Impact Assessment model [see Box 3 in the Appendix for a detailed description of our methodology].

Fig. 17. GDP contribution associated with Clearpay-stimulated sales, FY 2022/23, £ Millions. Totals do not sum due to rounding. Source Pureprofile, Oxford Economics





The incremental sales associated with Clearpay directly contributed £290 million to UK GDP in the financial year ending 2023 (FY 2022/23). Merchants' operational and capital expenditure associated with these incremental sales also supported economic activity among firms that supply inputs for these goods and services and further through the supply chain. Through these channels, Clearpay indirectly supported £190 million to UK GDP in FY 2022/23.

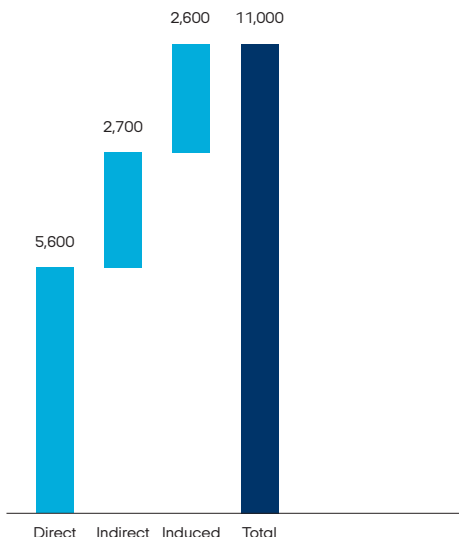
Clearpay's impact does not end with its supply chain, as the payments made to employees throughout the supply chain support further economic activity in the country. Our modelling indicates that these employee-wage spending induced channels contributed an additional £210 million to UK GDP in FY 2022/23.

**In summary, the incremental sales of £940 million contributed a total of £700 million to UK GDP through direct, indirect and induced channels in FY 2022/23.**

## Clearpay supported 11,000 jobs in the UK

Our analysis indicates that Clearpay has helped support 5,600 direct jobs in FY 2022/23; that is, people employed directly to support the increased transaction

Fig. 18. Employment supported by Clearpay-stimulated sales, FY 2022/23  
Source: Pureprofile, Oxford Economics



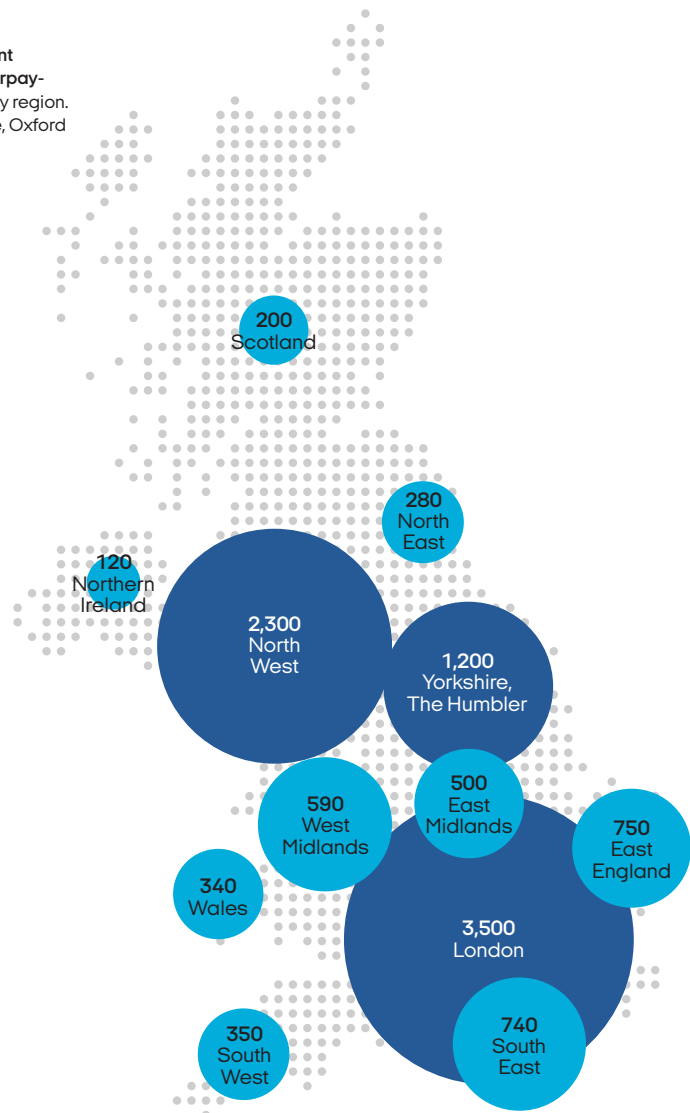
volume stimulated by Clearpay. It has also supported 2,700 jobs indirectly through the supply chains during the same period. These jobs are concentrated within the UK's wider manufacturing (320 jobs) and distribution industries (430 jobs in retail and wholesale, and 440 jobs in transportation and storage) and professional services (350 jobs) such as marketing.

Over 2,600 jobs were supported through extra spending in the economy by workers who have been directly and indirectly employed as a result of Clearpay. This includes jobs in sectors such as retail and wholesale services (670 jobs), accommodation and food services

(340 jobs) and manufacturing (180 jobs), reflecting patterns of wage expenditure within the economy.

Further, while a proportion of the jobs supported (32%) were based in London, given the concentration of consumer spending and retail in the region, Clearpay also supported a relatively large number of jobs elsewhere. In particular, Clearpay's contributions to regional employment were highly concentrated in the North West, where 2,300 jobs were supported (21% of total jobs supported), and in Yorkshire and the Humber with 1,200 jobs sustained by the platform's operations (11% of total jobs supported).

Fig. 19. Employment supported by Clearpay-stimulated sales, by region.  
Source: Pureprofile, Oxford Economics



# How Smart Works and Clearpay harness fashion as a force for good



**“When a woman has employment, it helps bring self-esteem and financial potential.”**

Inside the partnership helping thousands of women find jobs and fulfil their potential.

There is a magical moment that occurs whenever a client comes into Smart Works for an outfit to wear for a job interview.

“The client looks in the mirror, drops their shoulders and sees the possibility of what they can become,” says Kate Stephens, the CEO of charity Smart Works. “When you look and feel confident you can fulfil your potential.”

Every year, Smart Works helps thousands of women do exactly that by providing a job interview outfit as well as one-on-one coaching to women who are unemployed.

“We see how fashion can be a force for good,” says Stephens. “Our coaching helps clients sustain their performance at interview.”

And it works – 69 per cent of clients find employment within a month of visiting Smart Works. “When a woman has employment, it helps bring self-esteem and financial potential.”

Many of the women referred to Smart Works have had difficult life experiences. “Some may be leaving prison or leaving the care service, and may have been referred to us from refuges and from other charities,” Stephens says. The charity helps young women from 16, many who have never had a job, through to women in their sixties.

Smart Works, which operates from 11 cities across the UK from Edinburgh to London, has supported more than 33,000 women over the past decade – and Clearpay has been helping the charity grow, scale and raise awareness since 2022.

Over the past year, Clearpay has provided financial support, held professional development sessions to inspire Smart Works clients and co-hosted a Smart Works pop-up fashion store in Covent Garden during London Fashion Week to raise funds for the charity.

Clearpay staff are encouraged to donate clothes, time or money – and recently two Clearpay teams joined the charity’s Cycle for Smart Works, raising sponsorship for cycling the distance between the 11 Smart Works locations.

“With Clearpay’s support, we’re able to empower even more women, giving them the help they need to succeed in going for a job and getting it.”



**“The Small Business: Moving Forward 2023 report, delivered in partnership with**

**Square and Clearpay earlier this year, tells a story of UK small business resilience. Small Business Britain interviewed over 1,000 small businesses and found that while business owners were worried about a potential recession and unpredictable consumer behaviour, there’s still plenty of hope for the future.”**



“One fifth of businesses [17%] have delayed expansion in Q4 2022, but 61% were still optimistic about their growth in 2023; 59% of firms are convinced that investment in digital skills and tools will have a positive impact on their operations.”

“Entrepreneurs are relentlessly positive and optimistic, and they need practical solutions and support to grow their businesses. After a bumpy few years, fantastic opportunities are emerging every day for businesses to adopt new digital tools, upskill their people, and invest in sustainability. With the right practical solutions and support, business owners can take their businesses to new heights and look forward to good times ahead.”

Michelle Owens CBE, Founder of Small Business Britain

## 6. Appendix: modelling methodology



The report findings were based on bespoke surveys of 1,170 UK BNPL customers, 1,028 UK merchants offering Clearpay and supplemented by data from Clearpay and other third-party sources.

A bespoke consumer survey was designed for this study and administered to a representative sample of the UK population by YouGov in August 2023, from which BNPL customers were identified and BNPL-specific questions were fielded to them.

Merchant insights were drawn from responses to a merchant survey designed for this project. The survey was administered by Pureprofile, facilitated by Clearpay and was fielded to a survey of UK merchants using Clearpay in August 2023.

Case studies presented in this report were developed and drafted by Primer Studio in collaboration with Clearpay.



## Estimating consumer surplus

We draw on a methodology which has been used by economists to estimate the consumer surplus associated with services such as BNPL, which customers are able to access at zero price. Note that the measure is purely about access rather than any late fees or interest that may accrue on unpaid balances. Due to their zero access price, they are not captured in traditional measures of economic output such as GDP, but they may nevertheless contribute to consumer value, which GDP is often used as a proxy for.

### The concept of consumer surplus

Consumer surplus is defined as the difference between consumers' willingness to pay for service and the amount that they actually pay. For instance, if a person were willing to pay up to £15 for a book but only had to pay £10, then that person would have £5 of consumer surplus from the transaction. Economists consider changes in consumer surplus to be a measure of changes in consumer well-being.

The concept of consumer surplus is analytically linked to demand curves. A demand curve shows the quantity demanded of a product or service at every level of price. For each customer, the value of access to BNPL services is given by their position on the demand curve less the price they pay. However, consumers are able to access BNPL options for payment without paying an additional cost. Therefore, the value of the consumer surplus for all BNPL customers broadly corresponds to the total area under the demand curve (as the price to customers for access is zero).

### Estimating the demand curve

Economists use survey-based "stated preference" methods as one approach to estimate how much value—or consumer surplus—is created by zero-price goods or goods for which there is no market [e.g. public goods such as clean air]. One such method is to ask individuals to estimate the amount they would be hypothetically willing to pay [WTP] for a free service, or, conversely, what they would be willing to accept to forego access. The latter is known as the "willingness-to-accept" [WTA] approach.

For this study we adopted the WTP approach given that BNPL services are free to access and therefore a loss of access represents a change to the status quo. As part of the consumer survey, we asked participants a single yes-or-no question of "Please imagine that to use Buy Now, Pay Later [BNPL] services you had to pay an annual subscription fee. This fee would give you access to BNPL services for all BNPL providers. Without the subscription you would not be able to use any BNPL services. Would you be willing to pay £[x] for a subscription that gave you access to all Buy Now, Pay Later services for the next 12 months? Please note, the aim of this question is to understand the value of BNPL services to you. It will not be used for pricing decisions.", with the price offered randomised.

Using the survey responses, for each service and price, we calculated the share of respondents who responded that they would prefer to keep access to the service at each price level. The raw data giving the fraction of monthly customers that would demand each product at various price points. A demand curve was estimated using these data points, which was then used to infer the total consumer surplus and the median surplus associated with BNPL services.

### Attributing consumer surplus to various factors

Consumer preferences for various attributes of BNPL services were established from the survey and the implied relative preferences for these attributes were used to define weights. These weights were then used to estimate the total consumer surplus value associated with each attribute. The list of attributes was based on discussions with Clearpay on the various features of BNPL services and an 'other' option was provided to help identify any attributes not included in the survey.

## Estimating merchant benefits

Merchant benefits were obtained by asking merchants the extent to which BNPL usage has contributed to their revenues and costs, after appropriately accounting for other channels through which these sales may have otherwise occurred. Merchants were also asked to provide estimates of the benefits [to revenues or costs] associated with different channels through which BNPL helps merchants financially. The net benefit figure also accounts for the increase in costs associated with the increase in sales through BNPL, which is based on gross margins for the retail sector obtained from UK Input-Output tables.

## What is an economic impact assessment?

To quantify its total economic contribution of incremental sales associated with Clearpay, we use an analytical method called an Economic Impact (EI) Assessment. This examines the impacts of three separate types of expenditure, all of which stimulate significant activity throughout the UK economy:

- **The direct impact**—economic activity stemming from the incremental spending with merchants themselves.
- **The indirect impact**—economic activity supported in the supply chain of the merchants. This impact is felt as a result of the merchants' purchases of goods and services.
- **The induced impact, or wage expenditure impact**—this arises as employees working for the merchants, throughout their supply chains and spending on their wages; for example, in local retail and leisure establishments.

The total economic impact of the incremental sales enabled by Clearpay is the sum of its direct, indirect, and induced impacts for that year. We have used two metrics to quantify each channel of economic impact:

- **Gross value added contribution to GDP**—this measures the contribution to the economy of each individual producer, industry, or sector in the UK.
- **Employment**—this is measured on a headcount basis, to facilitate comparisons with employment data for other businesses and industry sectors and regions sourced from national statistical databases.

Fig. 19. Fig 26. Overview of Economic Impact Assessment model

### + Direct impact

A company or sector employs lots of staff. It's operations generate GDP and tax for the authorities.



### + Indirect impact

It also spends money with suppliers who employ staff, generate GDP and pay taxes. They use other suppliers in turn.



### + Induced impact

Employees [including of the suppliers] spend their wages in the wider economy, getting more GDP, jobs and tax.



### = Total impact

Added together, these three effects –direct, indirect, induced– comprise the total economic impact of the company or sector.





## Notes

1. UK Office for National Statistics, "Public opinions and social trends, Great Britain: household finances", September 2023 [last accessed September 2023].
2. Gen Z are those born between 1997 and 2012 (but restricted to 18-26 year olds in our survey), Millennials between 1981 and 1996 (ages 27 to 43); Gen X between 1965 and 1980 (ages 44 to 58), and Boomers 1946 between 1964 (ages 59 to 67).
3. Financial Times, "Buy Now, pay later demand soars among all age groups in the UK", January 2023.
4. Financial Conduct Authority, "Financial Lives 2022 Survey", July 2023.
5. 'Consumer surplus' is the value of benefits derived from a product or service. This is the difference between the price a consumer is willing to pay to access a product or service and the price paid – which is zero for most BNPL services. Further detail on how we estimated consumer surplus is provided in the Appendix.
6. UK Office for National Statistics, "Public opinions and social trends, Great Britain: household finances", September 2023 [last accessed September 2023].
7. The UK Office for National Statistics, "Cost of living latest insights", August 2023 [last accessed August 2023].
8. Financial Conduct Authority, "Financial Lives 2022 survey", July 2023 [last accessed August 2023].
9. Bank of England/NMG household survey data, Bank of England research datasets, August 2022 [last accessed August 2023].
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11. UK Office for National Statistics, "Family spending workbook 2: expenditure by income", May 2023.
12. Forbes Advisor, "Buy Now Pay Later usage soars as cost-of-living crisis bites", November 2022 [last accessed August 2023].
13. Financial Times, "Buy Now, pay later demand soars among all age groups in the UK", January 2023.
14. Payments Industry Intelligence, "UK BNPL market steams ahead to reach \$55 billion", February 2023.
15. British Retail Consortium, "Growth of Buy Now Pay Later", July 2023.
16. BusinessWire, "UK Buy Now Pay Later Market Report 2022", February 2022.
17. The UK Office for National Statistics, "How are financial pressures affecting people in Britain?", February 2023 [last accessed August 2023].
18. 'Consumer surplus' is the value of benefits derived from a product or service. This is the difference between the price a consumer is willing to pay to access a product or service and the price paid – which is zero for most BNPL services. Further detail on how we estimated consumer surplus is provided in the Appendix.
19. WorldPay and FIS, "The Global Payments Report", May 2023 [last accessed August 2023].
20. Financial Conduct Authority, "Financial Lives 2022 Survey", July 2023.
21. Bank of England, "Money and Credit – July 2022", 30 August 2023.
22. The calculations assume that an 18.6% annual interest rate, equivalent to the commercial bank credit card interest rate, applies and the outstanding balance starts accruing interest 45 days after the purchase with monthly compounding.
23. BBC news, "Buy now, pay later: People using service for food, warn charities", 21 June 2023 [last accessed August 2023].
24. Note that businesses with fewer than 250 employees are classified as SMBs, in line with the definition used by the UK Department for Business and Trade (formerly, the Department for Business, Energy and Industrial Strategy).
25. The Gender Index, "UK female-led companies 2023", September 2023.
26. UK Government Small Business Commissioner, "Minority Businesses Matter", October 2021.



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