



The **PayPal** Pay Later Strategy for UK Businesses.



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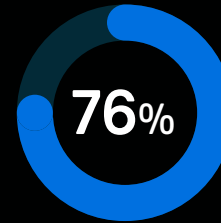
Executive summary.

For many consumers, payment flexibility is a key driver for making a purchase. While previously considered a “nice to have”, offering pay later options, such as Buy Now Pay Later (BNPL) installments and credit plans, is now considered a must for businesses across the UK.

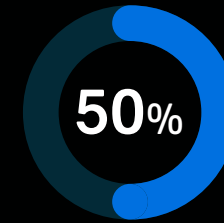
23% of UK consumers used a BNPL option in the past six months, and a further **35%** are considering using it in future.¹

UK BNPL transaction volume is predicted to grow to **£43,424M** by 2028.²

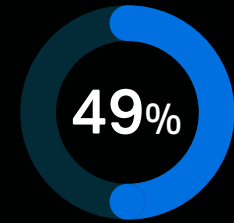
Current BNPL users say the service.³



Helps them manage their finances.



Lets them spread out the cost of their purchase.



Is easier to use or provides more flexibility than other forms of credit.



Consumers today may expect BNPL options when they're shopping online. In fact, BNPL can be considered a make-or-break factor when it comes to online conversions, with half (50%) of BNPL users abandoning a purchase due to not seeing an option to pay over time.³ Offering BNPL could foster consumer loyalty and repeat purchases – 63% of users are more likely to shop with a merchant again if they offer BNPL.³

With 9-in-10 (89%) of UK businesses worried about the economy and the impact it'll have on sales,³ now's the time to ensure you're offering the right BNPL solutions to customers.

1. PayPal. e-Commerce Index 2024, UK Edition, Fact or fiction: Busting e-commerce myths. Jan 2024.
2. Statista. Estimated transaction value of buy now, pay later (BNPL) in the United Kingdom (UK) in 2022, with forecasts for 2023 and 2028. Oct 2023.
3. PayPal. e-Commerce Index 2024, UK Edition, Fact or fiction: Busting e-commerce myths. Jan 2024.



So, what is PayPal Pay Later?

PayPal Pay Later's suite comprises two solutions that empower your customers to buy now and pay for it over time.

Pay in 3*

Short-term buy now, pay later option where consumers make **3 interest-free payments** at set intervals.

[Read More About Pay in 3](#)

*Pay in 3 is an unregulated credit agreement. Availability is subject to merchant status, sector and integration. Pay in 3 use is subject to status and approval and can make credit less accessible or more expensive for the consumer. See product terms for [more details](#).

PayPal Credit*

Reusable credit line. Consumers can make purchases up to their credit limit.

[Read More About PayPal Credit](#)

*FCA permission may be required to offer PayPal Credit. Consumer availability subject to status and application. Representative APR 23.9% (variable).

PayPal Pay in 3 and PayPal Credit, at a glance.

| | PayPal Pay in 3 | PayPal Credit |
|-------------------------------|--|---|
| Purchase amount | £30 - £2,000 | Dependent on customer credit limit |
| Number of payments | 3 | Minimum monthly repayment is required |
| Time between payments | Initial payment made at the point of purchase with the following 2 payments made on the same date over the next 2 months | Monthly payment required |
| APR | 0% | Where instalments are integrated by a merchant, interest rates from 0% to 19.9% are available between 6 to 48 months, subject to individual merchant selection or offers. PayPal Credit 0% for 4 months is always available at 0% on baskets of £99 and above. Representative APR 23.9% (variable)* |
| Repayment method | Debit card or bank account | Debit card or confirmed bank account |
| Buyer Protection ⁴ | Included | Included |
| Integration | Included in PayPal Checkout for eligible purchases. Subject to customer application | Available as a funding source in checkout for existing PayPal Credit customers** |

*Applied to any balances which are not eligible for a promotional rate or balances remaining after the promotional period expires.

**Offering of installments incur additional cost. FCA permission may be required to advertise PayPal Credit and to offer installments. Installments are configured on a merchant's PayPal account via the PayPal Credit or solution engineering Integration team.

4. Available on eligible purchases. Limits apply. Read the terms and conditions of the [PayPal Purchase Protection Program](#).

Why PayPal Pay Later?

With PayPal Pay Later solutions, you can leverage our expertise and unique capabilities to launch, scale and optimise your BNPL and credit offerings.

Tap into our vast network to help grow your customer base.⁵

~147M

Global PayPal Pay Later transactions.

~25M

Active global PayPal Pay Later users.

300K+

Merchants with upstream presentment.

\$20.3B

Total global PayPal Pay Later transaction volume (60% YoY).

And follow in the footsteps of leading retailers that love PayPal Pay Later options.

Argos

Boots

adidas

BODEN

B&Q

ASDA

Jet2.com

Dunelm

Mm
and
DIRECT

dyson

M **ManoMano**

wowcher

5. PayPal Internal Data, Q4 2022 – February 2023. PayPal Pay Later is not available in all markets. PayPal Pay Later eligibility and availability is subject to merchant status, sector, and integration. Consumer eligibility is subject to status and approval. Product features differ by market. See relevant product terms for more details. PayPal Pay Later cross-border messaging is subject to approval by PayPal.

The impact of PayPal Pay Later.

PayPal Pay Later solutions:

- **Provide a trusted, familiar experience**
Customers are empowered with the flexibility to buy with PayPal.
- **Let your business access and attract new shoppers at scale**
Tap into our ever-growing network of 435 million + active consumers to help expand your base.
- **Increase customer purchasing power**
In the UK, Pay in 3 has an average order value (AOV) 216% higher than a standard PayPal transaction.⁶
- **Offer tailored solutions that grow loyalty**
In-context PayPal Pay Later solutions can improve the shopping experience and help drive loyalty with budget-friendly, transparent ways to pay.
- **Accelerate growth with a cost-effective solution**
Fuel growth with Pay Later options that offer low or no additional costs

PayPal Pay in 3 users are **1.4x** more likely to use it on a frequent basis than consumers who use alternative BNPL products.⁷

6. Based on PayPal internal data from Q1 2022, results include Pay in 3 (UK).

7. TRC, Commissioned by PayPal, April 2021. TRC conducted a 20-minute online survey amongst 1,000 UK consumers aged 18+.

8. Data from BT Shop (rebranded to EE Store 11 July 2023) case study interview with PayPal, June 2023.



Case study:

How PayPal Pay Later helped BT Shop increase their AOV by over 300%⁸

Leading technology retailer, BT Shop, wanted to enhance its customer experience by giving shoppers more choice in the ways they could pay.

"PayPal Credit was a game-changer. Being able to unlock that capability was massive for us."

[Duncan Rutherford, Head of e-Commerce, BT Shop](#)

BT Shop integrated PayPal's Pay in 3 and PayPal Credit options. This led to a notable increase in sales:

35%

of total PayPal sales were via Pay Later.

321%

higher Pay Later AOV than standard PayPal transactions.

10/10

satisfaction rating from BT Shop on the PayPal relationship.

PayPal Pay in 3: an overview.

What is it?

PayPal Pay in 3 is a short-term, payment option that lets customers split purchases of £30- £2,000 into three equal, interest-free instalments, with no late fees.



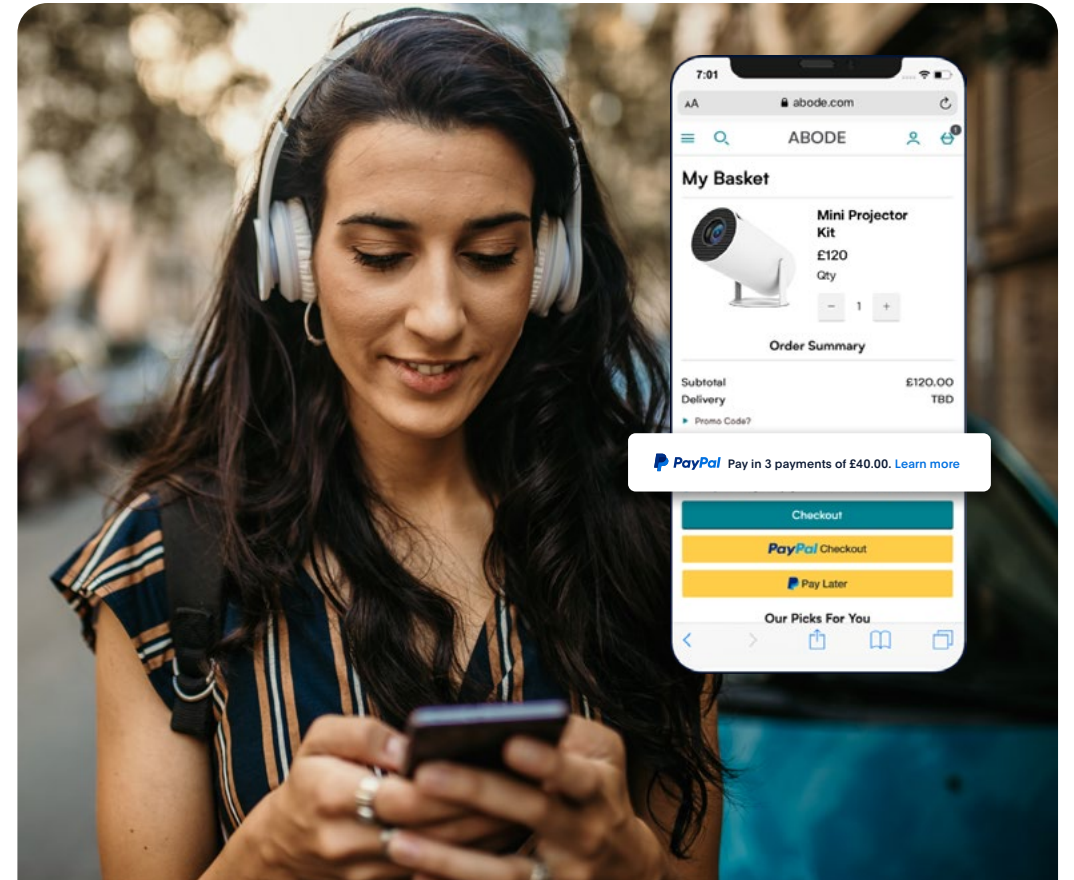
How does it work?

1. Customers select PayPal Pay in 3 at checkout and review their payment schedule.
2. If approved, they pay the first of three equal instalments, with the rest paid automatically on the same date each month.
3. You receive the full payment amount up-front, minus the standard PayPal transaction fee.

PayPal Pay in 3 AOV is **60%+** higher than other BNPL providers in UK.⁹

The Benefits

- The flexibility customers want for larger purchases.
- No interest or late fees.
- Credit decisions and “soft” credit checks that are made in moments.
- Repayment that’s taken automatically.
- Early payment available through the PayPal app.
- A quick and seamless checkout experience.



Offering Pay in 3

Pay in 3 is automatically available in PayPal Checkout for eligible businesses. The key differentiator for success can be in the way you promote PayPal Pay in 3 across your site.

⁹ Foxintelligence, data provided by © Foxintelligence. PayPal proprietary analysis of 51,519 buy now, pay later users in the UK who have opted into transactional data tracking from January 1-June 31, 2023. As compared to AOV of Klarna and ClearPay.

PayPal Credit: an overview.

What is it?

For your customers, PayPal Credit works like a credit card with no annual fees or interest for 4 months on purchases of £99 or more.



How it works

1. Customers choose PayPal or PayPal Credit at checkout.
2. Approved PayPal Credit customers choose either 0% over 4 months or an available promotion.
3. You receive the full payment amount up-front, minus the standard PayPal transaction fee and any applicable credit fee for the instalment plan.

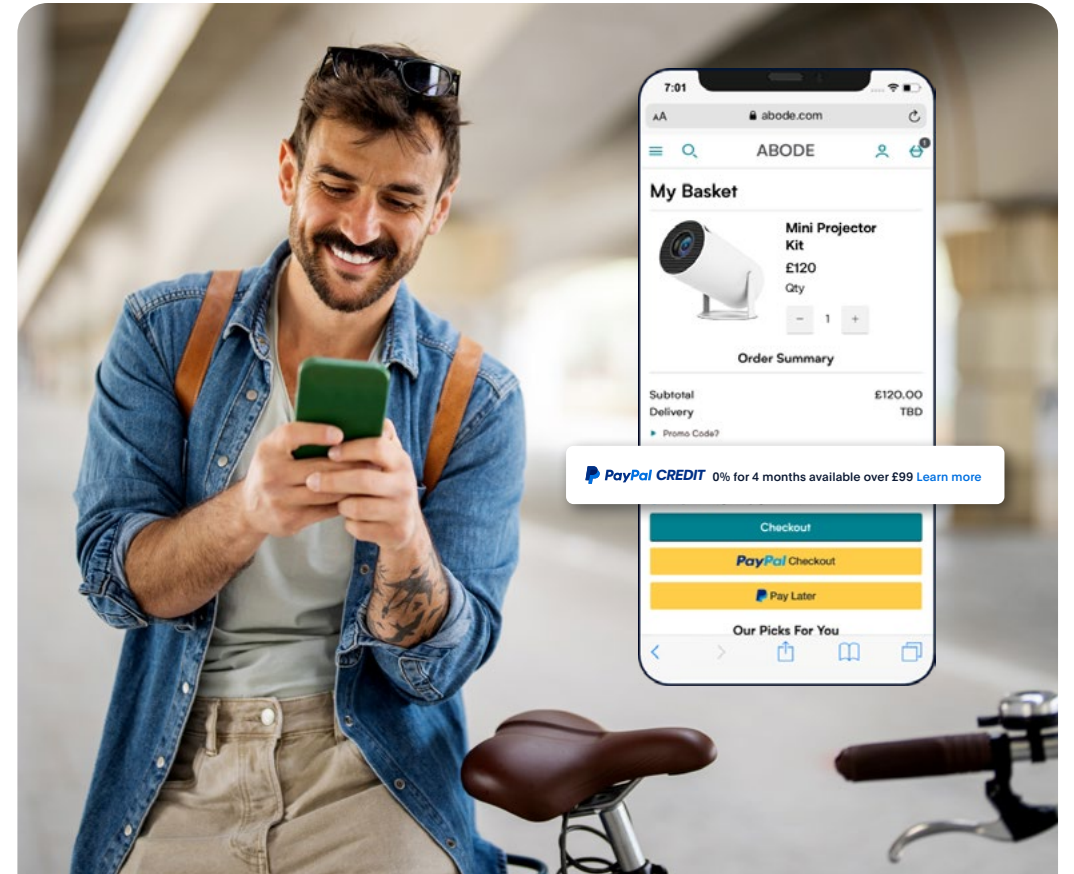
62% of PayPal Credit users are more likely to make a purchase if the retailer highlights PayPal Credit is available.¹⁰

The Benefits

- Convenience of a revolving credit line.
- Instalments options over 6 to 48 months.
- A pool of 2.3M PayPal Credit customers in the UK.¹¹
- Local account managers that can help you optimise credit and other payment solutions.
- Insights into performance against industry benchmarks.

10. RFI Global, Consumer survey commissioned by PayPal, May/June 2022. Base: Consumers who have used PayPal Credit: n=118.

11. Based on PayPal internal data since launch i.e. from November 2020 to June 2023. Results include Pay in 3 (UK)



Offering PayPal Credit

PayPal Credit is available to UK businesses authorised by the Financial Conduct Authority with limited permission for credit broking or as an Appointed Representative. PayPal's Credit and solution engineering teams can discuss with you the ways to obtain FCA permission and find the right integration across your systems.

PayPal Credit at a glance.

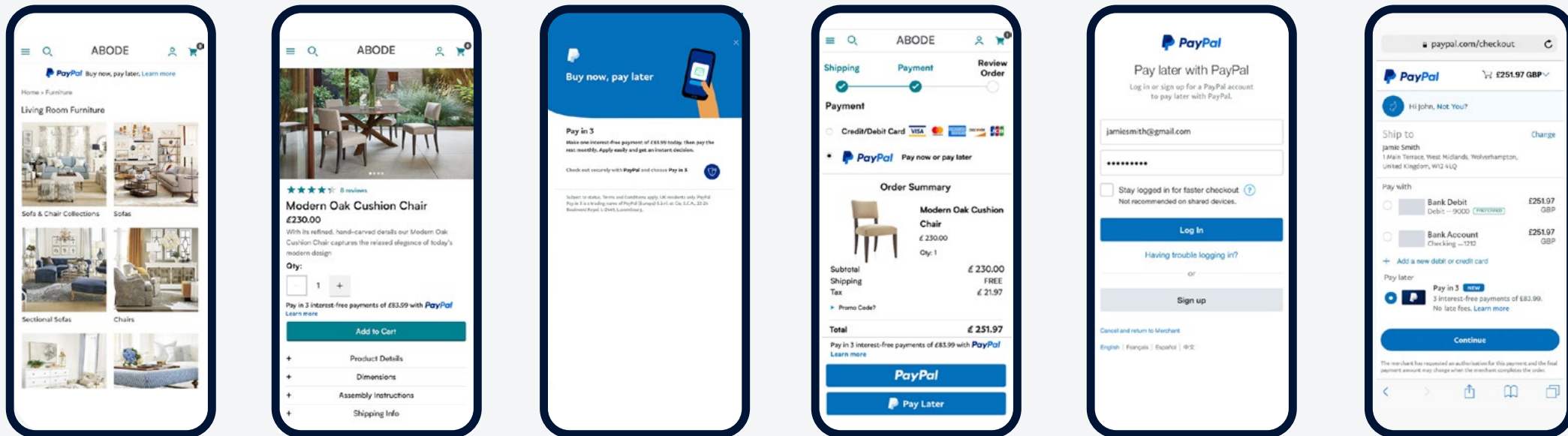
PayPal Credit is a revolving line of credit typically up to £8,000 that consumers can spend across many transactions. It gives consumers three ways of transacting:

| | Small purchases | Larger purchases £99+ | Promotional instalment offers |
|-----------------|----------------------------------|---|--|
| Purchase amount | Less than £99 | £99 or more | Varies by business |
| Duration | N/A | 4 months | 6, 10, 12, 18, 24, 30, 36 or 48 months (depending on business) |
| APR | Rep 23.9% APR (variable) | 0% for 4 months from purchase date. Representative APR 23.9% (variable) on remaining balance after the 4 months | 0% - 19.99% dependent on business offer |
| Repayments | Minimum Monthly Payment | Minimum Monthly Payment | Minimum Monthly Payment which includes instalment amounts |
| Merchant fees | Standard PayPal transaction fees | Standard PayPal transaction fees | Standard PayPal transaction fees, plus credit fee |

Executing your PayPal Pay Later strategy.

Letting customers know that they can pay later with PayPal while they browse your site can help increase your conversion rate. 39% of PayPal Pay in 3 users have abandoned a purchase because PayPal Pay in 3 was not available at checkout.¹² Adding promotional messaging across your website lets customers know that you offer the freedom and flexibility to pay the way they want before they reach checkout.

39% of PayPal Pay in 3 users have abandoned a purchase because PayPal Pay in 3 was not available at checkout.¹²



12. Nielsen, commissioned by PayPal, Nielsen Attitudinal Survey of UK (June 2023) with 2,000 recent purchasers (past 4 weeks) from SMB merchants, including 1,000 PayPal transactions & 1,000 non-PayPal transactions. Base N. PayPal BNPL (Pay In 3) users in the last 12 months as of June 2023 = 255.1

Where to include your PayPal Pay Later messaging.



At the top of your homepage

Placing PayPal Pay Later messaging at the top of your website's homepage is an eye-catching way to let consumers know that your business offers pay later options at the very beginning of their buying journey.



On product pages

Including dynamic PayPal Pay Later messaging on your product and/or service pages can encourage consumers to make larger purchases they are otherwise hesitant to buy. These messages can dynamically calculate instalment payments depending on the product price while customers browse and shop.



On the shopping cart and order summary pages

Having PayPal Pay Later options highly visible can encourage purchase completion.

Place Pay Later messaging above the 'checkout' button, below the cart total. Present PayPal Checkout and Pay Later buttons in the same size and shape as the 'Checkout' call to action (CTA) button.



On a dedicated financing information page

A dedicated financing information page can provide cautious customers all the information they need and give them the confidence to make the purchase.

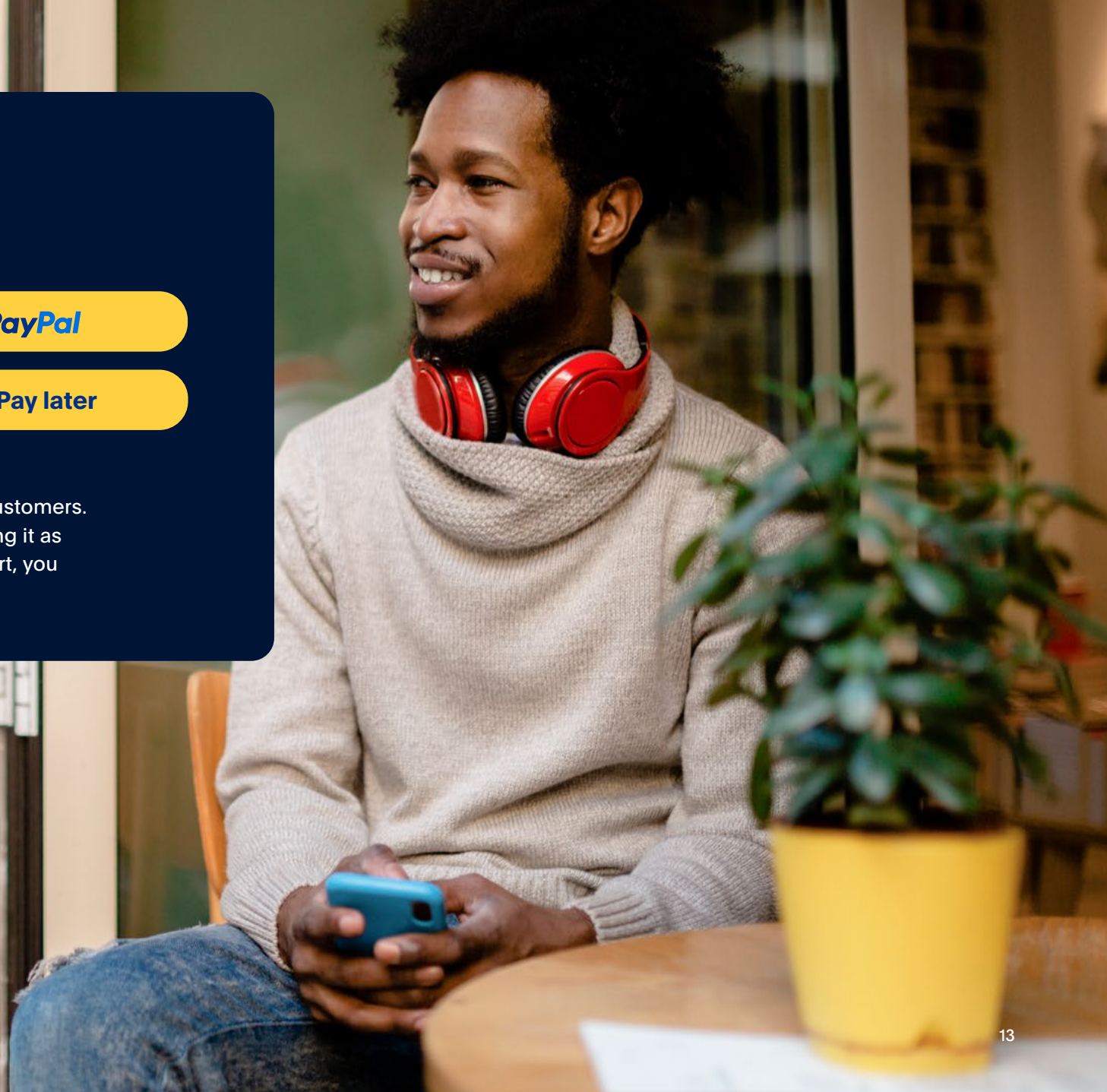
Presenting the PayPal Pay Later button.

Use the stacked button to present PayPal Checkout and PayPal Later equally. Using the gold button leverages PayPal's brand recognition and can improve conversions as shoppers can trust that PayPal keeps their purchases secure.

The PayPal Later button provides another payment choice for PayPal customers. By including PayPal Pay Later messaging across your site and presenting it as equal to PayPal Checkout and traditional checkout in your shopping cart, you can drive awareness and leverage the PayPal brand to close the sale.

 PayPal

 Pay later





Key takeaways.

- BNPL transaction value in the UK is estimated to grow **200%**, to **£43,424M** by 2028.¹³
- PayPal's Pay Later suite includes two solutions that can meet consumers' desire for flexible financing: PayPal Credit and PayPal Pay in 3.
- There are currently **4.4M** PayPal Pay in 3 users and **2.3M** PayPal Credit customers in the UK.¹⁴
- **PayPal Pay in 3** lets your customers pay for their purchases on a predictable, fixed payment schedule with an interest-free fixed-term loan.
- **PayPal Credit** offers your customers even more flexibility, with the ability to pay in installments over 6 to 48 months.
- Businesses that offer BNPL options like PayPal Pay in 3 say that it brings in new customers meets customer expectations and demands for choice of payment options, and delivers repeat business.¹⁵
- BNPL users are **169%** more likely to buy from a site that accepts PayPal Pay in 3 compared to one that doesn't.¹⁵
- Adding dynamic PayPal Pay Later messaging to your site is quick and easy and may deliver a significant impact.

13. Statista. Estimated transaction value of buy now, pay later (BNPL) in the United Kingdom (UK) in 2022, with forecasts for 2023 and 2028. Oct 2023.

14. Based on PayPal internal data since launch i.e. from November 2020 to June 2023. Results include Pay in 3 (UK).

15. PayPal. e-Commerce Index 2024, UK Edition, Fact or fiction: Busting e-commerce myths. Jan 2024.

About PayPal.

PayPal has been a part of the digital commerce revolution for more than 25 years. By leveraging technology to make sending money and shopping more convenient, affordable, and secure, the PayPal platform is empowering hundreds of millions of consumers and merchants in more than 200 markets to join and thrive in the global economy. For many businesses in the UK, PayPal is their end-to-end payments partner, helping to deliver growth and efficiencies. To learn more about how PayPal can help your business optimise customer experience and orchestrate your online payments ecosystem, visit:

paypal.com/uk



Let's talk.

Book a free consultation with our experienced team and discover the benefits of PayPal Pay Later for your business.

olfajinmi@paypal.com

About the research.

This research report was produced by PayPal, based on a study conducted by Fifth Quadrant with **2,047** consumers and **623** businesses across the UK in July-August 2023.

Consumer sampling.

The consumer research consisted of a sample of 2,047 UK consumers aged 18-75. The sample was weighted by age, gender, and location to ensure data was nationally representative. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 2.9%.

Classification of generations:

Gen Z: 18-25 years old, Gen Y: 26-41 years old, Gen X: 42-57 years old, Boomers: 58-75 years old.

Business sampling.

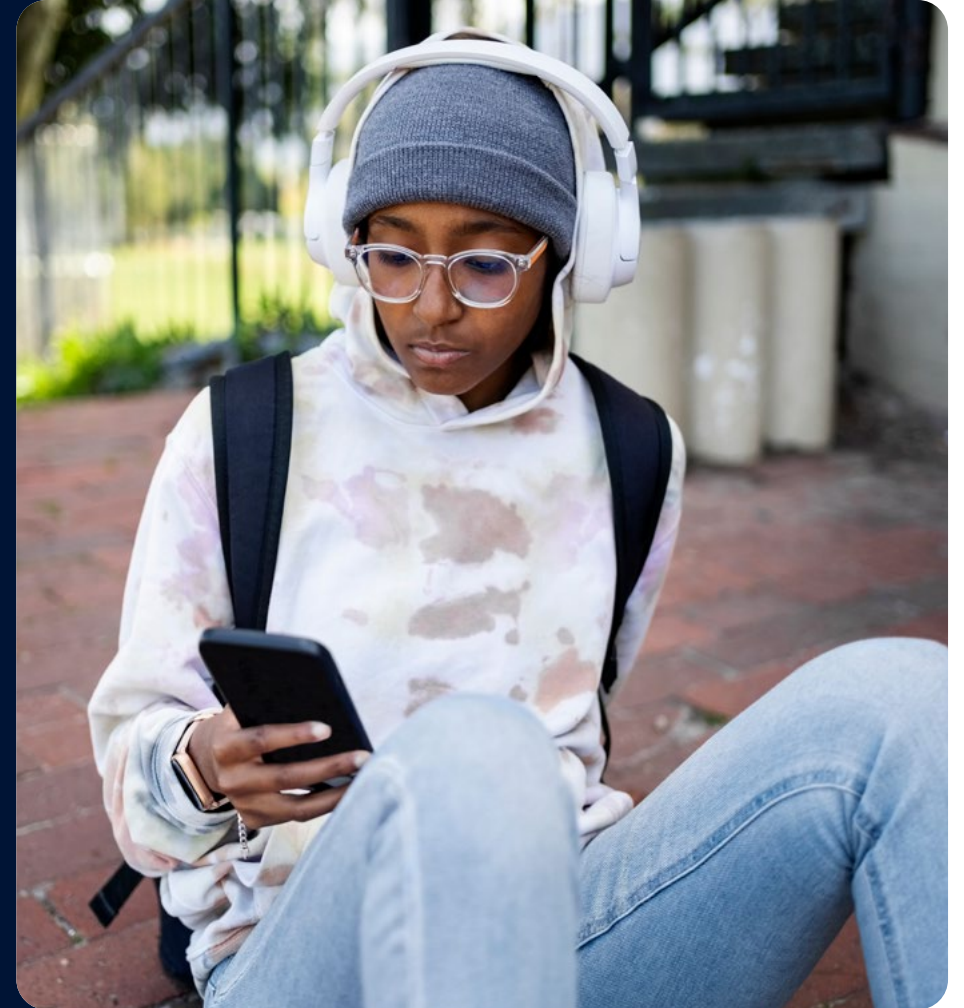
The business research consisted of a sample of 623 decision makers within UK businesses. All businesses sold partially or wholly to consumers, and partially or wholly online. Quotas were set on turnover, location, and industry. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 4.7%.

For this research, small and medium businesses were categorised as those with revenue of less than £15M, and large enterprises as £15M+.

Methodology.

The research consisted of a 15-minute online survey of consumers, and a 10-minute online survey of UK business decision makers. The research was carried out in compliance with the Research Society Guidelines and National Privacy Principles. Sample was sourced through consumer and business research panels, with participants incentivised for completing the survey.

Numbers may not add up to 100% due to rounding.





Any information provided is general only and does not take into account your objectives, financial situation or needs.