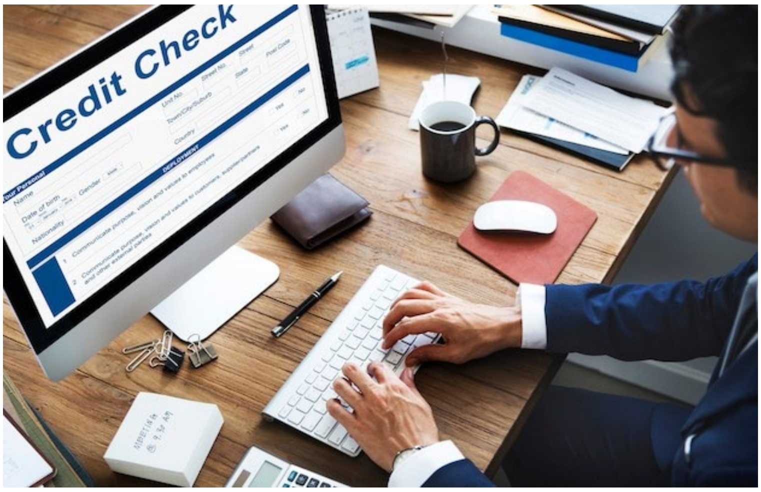
KHAZANAH
RESEARCH
INSTITUTE

VIEWS 12/25 | 25 MARCH 2025

Regulating “Buy Now, Pay Later”: Global Approaches and Malaysia’s Path Forward

Shereen Hazirah Hishamudin



Views are short opinion pieces by the author(s) to encourage the exchange of ideas on current issues. They may not necessarily represent the official views of KRI. All errors remain the author’s own.

This view was prepared by Shereen Hazirah Hishamudin from the Khazanah Research Institute (KRI).

Author’s email address:
shereen.hishamudin@krinstitute.org

Information on Khazanah Research Institute publications and digital products can be found at www.KRInstitute.org.

Cover photo by rawpixel.com on Freepik.

Introduction

The rapid expansion of Buy Now, Pay Later (BNPL) services has transformed the global consumer credit landscape, offering an alternative to traditional credit cards and instalment loans. While BNPL provides financial flexibility, it also raises concerns about consumer protection, debt accumulation, and regulatory oversight. Governments worldwide have taken varied approaches to regulating BNPL, with some implementing stringent measures while others rely on industry self-regulation.

BNPL is a type of short-term financing that enables consumers to purchase goods and services immediately, deferring payment through scheduled instalments that are often interest-free. BNPL is becoming an increasingly popular payment option worldwide, driven by growing demand for more accessible and seamless credit and a surge in online shopping. In 2022, the global BNPL market size stood at USD6.2 billion and is estimated to reach USD38.6 billion by 2030 at a CAGR of 26.1% over the 2023-2030 forecast period[1]. In Malaysia, the BNPL market is expected to grow at a CAGR of 10.9%, reaching USD4.2 billion in 2030[2].

Despite its increasing significance, the regulatory landscape for BNPL remains a patchwork of approaches. Countries have adopted varying regulatory stances, ranging from stringent oversight to a more *laissez-faire* approach. In some jurisdictions, BNPL is treated under existing consumer credit laws, requiring providers to adhere to credit licensing, conduct assessments, and disclosure requirements. In many others, however, BNPL operates in a grey area, not fully encapsulated by traditional financial regulations due to its unique structure and short-term credit model.

In Malaysia, the Consumer Credit Bill (CCB) was tabled for its first reading at the Parliament by the Ministry of Finance (MOF) on 4 March 2025. Once enforced, the Consumer Credit Act (CCA) will provide a comprehensive and integrated regulatory framework for the credit industry, which includes the oversight of BNPL providers. Against the backdrop of rising BNPL usage, with transactions increasing by 44.9% from RM4.9 billion in the first half of 2024 to RM7.1 billion in the second half of 2024[3], and users particularly consisting of the B40 group, the tabling of the CCB is timely.

As with any credit system, BNPL carries inherent risks, including the potential for consumer over-indebtedness[4] and data privacy concerns, amongst others. Consequently, the need for a coherent and comprehensive regulatory framework is pertinent to ensure adequate consumer protection, promote fair and transparent lending practices, and maintain overall financial stability.

This article briefly examines BNPL regulations in different countries and provides a snapshot of Malaysia's ongoing efforts to regulate this fast-growing sector.

[1] Research and Markets (2023)
[2] Ibid
[3] https://theedgemalaysia.com/node/747490
[4] In the UK, for instance, Citizen Advice reported that nearly one in three adults had used BNPL services, with a significant portion struggling to manage repayments.

BNPL Regulatory Landscape in Other Countries: An Overview

The regulatory response to BNPL has been diverse (see Table 1), with various initiatives to enhance regulation in motion. In some jurisdictions, BNPL is treated as a financial product and is subject to existing credit laws while in others, regulators have struggled to fit BNPL into traditional regulatory frameworks, leading to calls for new legislation specifically addressing the innovative payment option.

Table 1: BNPL regulations in selected countries

Country	Licensing	Product	Price	Disclosures	Responsible Lending	Process	Competition
EU	In place	X	X	In place	In place	X	X
Sweden	In place	X	X	In place	In motion	In place	In place
UK	X	X	X	In motion	In motion	In motion	In motion
Denmark	In place	X	X	X	X	X	X
Ireland	X	In motion	In motion	In motion	In motion	In motion	In place
US	In place	In place	X	X	X	X	X
Canada	X	X	X	X	X	X	X
Singapore	X	X	X	In place	In place	X	X

Notes:
1. Licensing=requiring providers to be licensed by a state authority; Product= limiting which products the provider can offer; Price=limiting the prices the provider can charge; Disclosures=specifying the information that providers have to give to prospective customers; Responsible lending= requiring lenders to assess how affordable the product will be to the customer; Process= specifying how the product is sold, applied for, or serviced; Competition= disallowing rules set by providers that limit a merchant's ability to use or accept the product (e.g., prohibiting merchants from surcharging customers for using the provider's payment option).
2. Singapore has not introduced any regulatory measures related to BNPL per se. Instead, the Singapore Fintech Association (SFA), under the guidance of the Monetary Authority of Singapore (MAS), has formulated the BNPL Code of Conduct, an industry-led initiative.

Source: Adapted from The Paypers (2022), Author's compilation

In the EU, the approach undertaken to regulate BNPL services remains fragmented, with no unified regulatory framework explicitly addressing BNPL. Traditional EU financial regulations like the Consumer Credit Directive (CCD) and the Payment Services Directive (PSD2) only partially cover aspects of BNPL transactions. This has led to a regulatory grey area, where BNPL providers operate under less stringent requirements compared to traditional credit lenders[5]. Consultations and reviews are, however, underway to ensure the introduction of new oversight rules to protect consumers against inherent risks.

Similarly in the US, BNPL regulation is fragmented across states. States have begun applying existing lending laws to BNPL products albeit with significant variation in scope and enforcement.

[5] The current CCD applies to loans ranging from EUR200 to EUR75,000. As a result, BNPL loans, which are typically characterised by smaller credit amounts, are excluded from the scope of the CCD.

Some states have specific regulations that apply to BNPL, while others rely on general consumer credit laws. Federal agencies like the Consumer Financial Protection Bureau (CFPB) have started to take a closer interest in the sector but specific regulations governing BNPL services are still in their developmental stage.

Across Asia, the regulatory landscape is diverse, reflecting the region's economic and cultural heterogeneity. In markets like Singapore where BNPL has seen rapid growth, the regulation of consumer credit is piecemeal where several legislations exist (e.g. Moneylenders Act, Hire Purchase Act, Pawnbrokers Act). At present, Singapore has adopted a "light-touch" approach to the regulation of BNPL, with the Singapore Fintech Association (SFA) alongside other BNPL players, taking on an industry-led initiative through the formulation of the BNPL Code of Conduct under the guidance of the Monetary Authority of Singapore (MAS). Other countries, such as Vietnam, continue to deliberate the appropriate regulatory framework for BNPL, balancing the need for financial inclusion with risk management.

At the forefront of BNPL regulation is Australia amid growing concerns over consumer debt, which led to the Australian government's introduction of regulatory changes. In June 2023, the Australian Treasury proposed a regulatory framework to bring BNPL services under stricter consumer credit regulations. The proposed changes require BNPL providers to conduct mandatory credit checks, ensure affordability assessments, and comply with responsible lending obligations. Additionally, BNPL providers must obtain an Australian Credit License (ACL) and adhere to stricter fee transparency requirements, preventing hidden costs and excessive charges. The regulatory overhaul aims to align BNPL services with traditional credit products, ensuring better consumer protection, reducing financial distress, and fostering responsible lending in the rapidly growing sector.

BNPL Regulatory Landscape in Malaysia

The consumer credit regulatory landscape in Malaysia is fragmented, akin to trends observed around the world, with various regulators overseeing multiple laws governing consumer credit activities (see Table 2). Currently, BNPL schemes may fall under the purview of existing consumer credit laws, but it is not definitively regulated.

Table 2: Existing consumer credit laws in Malaysia

Legislation	Relevant ministry/agency
Hire Purchase Act 1967	Ministry of Domestic Trade and Consumer Affairs (KPDNHEP)
Consumer Protection Act 1999	
Consumer Protection (Credit Sale) Regulations 2017	
Moneylenders Act 1951	Ministry of Housing and Local Government (KPKT)
Pawnbrokers Act 1972	
Cooperative Societies Act 1993	Malaysia Co-operative Societies Commission (SKM)
Financial Services Act 2013	Bank Negara Malaysia (BNM)
Islamic Financial Services Act 2013	
Development Financial Institutions Act 2002	

Capital Markets and Services Act 2007	Securities Commission (SC)

Source: CCOB (2022), Author's compilation

However, Malaysia has recognised the rapid expansion of BNPL services and the need for regulatory oversight. On 4 March 2025, the CCB was tabled for its first reading at the Parliament by the MOF. Once the bill is passed, the Consumer Credit Act (CCA) will be enacted. The Consumer Credit Bill aims to enhance the protection of credit consumers, including BNPL users, by regulating credit businesses and credit service businesses, ensuring proper conduct and responsible lending practices by the credit industry, and promoting a fair, efficient, and transparent credit industry. The enactment of the Bill will be driven the MOF, BNM, and the SC, with support from KPDNHEP, KPKT, the Ministry of Entrepreneur and Cooperatives Development (KUSKOP), and SKM[6].

According to the second public consultation paper issued by the CCOB Task Force in April 2023, there will be three phases in transforming the regulatory landscape of consumer credit in Malaysia (see Table 3) to facilitate a smooth transition and minimise unintended disruptions in the consumer credit industry.

Table 3: Transformation of the regulatory landscape of consumer credit with the CCA

Timeline	Details
Phase 1 (Upon enactment of the CCA, 2023 – 2024)	• Existing Regulatory and Supervisory Agencies (RSAs)[7] will continue to serve within their respective sectors while the CCOB Task Force will oversee credit providers and credit service providers that are currently unregulated by any authority. • The CCA will have enabling provisions for the CCOB to issue guidelines which could be similarly adopted and enforced by the relevant RSAs on its regulated entities. • The Hire Purchase Act will be amended or repealed with the relevant provisions to be included in the CCA. KPDNHEP, as an RSA, will continue to oversee the activities of non-bank hire-purchase companies, repossession agents and credit sales providers. • The CCA will facilitate Islamic credit business by non-bank credit providers by including provisions to ensure that such credit providers and its product offerings comply with Shariah principles. KPKT's regulatory ambit will be expanded to include Islamic financing activities and Islamic pawnbroking activities which are not governed under the Islamic Financial Services Act (Act 759) and the Cooperative Societies Act 1993 (Act 502), while KPDNHEP will oversee non-bank Islamic hire-purchase business. • The existing moneylenders' and pawnbrokers' licences obtained under the Moneylenders Act and Pawnbrokers Act respectively, as well as permits issued to individuals for repossession of goods under Hire-Purchase Act, will remain valid with the enactment of the CCA in Phase 1. • Consumer credit activities by banks will remain under the oversight of BNM.
Phase 2 (2025 – 2029)	• Regulatory functions regarding consumer credit activities under KPDNHEP and KPKT will be transferred to the CCOB Task Force while BNM, SC, and SKM will continue to act as RSAs for the entities under their respective purview. • The Moneylenders Act, Pawnbrokers Act as well as provisions relating to credit sales transactions under the Consumer Protection Act will be repealed and all relevant provisions will be retained and subsumed under the amended CCA.

[6] CCOB (2023)
[7] Existing RSAs include BNM, SC, SKM, KPDNHEP, and KPKT.

Phase 3 (2030 onwards)	• The financial industry's regulatory architecture in Malaysia will evolve towards the Twin Peaks[8] model of financial regulation.

Source: CCOB (2022), Author's compilation

In addition, the Consumer Credit Commission (CCC) will also be established, playing a central role in overseeing BNPL activities and other credit services.

While the full implementation of the CCA is still in progress, the enactment of the Act marks a pivotal step towards strengthening the overall regulatory framework within Malaysia's consumer credit sector, particularly at a time of high debt levels amongst consumers and households[9].

Final Thoughts

Based on the prevailing landscape of BNPL regulations in other countries, it is evident that further progress is required to ensure sufficient consumer protection and market stability. While it is recognised that BNPL, as a hybrid of technology and traditional credit systems, has reshaped consumer spending patterns, the innovative credit option has outpaced the development of a cohesive regulatory framework. Without appropriate oversight, BNPL can pose risks such as encouraging consumer over-indebtedness, issues of data privacy, and the potential for unfair lending practices. Therefore, regulation is critical in mitigating these risks, ensuring transparency in lending terms, and protecting consumers from potential financial harm.

As we move forward, the BNPL industry, regulatory bodies, and consumers alike must navigate this evolving landscape with a keen awareness of both the benefits and challenges presented by this novel form of credit. The future of BNPL regulation will likely involve a more harmonised approach, balancing consumer protection with the dynamism of financial technology. A well-regulated BNPL market is essential to balancing financial innovation with consumer protection, ensuring that BNPL remains a tool for financial empowerment rather than a source of over-indebtedness.

[8] The Twin Peaks model for financial regulation is where financial regulation is separated into two broad functions i.e. market conduct regulation (including consumer credit protection) and prudential regulation.
[9] At present, household debt-to-GDP stands at a level close to 90%.

References

CCOB. 2023a. “BNPL in Malaysia: A Quick Glance of the Industry for Q1 - Q3 2023.” Consumer Credit Oversight Board Task Force. 2023. https://ccob.my/industries/. ———. 2023b. “Consumer Credit Act: Public Consultation Paper Part 2.” Consumer Credit Oversight Board Task Force. ———. 2023c. “Consumer Credit Act: Response to Submision on Consumer Credit Act Consultation Paper Part 2.” Consumer Credit Oversight Board Task Force.

HM Treasury. 2023. “Regulation of Buy-Now Pay-Later: Consultation Draft on Legislation.” https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1136257/BNPL_consultation_on_draft_legislation.pdf

International Data Corporation (IDC). 2022. “How Southeast Asia Buys and Pays 2022: New Opportunities, Connectivity, and Risks.” IDC and 2C2P. https://go.2c2p.com/wp-content/uploads/2022/10/2C2P-IDC-InfoBrief_AP241383IB.pdf

Lux, Marshall and Epps, Bryan. 2022. “Grow Now, Regulate Later? Regulation Urgently Needed to Support Transparency and Sustainable Growth for Buy-Now, Pay-Later.” https://nrs.harvard.edu/URN-3:HUL.INSTREPOS:37371375

Norton Rose Fulbright. 2022. “Regulation Around the World: Buy Now Pay Later.” nortonrosefulbright.com/-/media/files/nrf/nrfweb/knowledge-pdfs/47692_emea_brochure__regulation-around-the-world---bnpl-v4.pdf?revision=e0a93cc2-f788-489f-bccf-a7dc49b6ee1e&revision=5249820614647387904

Research and Markets. 2023. “Buy Now, Pay Later Market Size, Share, and Trends Analysis Report by Channel - (Online, POS), by End-Use (Retail, Automotive), by Enterprise Size, by Region, and Segment Forecasts, 2023 2030.” Research and Markets. 2023. https://www.researchandmarkets.com/reports/5416019/buy-now-pay-later-market-size-shareand-trends.

Rizk, Jacob. 2021. “Use Now, Regulate Later? The Competing Regulatory Approaches of the Buy-Now, Pay-Later Sector and Consumer Protection in Australia.” https://doi.org/10.15209/vulj.v10i1.1224

Sng, Allen and Tan, Christy Muki. 2022. “Buy Now Pay Later in Singapore: Regulatory Gaps and Reform.” https://ssrn.com/abstract=3819058 or http://dx.doi.org/10.2139/ssrn.3819058

The Paypers. 2022. “Who’s Who in Payment Report 2022: The Market Overview of Key Payment Providers in B2B and B2C Commerce.” The Paypers.