

Response to FCA Consultation CP26/15: CONC 3: Reviewing the Financial Promotions Rules for Consumer Credit

Research Report 2026

Swansea University Author: Anita Zhao

University of Gloucestershire Authors: Ruffin Relja and Philippa Ward

We welcome the opportunity to respond to CP26/15. We write as academic researchers specialising in consumer behaviour, financial decision-making, and Deferred Payment Credit (DPC)/Buy-Now-Pay-Later (BNPL). Our work draws on extensive mixed-methods research with UK consumers and on stakeholder engagement across the BNPL ecosystem. Consistent with our previous consultation responses, we strongly support the FCA's objective of balancing consumer protection, innovation, and proportionality. However, our research demonstrates that credit, particularly DPC/BNPL, is not simply a financial product. It is embedded within retail environments, digital interfaces, and algorithmic marketing systems that actively shape consumer behaviour. Financial promotions, therefore, are not neutral disclosures, but integral components of consumption systems.

Keywords

Financial Conduct Authority (FCA), DPC (Deferred Payment Credit), Unregulated Buy Now Pay Later (BNPL), Legislation, consumer finance, sales promotions

URL: <https://cronfa.swan.ac.uk/Record/cronfa72104>

DOI: 10.23889/SUreport.72104

Response to FCA Consultation CP26/15: CONC 3: Reviewing the Financial Promotions Rules for Consumer Credit

From: Dr Ruffin Relja¹, Dr Anita Lifen Zhao², and Prof Philippa Ward¹

¹University of Gloucestershire & ²Swansea University

Introduction and expertise

We welcome the opportunity to respond to CP26/15. We write as academic researchers specialising in consumer behaviour, financial decision-making, and Deferred Payment Credit (DPC)/Buy-Now-Pay-Later (BNPL). Our work draws on extensive mixed-methods research with UK consumers and on stakeholder engagement across the BNPL ecosystem.

Consistent with our previous consultation responses, we strongly support the FCA's objective of balancing consumer protection, innovation, and proportionality.

However, our research demonstrates that credit, particularly DPC/BNPL, is not simply a financial product. It is embedded within retail environments, digital interfaces, and algorithmic marketing systems that actively shape consumer behaviour. Financial promotions, therefore, are not neutral disclosures, but integral components of consumption systems.

General observations

We support the FCA's move toward simplification and alignment with the Consumer Duty, particularly the emphasis on outcomes-focused regulation and improved consumer understanding. Nonetheless, three overarching issues remain critical:

A. Risk of over-reliance on the Consumer Duty

While the Duty sets a strong overarching standard, it is not sufficient as a standalone mechanism. Our research shows that:

- Consumer misunderstanding persists even with clear disclosures.
- Behavioural biases (e.g. optimism bias, perceived control) reduce engagement with risk information.
- BNPL decouples consumption from payment, weakening cost salience.

Position: Therefore, the Consumer Duty is necessary but not sufficient. Targeted guidance and guardrails remain essential in high-risk areas such as financial promotions.

B. Credit as a behavioural and marketing system

Financial promotions are not neutral disclosures; they are entry points into digitally mediated consumption journeys.

Our research shows that:

- DPC/BNPL and similar products are embedded in online choice architecture.
- Promotions interact with algorithmic targeting, habit formation, and impulse purchasing.

Implication: Simplifying rules without accounting for these dynamics risks amplifying behavioural design nudges and increasing consumer vulnerability.

C. Agreement-centric vs cumulative perspective

Current regulatory approaches, both in DPC/BNPL and in financial promotions, are largely at the agreement level, but the risk is cumulative.

Our evidence indicates that risk arises from:

- Multiple concurrent DPC/BNPL agreements.
- Cross-over credit exposure across providers.
- Fragmented communication across apps/platforms.

Implication: Individually benign promotions can contribute to systemic overextension.

***Our DPC research includes:**

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Responses to key consultation themes

1. Simplification of CONC 3

Question 1: Do you agree with our proposal to remove the guidance in CONC 3.3.10G(1) to (5) and to move the guidance in CONC 3.3.10G(6) to (8) relating to debt solutions to CONC 3.9?

We support simplifying duplicative rules and reducing unnecessary prescriptions. In principle, moving and streamlining guidance is a logical and necessary step toward regulatory clarity, particularly as the credit landscape evolves.

The removal of CONC 3.3.10G(1) to (5) is welcomed, as these clauses largely duplicate higher-level financial promotion rules or are overly complex and dated. Removing them helps remove dated information and ensures the guidance is relevant and timely.

Moving the remaining guidance in CONC 3.3.10G(6)-(8) to CONC 3.9 creates a more cohesive framework. It ensures that all guidance regarding how debt solutions are marketed sits in one dedicated location.

However, there are concerns to be addressed:

- The Duty operates ex post through outcomes, whereas CONC rules provide ex ante clarity.
- Removing too much guidance risks inconsistent interpretation across firms, particularly in digital and social media environments.
- This can potentially lead to weaker comparability for consumers if firms present cost disclosures differently, as shoppers may find it harder to compare products consistently.

Recommendations:

- Retaining core, high-risk protections (e.g. addressing misleading framing, or omission of costs)
- Providing sector-specific guidance for DPC/BNPL and short-term credit, where behavioural risks are heightened
- DPC/BNPL platforms frequently market credit as a budget-management utility rather than debt. The FCA must ensure that DPC platforms are systematically monitored under CONC 3.9 if service providers cross-promote and signpost internal/third-party debt resolution frameworks

We urge the FCA to ensure that removing this explicit text does not dilute the regulatory obligations of firms operating in the digital 'grey area' between general credit tools and formal debt solutions. The regulator must closely monitor whether relying solely on the high-level Consumer Duty creates enforcement blind spots, particularly regarding firms' lead-generation targeting financially vulnerable consumers.

Question 2: Do you agree with our proposed amendment to CONC 3.5.11R?

We would not object in principle to amending CONC 3.5.11R where the provision is of limited relevance to mainstream DPC/BNPL products, which are generally short-term unsecured credit. However, we would not support any amendment that weakens the requirement for firms to clearly communicate when security is relevant, or when consumers could otherwise misunderstand the consequences of non-payment. The FCA and HM Treasury have both justified DPC/BNPL regulation on the basis that consumers need clearer information, stronger protections and support to avoid unaffordable borrowing.

In the DPC/BNPL context, the key risk is not only legal security, but also whether consumers clearly understand what is and is not at risk if they miss payments, especially during fast-paced digital checkout journeys. Moving the disclosure of a security or guarantor requirement away from initial promotions to the final pre-contractual stage exposes critical risks at the worst possible moment. In frictionless digital checkouts, consumers suffer intense “present bias” (e.g. immediate rewards or instant gratification) and cognitive fatigue. Discovering that a secondary backup card or a guarantor is required at the final click-to-pay screen means users are highly likely to accept this condition to complete the purchase, bypassing a rational calculation of the broader risks to their financial health.

We would therefore only support an amendment if the FCA can show that consumer understanding will be maintained or improved in practice, and if firms remain clearly responsible for explaining the lender’s rights, the consumer’s obligations, and how the product differs from other forms of retail finance.

Recommendation: Critical information should remain prominent earlier in the customer journey.

Question 3: Do you agree with our proposed amendment to CONC 3.5.12R?

We do not agree with the proposed amendment to CONC 3.5.12R.

While we recognise the FCA’s broader objective in CP26/15 to simplify CONC 3 and reduce unnecessary prescription in an outcomes-focused regime, financial promotions remain one of the most influential parts of the customer journey. Promotions (such as “Interest-free” and “No deposit”) are often a consumer’s first point of contact with firms. Such messages can significantly shape understanding, comparison and decision-making. In that context, rigorous rules on the prominence of key cost information continue to serve an important consumer-protection function.

Our concern is that a more flexible or less prescriptive approach under CONC 3.5.12R could make it easier for headline benefits or attention-grabbing claims to dominate. At the same time, the information that helps consumers understand the real cost or repayment implications becomes less salient. We are also concerned that removing or softening clear prominence requirements could reduce consistency across firms and channels.

We would support an amendment to CONC 3.5.12R only if it can be demonstrated that the revised wording will maintain or improve consumer understanding in practice, rather than

simply giving firms greater drafting flexibility. Without that assurance, there is a real risk that the amendment would weaken consumers' basis for comparability, reduce salience of important disclosures, and ultimately undermine their understanding rather than enhance it.

We urge that, at a minimum, any revised rule preserve the principle that key cost and repayment information must be presented with sufficient prominence relative to the claims that trigger consumer attention.

Recommendation: Maintain explicit prominence requirements alongside the Duty.

Question 4: Do you have information or data you can share about the extent to which regulated credit agreements secured on land are used in the market?

We do not hold relevant data to comment on the extent to which regulated credit agreements secured on land are used in the market. Our research is primarily focused on consumer DPC/BNPL usage, which is generally interest-free instalment credit repayable within 12 months and is not representative of the wider land-secured credit market.

Question 5: Do you agree with our proposal to remove CONC 3.6 from the Handbook?

We have no further comments on this proposal.

Question 6: Do you agree with our proposals to remove the provisions in the table above from CONC3, and rely on the Consumer Duty?

We recognise the FCA's objective to simplify the framework by removing overlapping provisions in CONC 3 and relying on the Consumer Duty to create a more streamlined, outcomes-focused framework. We broadly support greater flexibility for firms to tailor communications and a stronger focus on customer understanding and outcomes.

However, we have significant concerns about how DPC/BNPL products are marketed as frictionless. Digital formats (apps, social media, embedded checkout flows) shape behaviour through salience effects, friction reduction and instant gratification. These features not only affect understanding, but they also actively influence decision-making.

In addition, greater reliance on high-level principles increases subjectivity and the risk of inconsistent interpretation across firms. Firms may face increased operational burdens in demonstrating good outcomes under the Consumer Duty. There is a risk that, without clear guidance, certain promotional practices (such as downplaying the total repayable amount) could contribute to poor consumer outcomes. Nudging practices or behavioural design techniques, such as prominently placing credit options, default selections that encourage take-up without reflection, or frictionless sign-up journeys, are extremely common for influencing consumer decisions. While not inherently problematic, these practices can lead to poor consumer credit outcomes if they encourage impulsive borrowing or reduce engagement with key information.

Additionally, influencer/affiliate marketing, where key risk information may be less prominently communicated or inconsistently presented across channels, poses significant concerns and warrants further scrutiny.

Recommendation: FCA should explicitly address digital choice architecture and require firms to demonstrate that promotional design supports reflective decision-making rather than mere comprehension.

Question 7: Do you agree with our proposals to remove the provisions in the table above?

We recognise the rationale for removing outdated provisions, but would encourage a cautious approach. In DPC/BNPL contexts, prescriptive rules can still provide clarity on issues such as the prominence of key information at checkout, cost framing, default options, and consistency across retailer channels. Their removal may create gaps or increase reliance on subjective interpretation. We would therefore support removal only where it is clear that no loss of clarity or consumer protection arises, and where this is supported by appropriate guidance and transition.

Question 8: Do stakeholders agree with our proposals in respect of implementation and transitional periods?

No, we recommend a phased approach. We do not consider a three-month transition period sufficient. It risks inconsistent implementation and unclear communications, which could particularly affect vulnerable consumers. A longer period, supported by clear guidance, would better ensure firms deliver consistent and effective outcomes.

In our experience, many consumers – especially those already in financial difficulty – rely heavily on clear, consistent, and comparable information when making credit decisions. A compressed transition period increases the risk that firms will implement changes at different speeds and in different ways, resulting in inconsistent communications and customer journeys across the market. This may make it more difficult for consumers to understand key information, compare products, and make informed decisions.

There is also a risk that, under time pressure, firms will prioritise technical compliance over the quality of consumer outcomes, particularly in areas such as financial promotions and point-of-sale credit (including DPC/BNPL). Without sufficient time to review and test revised communications, important information – such as the nature of the credit product, repayment obligations, and consequences of missed payments – may not be presented as clearly or prominently as intended.

This has particular implications for vulnerable consumers, who are more likely to experience financial stress, lower financial resilience, or difficulty processing complex information. Inconsistent or insufficiently developed communications may increase the risk of misunderstanding, inappropriate borrowing, or subsequent debt problems.

We strongly urge a longer transition period and encourage research to identify unintended consequences associated with the changes.

Recommendation: Adopt a phased transition supported by testing and guidance.

2. Cost Disclosure

Question 9: Are the 3 triggers as set out in CONC 3.5.7R appropriate, or should they be changed or removed entirely?

Question 10: If the triggers are removed, would the Duty's principles-based good consumer outcomes-led approach to disclosing the APR (for alternative cost information) suffice?

The triggers are structurally appropriate and must be retained, but the mandated output requires reform. Advertising transactional speed, convenience, incentives or lifestyle rewards exploits heuristic processing and disarms borrower risk aversion.

This is particularly relevant for DPC/BNPL, where promotional messaging such as “Pay in 3”, “Interest-free”, and “Quick and easy approval” may change perception without fully conveying the nature of the credit commitment.

Forcing a clear, standardised cost warning the moment these behavioural hooks are deployed is necessary. The failure is not the triggers, but the operational output they mandate (the Representative APR).

Question 11: Do you have evidence that using alternative cost disclosures to APRs would increase competition and supply higher cost credit?

While we do not have direct evidence on competition or supply effects, our financial literacy research suggests that consumers often struggle with investment, spending power, APR and rely on simplified cues. Alternative disclosures may improve understanding but could also shift behaviour in ways that increase demand for higher-cost credit, depending on their design. The impact is therefore uncertain and should be tested carefully.

Question 12: Do you have suggestions on alternatives to APR?

We agree that APR supports comparability but is often poorly understood, particularly in short-term and digitally embedded credit contexts.

Our research shows that consumers rely heavily on heuristics (based on overestimation of subjective knowledge and poor objective knowledge levels) rather than formal financial metrics, that experiential and emotional cues (e.g. affordability framing, “£x per month”) often outweigh abstract indicators such as APR, and that in DPC/BNPL contexts, consumers frequently interpret “interest-free” framing as implying low or no risk, regardless of repayment obligations.

Recommendation: A hybrid standardised approach, rather than replacing APR entirely.

1. Retain APR as a mandatory benchmark metric. It remains the most effective tool for cross-product comparability. We also note that FCA research confirms that removing standardised metrics reduces comparability and increases decision errors.
2. Mandate complementary, behaviourally salient metrics, including total amount repayable, repayment per instalment and (where appropriate) cost per £100 borrowed.
3. Prioritise concrete and contextualised information. Evidence (including FCA behavioural testing) shows that total repayment and instalment information significantly improve consumers' ability to identify lower-cost products, even when their conceptual understanding remains weak.

4. Ensure standardisation of complementary metrics. These metrics should be prescribed, not optional, to avoid selective disclosure.

Question 13: If firms are permitted to use alternative cost disclosures to APRs, how might this impact on consumers' ability to compare products and shop around?

Allowing firms unrestricted flexibility in cost disclosure would materially risk reducing comparability and weakening consumer outcomes.

Our key concerns centre on:

1. The potential for strategic framing by firms. Firms face strong commercial incentives to present cost information in the most favourable light. This is particularly pronounced in DPC/BNPL environments, especially where credit is embedded in checkout journeys or promoted via influencer and affiliate channels.
Without standardisation, firms may selectively emphasize low instalments and short-term affordability, while downplaying total costs, cumulative exposure and consequences of missed payments.
2. The breakdown of comparability across products and providers. FCA evidence shows that consumers find comparison significantly harder when information is not standardised, with less than half reporting ease of comparison under non-standard disclosure regimes (vs 60–80% with standardisation).
3. Increased reliance on heuristics and behavioural biases. Variation in disclosure formats amplifies present bias, salience effects and “low monthly payment” heuristics. This is especially problematic in DPC/BNPL, where decisions are fast and embedded in consumption and cognitive effort is deliberately minimised.
4. Reduced effective competition. Paradoxically, greater disclosure flexibility may weaken informed switching, entrench dominant providers with strong brand/UX advantages and reduce price-based competition.

Without guardrails, flexibility risks shifting the market from transparent comparison to strategic persuasion.

Recommendation: Any flexibility must retain APR, require standardised complementary metrics and ensure consistent presentation across providers.

Question 14: What are your views on retaining mandatory Representative APR disclosure, while allowing flexibility for additional cost of credit disclosures alongside it?

We recognise the limitations of APR, particularly for short-term or interest-free products, where it may be poorly understood by consumers and perceived as irrelevant in zero-interest contexts. Consumers also rely heavily on heuristic cues, such as information about instalment plans or “interest-free” messaging.

These tactics raise potential risks, including consumers increasingly focusing on short-term affordability rather than total cost, greater susceptibility to framing effects (e.g., “£10/month”), and reduced comparability when formats vary across firms.

In DPC/BNPL, where interest is often zero but missed-payment fees, credit implications, or cumulative borrowing matter, alternative disclosures must ensure that the product's credit nature is clear and that consumers understand total obligations and risks, not just instalments.

Question 15: What are your views on removing the requirement to display a Representative APR without prescribing an alternative cost metric, and instead allowing firms flexibility to provide the cost information they consider best supports their consumers' understanding?

We strongly advise against this approach. Removing a standardised metric without prescribing a clear alternative leads to market fragmentation. In a competitive digital checkout environment, firms face a commercial conflict of interest; asymmetric flexibility leads to fragmented disclosure patterns that obscure rather than illuminate the true costs of default, hindering comparison.

Question 16: What are your views on maintaining the current approach under which the Representative APR is the sole prescribed cost metric?

Retaining the current status quo is suboptimal. It fails to account for the digitisation of the point-of-sale credit market. The APR remains an effective metric for multi-year amortising debt (mortgages, personal bank loans). However, it can be a barrier to consumer comprehension when applied strictly to transactional, flat-structured DPC/BNPL and short-term alternative credit platforms.

Question 17: If our rules enabled firms to present alternative cost disclosures to APRs, which products would benefit from these alternatives and how should the criteria be defined?

Deferred payment options (DPC/BNPL) would benefit most. The boundary criteria should be mathematically defined by product duration and fee structure: specifically, any unsecured credit facility with a contractual term of 12 months or less, or any product characterised by flat or fixed transaction fees rather than compounding interest charges. Traditional revolving lines of credit (credit cards) or long-term structural debt must remain excluded from these alternatives to prevent systematic consumer miscomparisons.

Question 18: Should 'Representative examples' continue to be required in financial promotions based on the current triggers, or at all?

We recognise concerns that representative examples increase cognitive load, are poorly recalled, and are difficult to implement in digital formats. However, removing them entirely risks loss of structured, standardised information and increased heterogeneity across firms.

Recommendation: Replace current representative examples with simplified, standardised cost summaries that are shorter, visually formatted, and adaptable across channels.

Question 19: What is your view as to whether the current 51% threshold for presenting the Representative APR is appropriate and do you have views on the alternative options stated or other suggestions?

Question 20: Would providing guidance to encourage firms to fully explain the Representative APR be helpful?

Question 21: Do you agree the term ‘representative’ can be omitted where the firm only offers a single APR in respect of the financial promotion?

We share the FCA’s concern that many consumers receive rates above the advertised APR, which creates confusion and mistrust. However, increasing the threshold alone does not resolve the issue and risk-based pricing remains legitimate.

Recommendation: Introduce greater transparency rather than threshold adjustment alone:

- Disclose the range of possible APRs.
- Highlight maximum potential rate.
- Clearly communicate the probability of receiving the advertised rate.

This aligns with our finding that consumers often have overly optimistic expectations of their financial position and outcomes.

Communication and consumer vulnerability

We strongly support tailoring communications to consumer needs. However, we reiterate from prior submissions that vulnerability extends beyond demographics to include impulsivity, materialism, and financial literacy – particularly those who subjectively overestimate their capabilities.

These factors directly shape how promotions are interpreted and cannot be addressed solely through disclosure.

Recommendation:

- Broaden the FCA’s conceptualisation of vulnerability.
- Require firms to test promotions with behaviourally realistic consumer segments.

Market dynamics

We highlight two structural issues:

a) Algorithmic concentration

Established DPC/BNPL providers benefit from brand trust, embedded retail partnerships and behavioural data advantages. This may entrench market dominance and limit competition.

b) Merchant dependency

Small merchants rely on major providers for customer acquisition and conversion. Regulatory changes to promotions may disproportionately affect smaller actors.

Recommendation:

- Monitor competitive effects of promotional rules, particularly in the BNPL ecosystem.

- Ensure regulation does not unintentionally reinforce market concentration.

Summary Position

We support the FCA's objective to simplify financial promotion rules and align them with the Consumer Duty. However, our research highlights that:

- Consumer outcomes are shaped not only by information, but by context, design, and behaviour.
- Credit products, particularly BNPL, function as embedded consumption systems, not isolated financial decisions.

Key principles for reform:

1. Maintain comparability (retain APR).
2. Enhance comprehension (add concrete cost metrics).
3. Address behavioural realities (beyond disclosure).
4. Recognise cumulative credit exposure.
5. Account for digital and algorithmic environments.

We would welcome further engagement with the FCA and are happy to provide additional empirical evidence to support policy development.

Yours sincerely,



Dr Anita Lifen Zhao

Associate Professor in Marketing

Swansea University
Fabian Way
Bay Campus
Swansea, SA1 8EN
United Kingdom
a.l.zhao@swansea.ac.uk