

Vesta Software Group

Industry Insights

Buy Now Pay Later in 2026

Europe

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vestasoftwaregroup.com

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Jurisdiction: England and Wales governing law.

Venue: London courts.

Summary

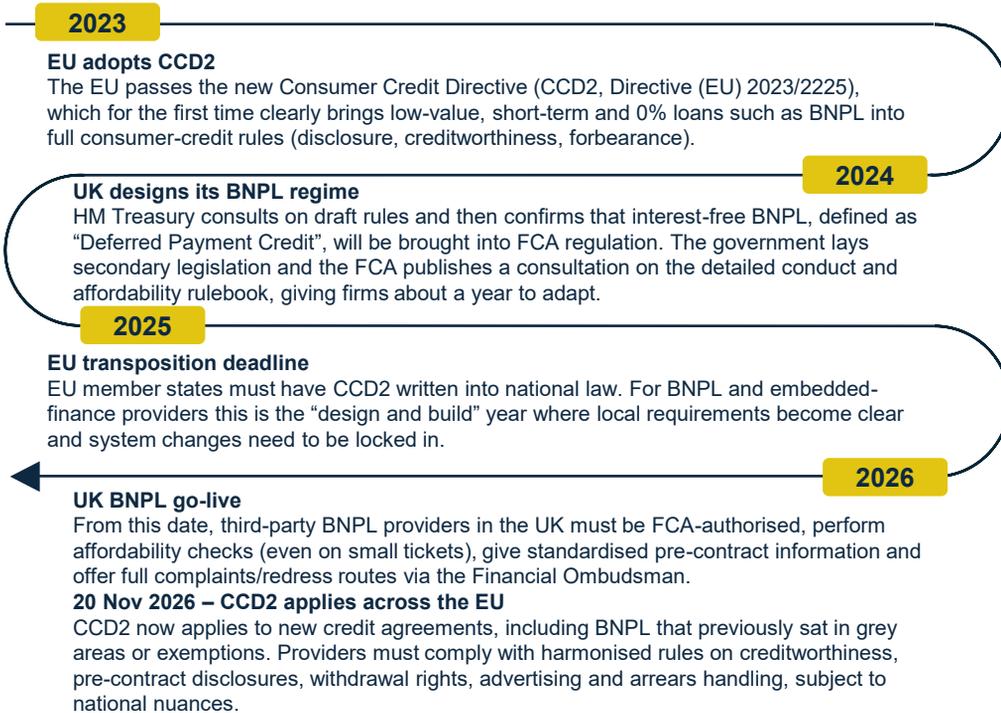
From 2026 onwards, BNPL in the EU (under CCD2) and the UK (under the new Deferred Payment Credit regime) stops being a simple checkout feature and is treated as full-blown consumer credit, with licensing, affordability checks, standardised disclosures and structured arrears handling. The paper explains how this shift turns BNPL into a genuine risk and compliance product, not just a UX button, and forces providers to rebuild journeys, data pipelines, audit trails and reporting. It then shows that impact will be strongest in software-heavy verticals like online retail, in-store POS, travel, healthcare and education, where BNPL is already embedded and must now be supported by “regulation-ready” software architectures.

BNPL Meets Credit Regulation

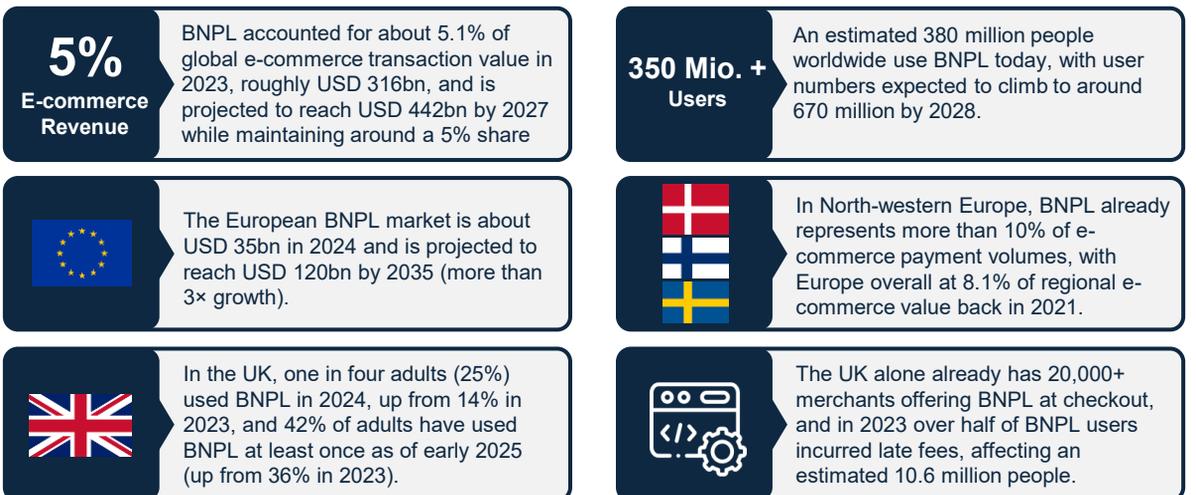
Context & Overview

From 2026 onwards, Buy Now, Pay Later (BNPL) will shift decisively from a lightly regulated checkout feature to being treated as mainstream consumer credit in both the EU and the UK. Under the EU's new Consumer Credit Directive (Directive (EU) 2023/2225), member states must bring even short-term, interest-free and low-value BNPL products into full credit-agreement rules from November 2026, tightening obligations around creditworthiness checks, disclosures and forbearance. In parallel, the UK government has legislated to bring Deferred Payment Credit – the interest-free BNPL model – into the Financial Conduct Authority's remit, with a new regime and affordability checks applying to third-party BNPL lenders from 15 July 2026. These changes respond to rapid BNPL adoption and mounting concerns about over-indebtedness and opaque terms, and they will not only alter the economics and risk profile of BNPL providers, but also place new demands on the software platforms, merchants and vertical-market systems through which BNPL is offered.

Exhibit 1: 2023 - 2026 milestone timeline of BNPL development



Source: The Guardian, Reuters



From Checkout to Regulated Credit: The New Risk Stack

Exhibit 2: Euro Area non-cash payments by number of transactions

	EU CCD2	UK regime: Statutory instrument + FCA rules
Legal basis & supervisor	<p>Directive (EU) 2023/2225, to be in force from Nov 2026, updates EU consumer-credit law and explicitly covers BNPL-type short-term and interest-free credit.</p> <p>Impact (EU): BNPL providers become regular consumer-credit creditors under national supervisors; they must align governance and controls with mainstream lenders.</p>	<p>Secondary legislation brings “Deferred Payment Credit” (interest-free BNPL up to 12 months) into the FCA perimeter from 15 July 2026.</p> <p>Impact (UK): Any third-party BNPL lender needs full FCA authorisation and is subject to FCA conduct and systems-and-controls expectations.</p>
Products in scope	<p>Removes the lower credit threshold and extends rules to small-value, short-term and 0% loans, including BNPL arrangements by third-party lenders.</p> <p>Impact (EU): Most BNPL offers that previously relied on exemptions now fall under harmonised consumer-credit rules; only narrow supplier-credit exemptions remain.</p>	<p>Covers third-party, interest-free instalment credit used to finance purchases from merchants; most pure merchant instalment plans stay exempt.</p> <p>Impact (UK): Main BNPL brands fall in scope, but some in-house “pay in 3” from merchants remain outside, creating a clear line that providers and software must respect.</p>
Who must be authorized	<p>BNPL creditors must meet national licensing/registration requirements for consumer-credit providers and comply with CCD2 conduct rules.</p> <p>Impact (EU): New entrants and existing BNPL players face licensing gateways in each operating country, with higher compliance expectations.</p>	<p>Third-party BNPL/DPC lenders must obtain FCA authorisation (or use a temporary permissions regime) to lend after go-live.</p> <p>Impact (UK): Firms with “light” permissions or unregulated models must upgrade to full regulated-firm status, including SM&CR responsibilities.</p>
Creditworthiness & data	<p>Requires a “thorough” creditworthiness assessment using adequate information before granting credit, aligned with EBA loan-origination guidance.</p> <p>Impact (EU): BNPL models need stronger data pipelines, policy documentation and monitoring; thin-file, pure behavioural approvals become harder to justify.</p>	<p>FCA rules introduce proportionate affordability checks for all in-scope DPC, including small tickets, to prevent over-indebtedness and loan stacking.</p> <p>Impact (UK): Providers must embed income/expenditure checks or external data sources into BNPL journeys and evidence why checks are proportionate.</p>
Disclosures & marketing	<p>Updates standard pre-contract information (SECCI) and tightens advertising rules for all consumer credit, including BNPL.</p> <p>Impact (EU): Front-end UX (web, app, POS) must surface standardised key facts and warnings; marketing copy and banners need regulatory review.</p>	<p>FCA applies “clear, fair and not misleading” rules plus specific requirements for digital BNPL disclosures and promotions at checkout.</p> <p>Impact (UK): Checkout BNPL prompts must be redesigned to show costs/risks more clearly and avoid nudging customers into unaffordable use.</p>
Arrears, forbearance, complaints	<p>Strengthens expectations on forbearance and limits on arrears charges, aligned with fair-treatment principles.</p> <p>Impact (EU): BNPL providers need structured arrears workflows, vulnerable-customer flags and fee controls similar to other consumer-credit books.</p>	<p>DPC lenders must follow FCA arrears and forbearance rules; customers can escalate complaints to the Financial Ombudsman Service.</p> <p>Impact (UK): Systems must support FCA-style collections strategies and full complaints logging, with MI ready for supervision.</p>

New functional requirements driven by 2026 rules

Exhibit 3: BNPL Regulatory & System Impact Overview



	<p>BNPL can no longer be “just another button” at checkout. The UI needs to orchestrate a regulated sequence:</p> <ul style="list-style-type: none">• Present standardised pre-contract information (SECCI in the EU; FCA key info in the UK) before agreement.• Capture explicit customer consent at the right step.• Route declines and approvals into different, auditable paths. <p>Software implication: Merchant platforms, POS and gateways need configurable BNPL flows (by country and lender) instead of hard-coded “pay in 3” widgets.</p>
	<p>Both CCD2 and the UK DPC regime require real creditworthiness/affordability assessment, not simple behavioural scoring.</p> <ul style="list-style-type: none">• Collect the additional data fields needed (income proxies, existing obligations, or consent for external data).• Call out to credit bureaux, open-banking APIs or internal risk engines.• Log the inputs, decision and rationale for later supervision or dispute. <p>Software implication: BNPL, POS and e-commerce systems must integrate decisioning APIs and store decision artefacts, not just a yes/no flag.</p>
	<p>Supervisors and internal risk teams will expect evidence, not just outcomes.</p> <ul style="list-style-type: none">• Store time-stamped snapshots of key screens, disclosures and consents.• Maintain decision logs (what data was used, which rules/model version applied).• Provide exportable MI for regulators and for internal governance (volumes, arrears, complaints, vulnerable customers). <p>Software implication: Payment, BNPL and merchant systems need an audit/reporting layer that can be queried by product, jurisdiction and lender, not just transactional reporting.</p>

Source: European Union, European Commission

As BNPL is pulled into full credit regulation from 2026, the core change is that the “checkout button” becomes a regulated process. What used to be a simple UX choice now needs to run a structured sequence of steps: standardised pre-contract information, explicit consent, eligibility and affordability checks, and clear routing for approvals, declines and withdrawals. For software vendors, this turns BNPL from a bolt-on payment option into a workflow that has to be designed, versioned and tested in the same way as any other regulated credit journey, with variants by country, product and lender.

Behind the scenes, credit and data requirements also become materially heavier. Real affordability assessments mean extra data capture at the point of sale, connections into credit bureaux or open-banking services, and decision engines that can explain why a customer was accepted or declined. Over the life of the agreement, systems need to track instalments, arrears, forbearance arrangements and complaints – not just “paid / unpaid” – and trigger the right communications when customers miss payments or signal vulnerability. This pulls BNPL deeper into merchant back-office, collections and CRM systems than many current integrations anticipate. Finally, regulators and internal risk teams will demand evidence rather than just outcomes. That implies an auditable data layer: time-stamped records of what the customer saw, what data was used in the decision, which rules or models were applied, and how outcomes evolved over time. Because EU and UK rules diverge at the margin, product and compliance teams will also need configuration rather than custom code – the ability to adjust thresholds, disclosures and checks per jurisdiction without re-engineering the entire stack. In practice, BNPL regulation therefore becomes a software-architecture question: platforms that can embed these functions cleanly will find it easier to keep operating across markets as credit rules tighten and supervisors focus more closely on this segment.

Scenarios to 2030 and strategic questions for the ecosystem

Although the 2026 rules are horizontal pieces of consumer-credit regulation, their effects will not be evenly distributed. BNPL is heavily concentrated in a few use cases: online retail, point-of-sale finance for higher-ticket goods, travel, healthcare, and education or subscriptions. In each of these verticals, BNPL has become a standard payment expectation rather than an experiment, with adoption driven by budget pressure and demand for frictionless access to goods and services. For software providers, this means regulatory change will cluster around specific product lines and customer segments rather than affecting the portfolio uniformly.

Online retail and marketplaces

BNPL is most mature in e-commerce. It accounts for around 5–7% of global online transaction value today and is still gaining share in many markets, especially in fashion, electronics and general merchandise. Large marketplaces and brand stores use BNPL as a conversion and basket-size lever, and leading providers are now embedded directly into product pages, carts and one-click checkouts.

Regulatory exposure: High

BNPL is front-and-centre in online retail, so CCD2 and the UK DPC regime will directly reshape checkout flows, disclosures and affordability checks. Consent, product information and risk warnings must be displayed correctly on every channel and device, and credit-decisioning has to happen within milliseconds without compromising auditability.

Software angle: Retail and marketplace platforms become de-facto “regulated front ends”: they will carry most of the responsibility for orchestrating compliant journeys while keeping the experience competitive.

Point-of-sale systems for physical retail

In-store BNPL and short-term interest-free credit are widely used for higher-ticket purchases such as electronics, furniture, sports equipment and dental or medical procedures, often via integrated POS finance. As more POS terminals and retail software platforms integrate BNPL, the line between “card transaction” and “credit agreement” moves onto the shop floor.

Regulatory exposure: Medium–high

Many in-store BNPL products fall squarely within the new rules, but some merchant-financed instalment plans may remain exempt, especially in the UK. This split creates classification and design challenges: the same POS UI may need to handle both regulated third-party credit and unregulated merchant instalments.

Software angle: POS vendors will need to accommodate regulated BNPL flows on devices with limited screen real estate, support identification of when a credit agreement is being formed, and capture the extra data and consents required in a way that still feels like a quick checkout.

Travel and ticketing

BNPL has grown rapidly in travel, from flight and hotel bookings to package holidays and event tickets. Travel platforms report >20% year-on-year growth in BNPL travel bookings and surveys suggest that a majority of travellers are open to using BNPL for future trips. At the same time, consumer groups have highlighted gaps in protection when trips are cancelled or providers fail, compared with paying by credit card.

Regulatory exposure: High

Travel BNPL combines higher average tickets, cross-border transactions and complex fulfilment and cancellation rules. Under the 2026 regimes, affordability checks, clear disclosure of protections and consistent arrears handling will be closely scrutinised..

Software angle: Booking engines and ticketing systems will need tight integration between BNPL finance, reservation and refunds/cancellations. Changes (trip cancelled, rebooked, partially used) must flow coherently into the BNPL lifecycle so that customers are not paying instalments for services they never received.

The Vesta Solution: The continuity-first path

Vesta Software Group treats timely succession as a duty to employees and customers. Its model is permanent ownership with no resale or IPO agenda. Vesta acquires 100% by cash, keeps brands independent, and protects know-how and IP inside the company. The goal is continuity with a clear long-term outlook. Founders can step back without losing identity or seeing their life's work repurposed elsewhere. Support covers governance, finance, best software scale-up practice and optional shared services so the business can keep building.

Exhibit 7: Design of the legacy continuation process



The Vesta Playbook:

Vesta Software Group is Jonas Software's vertical-market arm within Constellation Software. It acquires 100% of software companies and holds them in perpetuity. Vesta has never sold a business. The model is buy-and-hold with local autonomy. Brands and teams remain independent in a de-centralised structure with light-touch governance and proven operating disciplines. Value creation focuses on continuity first, then compounding. Companies plug into Vesta's knowledge-sharing networks and playbooks, including dedicated communities like the Professional Services Network. The business units gain access to capital for organic initiatives and selective tuck-ins. Cash flow is reinvested rather than managed for resale.

In short: Acquire software stacks outright and permanently; Manage with autonomy plus shared financial and operating tools; grow via product and go-to-market plans and bolt-ons; Re-invest to compound over the long term.

Exhibit 8: Vesta Transaction Process



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