

US neobank Upgrade jumps into BNPL with differentiated installments approach

Article

The news: Upgrade is taking the plunge into buy now, pay later (BNPL) with **repayment periods spanning four to 36 months**, per CNBC. The US neobank's customers won't accrue

interest if they opt for four-month periods, and will have a fixed interest rate for all of the longer periods.

The neobank, founded by **former LendingClub boss Renaud Laplanche**, is taking a different approach to BNPL:

- Rather than using separate check-out plans for every participating merchant's website, Upgrade's invoices to its customers will contain bulk balances of transactions.
- The invoices will also show customers what they owe over the four-month period.

More on this: Upgrade aims to be ready for an IPO within the coming 18 months, Laplanche told CNBC—and the neobank's BNPL entry follows an August funding round in which it was valued at \$3.3 billion.

Trendspotting: Upgrade is the latest US banking player to announce or consider a BNPL expansion.

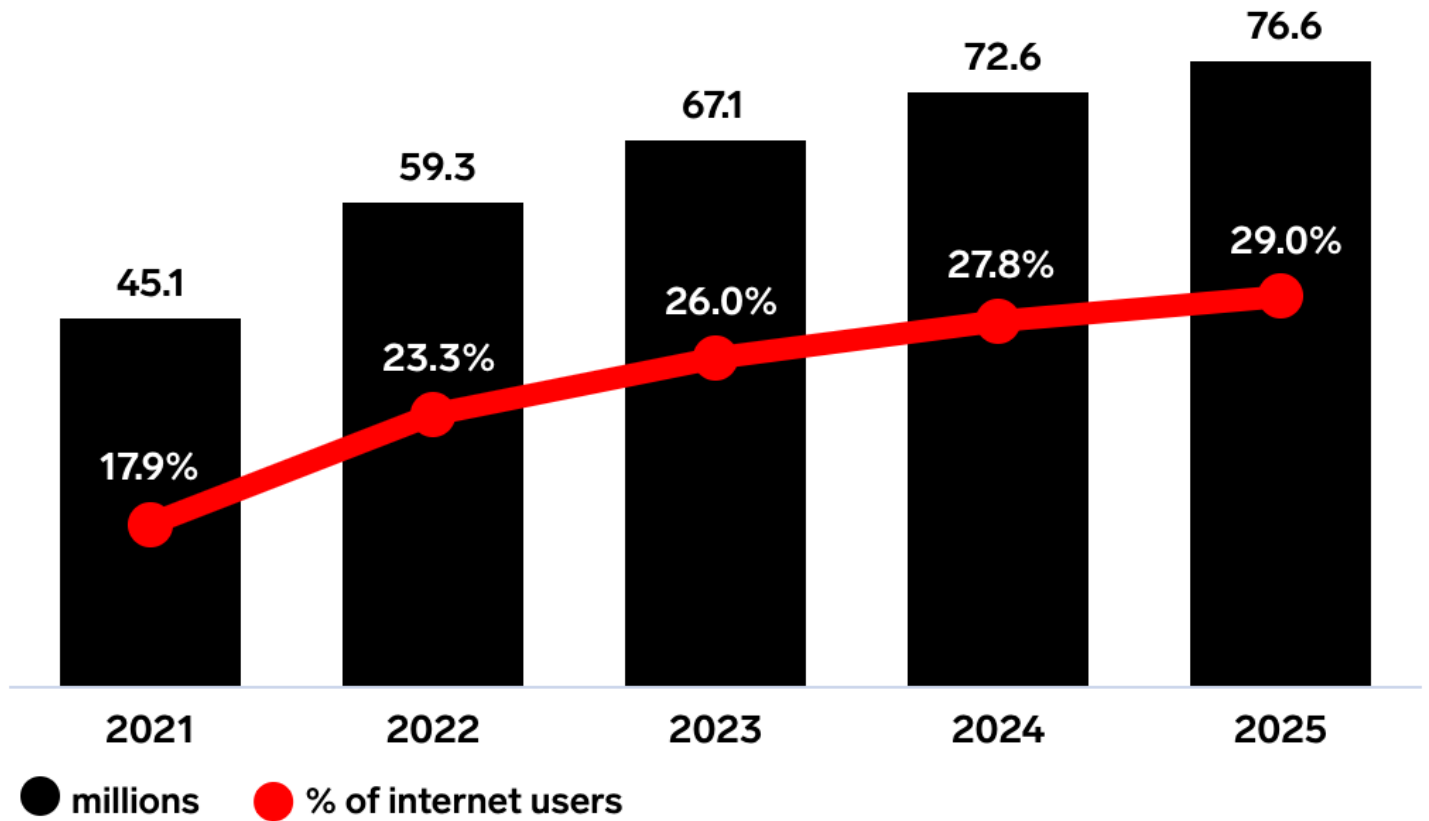
- **Goldman Sachs** is working with **Apple** on a forthcoming BNPL product, **Apple Pay Later**. It also agreed to acquire specialty fintech **GreenSky**, which could help the bank with future consumer-lending ambitions.
- **Capital One CEO Richard Fairbank** disclosed last month that the bank will test a BNPL product later this year with merchants with whom it has existing relationships.
- **JPMorgan Chase's Marianne Lake**, who is co-CEO of its consumer- and community-banking unit, revealed that Chase is considering going into BNPL and that she believes its lending background puts it in a good position to do so. Chase currently offers a credit-card that's similar to BNPL.

The opportunity: While BNPL is becoming an increasingly crowded field in the US, Upgrade may gain traction through its differentiated approach to installments.

By going with a bulk invoicing model, in the mold of credit cards, the neobank can woo consumers with a more convenient payment process. From there, it could sell new BNPL users its other banking offerings. Alternatively, BNPL could help boost engagement among Upgrade's current users by giving them another reason to stay within the neobank's ecosystem.

Buy Now, Pay Later Service Users

US, 2021-2025



Source: eMarketer, May 2021

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