



BRIAN E. FROSH, MARYLAND ATTORNEY GENERAL

# CONSUMER ALERT

---

## **Consumer Advisory: “Buy Now, Pay Later” Plans Can Lead to Unintentional Debt, Other Problems**

Installment plans for retail shopping are becoming increasingly popular, especially those that promise no interest – if paid on time. These programs allow you to buy a product and pay only a fraction of the cost at a time – weekly or monthly, for example – with little or no interest accruing. Unlike layaway, you can receive your item right away, before it’s paid off. But be careful: These payment plans 1) can make items appear cheaper than they really are, blowing your budget out of the water, 2) could cause you to accumulate debt, especially if you don’t pay on time or miss a payment, and 3) don’t help you build credit the way credit cards and traditional consumer loans do.

Installment payment plans are basically short-term loans. If you do apply for this option, the creditor will check your credit to see if you qualify for the plan. If the plan is interest-free, which many are, it generally means that interest won’t accrue if you pay each installment, *on time*. Otherwise, you could be charged back-interest and/or other fees, piling up debt you didn’t anticipate.

These plans are convenient if you really need a product, such as an emergency appliance replacement, but don’t have the cash or a credit card to make the purchase. But if you’re buying multiple items on multiple payment plans, beware that you may end up paying more and damage your credit if you don’t pay on time. In addition, returns and exchanges can be complicated, so make sure that you understand the return process before you make your purchase.

Only you can decide if these payment plans are right for you. If you do apply for one, be sure you can pay off the item in the time stipulated. Stick to your budget, and look at the entire price of the merchandise, not just the installment payment amount. Make sure you’re aware of all fees, and how your credit could be harmed if you fail to make the payments on time.

If you have a problem with an installment payment plan creditor, contact the Consumer Protection Division at 410-528-8662 or email [consumer@oag.state.md.us](mailto:consumer@oag.state.md.us).

<https://www.marylandattorneygeneral.gov/press/2022/070822CA.pdf>