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S&P/TSX

15,878.48
-34.65 (-0.22%)



S&P 500

2,564.62
-14.25 (-0.55%)



DOW

23,271.28
-138.19 (-0.59%)



CRUDE OIL

55.42
+0.09 (+0.16%)



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1,276.30
-1.40 (-0.11%)



ould Amazon's ay Monthly loan ervice work in anada?



Andrew Seale

Insight January 14, 2016

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Amazon boxes are organized to be delivered in New York July 24, 2015. REUTERS/Eduardo Munoz/Files

Don't have the cash? Amazon will spot you – if you're in the United Kingdom.

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In yet another move heralding the onward march of e-commerce, the U.S.-based online retail giant [announced](#) it will be offering UK customers a monthly payback option for purchases over £400 (\$828).

The idea is that, if you want to buy a big screen television or virtually any other big-ticket item available on Amazon, why shouldn't you be able to tap into the installment options many major retailers carry?

The announcement continues Amazon's bid to disrupt the world of brick-and-mortar with only-in-e-commerce spins like [one-hour](#) and [drone](#) delivery.

The loans will be offered via Hitachi Personal Finance, a major player in the UK retail finance sphere known to partner with major retailers for point-of-sale (POS) financing. Although both Hitachi and Amazon have divisions in Canada, the e-commerce company has stayed mum about rolling out a similar Pay Monthly program in North America.

Part of that likely has to do with the scope of the market in Canada, which according to Financeit, a Toronto-based consumer financing startup, is only worth \$50 billion of the \$500 North American POS lending market.

Jason Mullins, executive vice president and chief operating officer at [goeasy](#), which offers loan products at POS through its easyfinancial platform, says that although the market is existent in Canada, places like the US and UK are better suited to consumer financing.

"In Canada there is almost no non-banking population, from regulatory perspective everyone is entitled to fairly easy access to a mainstream bank account and most end up with a credit card," he says. "In the U.S. there's a huge non-bank population."



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According to [Forbes](#), 28 per cent of the U.S. population, about 88 million people, are either unbanked (meaning they no chequing or savings accounts) or underbanked (which means they have a relationship with an insured financial institution but are more likely to rely on alternative lenders like cheque-cashing storefronts or payday lenders).

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The Canadian Press

Approximately 96 per cent of Canadian adults are estimated to have a bank account, according to the [Financial Consumer Agency of Canada](#) with 89 per cent of adult Canadians having at least one credit card.

But Canadians don't spend nearly as much online, [spending](#) US\$24.63 billion in 2014 versus the UK's US\$82 billion and the US's whopping US\$305.65 billion in 2014.

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"Generally Canada has lagged behind in terms of technology," says Mullins. "There are far fewer ways that you can do payment processing here to access the data and be able to research customers (for POS loans) than there in the UK or the US."

But there's a growing interest in online consumer financing in Canada says Karl Sigerist, president and CEO of B.C.-based [Crelogix](#), one of the country's largest providers of POS installment credit payment plans.

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The Motley Fool

"Millennials prefer installment credit over revolving credit (like credit cards)," says Sigerist. "They have the benefit of watching their parents go through credit card debt and juggle large outstanding balances – they're trying to avoid that and installment credit is a way to fix your interest rate, a more prudent way for budgeting for your lifestyle expense."

It makes you wonder: is Amazon overlooking a valuable market?

Sigerist certainly sees a market through his customers, the merchants that use Crelogix's platform to gauge consumers credit and instantly approve them at the store.

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"Of 400 dealers, we've gone to about a 30 per cent adoption of digital paper in the last two months," he says. "Times are changing and so are people's shopping habits."

Not to say that there aren't lots of brick and mortar retailers offering some sort of consumer financing. Best Buy and The Bay, for example, have installment plans. But there's a darker side to the consumer-financing world. Furniture retailers Leon's and the Brick, which have also become synonymous with the "buy now, pay later" scheme, recently received some flack from the Competition Bureau for "deceptive marketing practices."

PayPal will report small business owners' income to CRA

Yahoo Finance Canada

"The Bureau's investigation revealed that many customers were required to pay, among other things, up-front fees in addition to advertised prices, despite the 'buy now, pay later' promotions," says Phil Norris, spokesperson for the consumer watchdog. "The retailers buried details of the additional up-front fees in lengthy fine print, which led to the final price of a product being higher than the advertised price for consumers who used a deferred payment option."

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Companies that play fast and loose with these pay monthly-style plans will face stark penalties in Canada – \$10 million for the first offense and \$15 million for repeat offenses. The stiff fines are emblematic of the downside to consumer financing and POS borrowing gone awry.

"Consumers should keep in mind that deferred payment plans may allow you to buy things immediately without having to wait to save up the entire purchase amount, but they usually come with a high interest

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rates and fees,” says Natasha Nystrom, spokesperson for the FCAC. “It’s important to read the fine print.”

But if Amazon decides to launch the Pay Monthly program in Canada, Nystrom has some advice for consumers.


“It is important to start planning and budgeting for the repayments as soon as you agree to a ‘zero down’ or ‘0% interest’ offer,” she says.

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