

What is Lease-to-Own (LTO), and how is it different from Buy Now Pay Later (BNPL)?

LTO

For consumers who have no credit, or evolving credit, LTO enables new paths to purchase, particularly for essential items.

With LTO the customer makes recurring payments toward owning goods outright. They have no long-term obligation to continue leasing and can return the product at any time with no further obligation other than for amounts past due.

Customers have several options to acquire ownership of the product they are leasing. A lease purchase agreement through Katapult offers flexibility that may make it more attractive than financing. With each payment, customers have the option to continue leasing, buyout, or return the items.

LTO gives customers the power to purchase what they need when they need it. Leasing also enables retailers to reach the more than 30% of Americans who don't qualify for traditional financing options as well as BNPL.

BNPL

BNPL has more traditional terms similar to credit cards, unlike a LTO option that is an alternative to traditional financing and does not involve credit.

In fact, several LTO providers will partner with a BNPL provider, so the retailer has more financial and payment solutions to provide to more segments of customers.

While BNPL is well known for solutions involving four payments over six weeks, BNPL providers are structured to also break purchases into a few parts or finance over a few weeks or months, typically 6 to 36 months.

Most BNPL providers have interest free periods, where if the balance is paid-in-full before the period ends, paying interest is avoided.

If the consumer doesn't pay off the item within the interest-free timeframe, they are charged regular interest rates that are generally high.

	LTO	BNPL
Alternative to traditional financing	✓	✓
Option to pay off good over time	✓	✓
Available in-store and online	✓	✓
Available to those with no, low, or evolving credit	✓	
Primarily targets durable goods	✓	