

#FINTOK AND FINANCIAL REGULATION

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Social media platforms are becoming an increasingly important site for consumer finance. This phenomenon is referred to as “FinTok,” a reference to the “#fintok” hashtag that identifies financial content on TikTok, a popular social media platform. This study examines new methodological possibilities for consumer financial regulation due to FinTok. It argues that FinTok content offers a novel and valuable source of data for identifying emerging fintech trends and associated consumer risks. As such, financial regulators should use FinTok content analysis—and social media content analysis more broadly—as an additional method for the supervision and regulation of consumer financial markets.

Case Study: Buy Now, Pay Later and Consumer Risks

In recent years, there has been rapid growth in short-term, online “pay-in-four” Buy Now, Pay Later (BNPL) products. This new generation of BNPL allows consumers to repay in four equal installments over six weeks, with no up-front interest. BNPL has been touted as a cheaper, safer and more convenient alternative to other forms of high-cost credit, particularly for low-income, low-FICO score consumers. The rapid expansion of BNPL, particularly pay-in-four products, their growing popularity among younger consumers, and their ill-fitting coverage under consumer credit laws, are also raising questions about potential harm to consumers, especially due to late payment fees and consumer misperceptions of the true cost of credit. Although BNPL is advertised as interest free, consumers can still incur late payment fees. The ease of use of BNPL, combined with seductive marketing by lenders, increases the risk that younger, less informed consumers will borrow and spend beyond their ability to pay. There are also concerns that BNPL lenders are not sufficiently underwriting the loans such that they may be extending credit to those without the capacity to repay the debt.

Methods

The study focuses on one BNPL company, the Swedish fintech Klarna, and one social media platform, TikTok. Klarna is one of the largest BNPL lenders in the U.S. It also has a stronger

presence on TikTok than several of its competitors, leveraging the affordances of TikTok to attract Gen-Z and millennial creator-consumers.

To investigate the consumer protection risks due to BNPL, the authors conducted a qualitative analysis of TikTok videos in which users share their experiences with Klarna's BNPL products. Data was collected manually using the TikTok mobile interface for Android in February 2022 and the search term "#Klarna." To reduce potential algorithmic bias, data collection was limited to "hashtag" search results. The top 300 video search results returned were saved as URLs for qualitative coding. All videos collected were published between January 2020 and February 2022. All video URLs were input into a custom coding interface to log engagement data (likes, shares, comments), date of publication, account verification status, additional hashtags, text (on screen and video captions), relevant quotes, and research notes to develop a codebook for content analysis. Content analysis proceeded in two phases.

In the first phase, the authors selected a random sample of 20 videos as pilot data to develop a codebook. Following a grounded approach to qualitative analysis, the authors separately viewed and analyzed the videos in the pilot sample to establish a set of initial themes and

then met collectively to discuss, combine, and reconcile thematic codes. This yielded the following coding fields, which were added to the coding interface: geography, product(s), qualitative sentiment (toward Klarna and/or BNPL - positive, negative, or mixed), and video themes (meme, lifestyle, promotional, or advisory).

In the second phase of content analysis, the authors analyzed the full sample of videos using the coding interface with the added qualitative themes. They first coded a sample of 20 randomly selected videos to measure the intercoder reliability of the qualitative constructs between the coding authors. A satisfactory intercoder reliability was calculated using Cronbach's alpha for video themes ($\alpha = .825$) and sentiment ($\alpha = .762$). They then independently coded the sample until they reached conceptual saturation. The final coded sample included 175 ($n = 175$) videos.

Qualitative coding was done manually. Future iterations could productively involve automated content analysis as a method for quantitative analysis of larger data sets. A more quantitative approach can offer useful insights, such as programmatically monitoring social media platforms for designated hashtags related to other consumer finance products.

Implications

Financial regulators need a variety of tools to keep up with the fast-changing and ever-growing consumer financial services market. With the rise of #fintok, qualitative social media content analysis can serve as an additional tool for the Consumer Financial Protection Bureau and state financial regulators in the performance of their duties.

This study reveals that younger consumers actively use social media platforms to express their views on debt, finance and consumption, including BNPL, which is quickly changing the lexicon of consumer finance. The study also unveils insights into consumers' experiences with BNPL that could serve as an

entry point for the further study and regulation of the BNPL market. Crucially, the study reveals evidence of consumers' negative experiences with BNPL due to over-consumption, unaffordable borrowing, and over-indebtedness, indicated by the use of hashtags such as "addiction," "no money," "broke," and "missed payment." This, and other insights, may be a useful early warning signal for regulators.

The authors note that this qualitative approach is non-generalizable and does not aim to produce causal inferences. The experiences of consumers with just one BNPL product (Klarna), on one social media platform (TikTok), do not necessarily reflect the experiences of all consumers with all BNPL. Rather, this method can be used in a supplementary fashion, for example by aiding financial regulators in finding paths for additional exploration and in crafting specific questions in their requests and for information, examination interviews and questionnaires, or civil investigative demands. With the rise of #fintok, the social media content analysis methodology presented here can become a useful tool for financial regulators in the performance of their consumer finance law-related duties.

Conclusions

Social media platforms such as TikTok offer fertile ground for understanding the experiences and attitudes of credit consumers, particularly younger, digitally native consumers, and the emerging social norms of digital credit markets. In turn, qualitative social media content analysis can be used by financial regulators as a new tool for performing two chief functions: supervision of regulated entities and more general market monitoring.

“ #Fintok is a new paradigm in consumer financial markets with significant ramifications for consumer financial law. ”

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Aggarwal, N., Kaye, D.B.V., & Odinet, C. (2022). #Fintok and Financial Regulation. *Arizona State Law Journal Forthcoming*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4216952