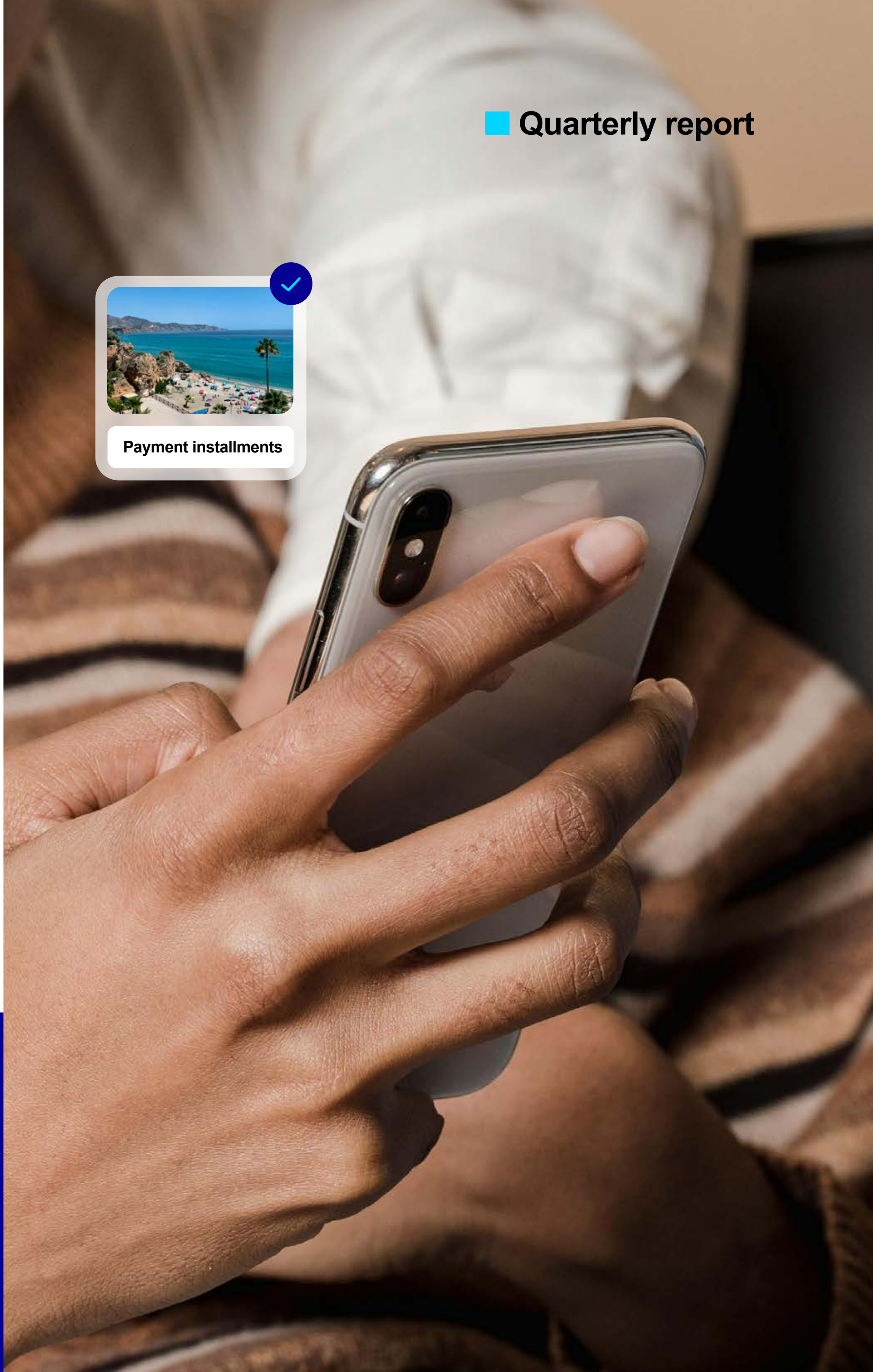
Payments unstitched...

Rethinking credit for a personalized world:

From product to programmable feature.

thredd



As fintechs, digital banks, and vertical platforms increasingly move beyond prepaid and debit, credit is fast emerging as the next fertile ground for opportunity. However, traditional ways of thinking about products like credit cards, overdrafts, and installment loans no longer reflect how modern consumers and businesses want to access and use credit. The era of a one-size-fits-all credit product has effectively passed.

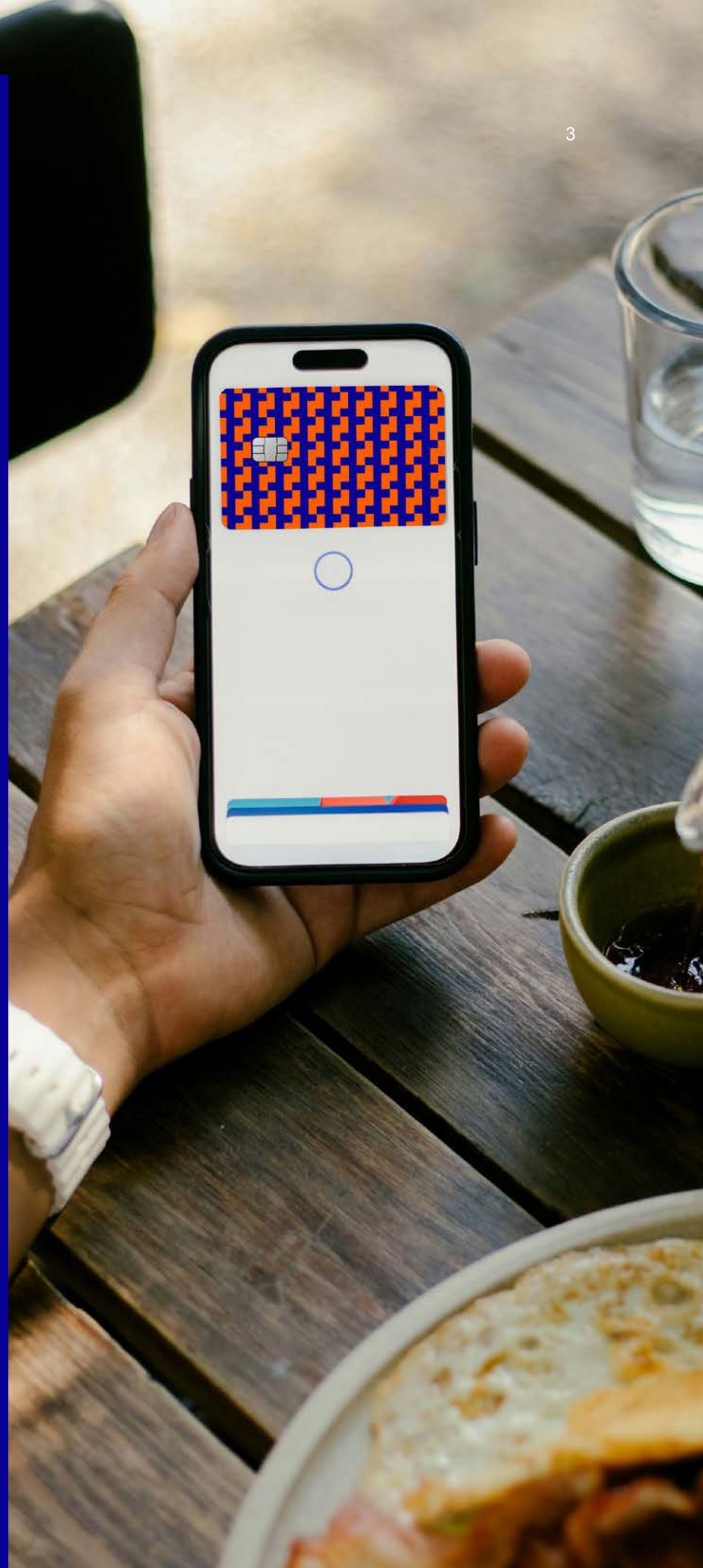
From BNPL to charge cards, consumer credit is becoming contextual, programmable, and API-enabled. In this guide, drawing on the expert insights of industry leaders Thredd and LoanPro, we explore how credit is being fundamentally reshaped into a modular, embedded service—delivered not as a single product, but as a configurable feature set embedded into broader propositions.

According to Colton Pond, CMO at LoanPro, a category leader in modern credit platforms,

"The future of finance is personalized. For the financial world to catch up requires modern platforms that are scalable, composable and configurable enough to differentiate and personalize in ways that can keep up with consumers' growing expectations."

thredd

Contents:



01 Why traditional product constructs are breaking down.

thredd

Why traditional product constructs are breaking down

Adapting to the era of flexible credit.

The traditional pillars of credit—the card, the loan, the overdraft—are profoundly and irreversibly breaking down under the weight of changing consumer behavior and technological innovation. The very nature of credit is being unbundled.

Today's consumers no longer stick to a single credit product; they switch fluidly between installments, overdrafts, charge, and revolving credit based on specific transactions or life events. This multi-tool behavior is a direct response to a credit ecosystem that is now richer, more segmented, and more accessible to businesses than ever before.

This is not merely a cyclical market fluctuation, but a fundamental change driven by evolving consumer behavior, generational preferences, and the maturation of a new class of digital-first financial products.

This shift would appear more nuanced than early readings might have suggested. This is particularly evident in the inherent contrasts between analyses on the topic.

Research from J.D. Power indicates that

42%

of Generations Y and Z prefer to use Buy Now, Pay Later (BNPL) services over traditional credit options, a significant departure from the 29% of Generation X who use it.

However, data from US credit bureau TransUnion has shown that

84%

of 22-to-24-year-olds had a general-purpose credit card during the fourth quarter of 2023, a 23% increase from exactly a decade earlier (EMS, Bankrate 2025).

thredd

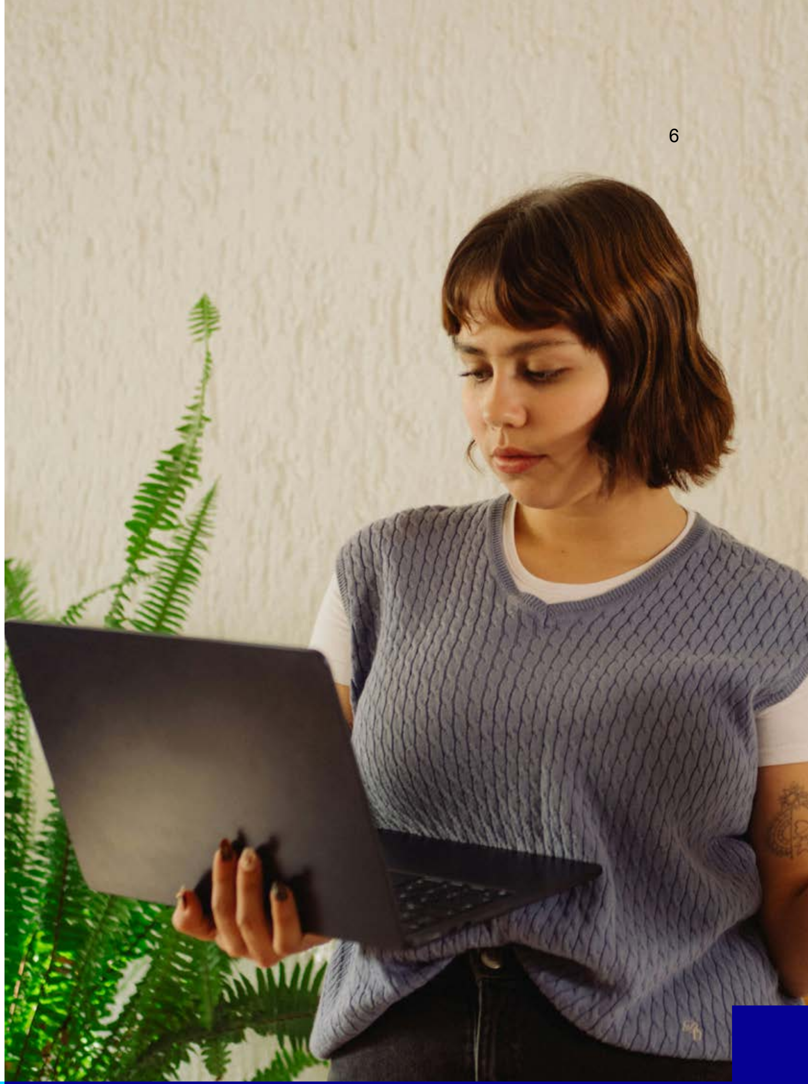
Why traditional product constructs are breaking down

BNPLs explosive growth is undeniable, especially among digitally native demographics. A 2025 PYMNTS Intelligence report highlights that 44% of Gen Z and 47% of Millennials reported using a BNPL service in the past year, far outpacing older generations. However, this is not a subprime-only trend. High-income users are also leveraging BNPL for cash flow management and convenience, indicating a shift in what affluent financial behavior looks like with high-income BNPL users spending "~40% more on BNPL than low-income users," (PYMNTS 2025).

The decline in a single-product approach is also driven by the significant barriers to entry that have historically plagued traditional credit.

Millions of consumers and small businesses are excluded from conventional credit due to thin credit files, student debt, or outdated scoring models.

According to the US Federal Reserve, nearly half of all small business financing applicants are not fully approved, fueling a massive demand for more accessible and flexible credit journeys (Fed Communities 2025). However, new underwriting models that leverage real-time cash flow and transaction data—made possible by embedded lending platforms—are bridging this gap.



47%

of Millennials used a BNPL service in the past year

44%

of Gen Z used a BNPL service in the past year

thredd

02 How issuers are embedding credit into value propositions.

thredd

How issuers are embedding credit into value propositions.

Embedding credit into the digital experience.

The shift from credit as a distinct product to an integrated feature is a core tenet of the new credit paradigm.

This approach, known as embedded finance, makes credit more invisible, contextual, and deeply integrated into a user's digital journey. By leveraging a deep understanding of customer behavior and data, platforms can provide credit at the moment it is needed, removing friction and creating powerful new revenue streams.

This trend is most visible in three areas.

"The way people consume and access credit is evolving. Features that we associate with credit and lending are increasingly integrated in the service of a broader product or value proposition. They are much more contextually embedded and flexible than the offer of a standalone line of credit or a credit card."

Jonathan Vaux, Head of Propositions and Partnerships, Thredd

thredd

How issuers are embedding credit into value propositions.

01 Lifestyle apps & super-apps

Platforms like Cash App and Apple are embedding credit features directly into their user interface. Cash App’s "Borrow" feature, for instance, offers small, transparent loans to eligible users based on their app usage and transaction history, making credit available with just a few taps. Apple's "Pay Later" and installment options integrate directly into the checkout experience,turning a static credit card into a dynamic payment tool.

02 Vertical platforms

In the world of commerce, innovative platform owners are addressing access to capital as a critical point of friction for their users. Shopify Capital is a prime example. By leveraging a merchant's sales and performance data on the platform, Shopify can proactively offer a merchant cash advance to fund inventory or marketing. The repayment is then automated as a percentage of daily sales, creating an invisible, contextual, and highly relevant credit experience.

03 Credit as an experience

Modern credit is increasingly designed to be invisible and contextual. As such, it is less about, for example, a plastic card and more about enabling a specific experience in a particular moment:

- Split-Pay at Checkout: BNPL has normalized this behavior, turning a single purchase into a manageable payment plan. For example, allowing a single purchase to be paid for using multiple sources of funds simultaneously, such as two credit cards, a gift card and a credit card, or even cash and a card.
- Rewards Tied to Spend: The new generation of credit products links rewards to specific behaviors, creating loyalty loops that go beyond a simple points system. For example, Bilt Rewards, a housing and neighborhood commerce platform that reportedly processes over $45 billion in annual rent and homeowners’ association (HOA) payments , rewards apartment and house dwellers for paying rent on time with frequent flier miles, points for hotel bookings, ridesharing, and local restaurants, among other perks (USCC 2025).
- Graduation from Debit: A key design pattern for new issuers in which users start on a debit-first experience, then are offered a "builder" product like a secured card and finally graduate to a revolving credit line as they demonstrate responsible behavior.

How issuers are embedding credit into value propositions.

Embedding credit invisibly.

Case Studies in Contextual Lending.

Several leading platforms have demonstrated the power of embedded credit by providing financing directly within their existing ecosystems.

The success of these models is rooted in their access to unique, real-time data that traditional lenders lack. This information provides a more accurate and immediate assessment of creditworthiness, allowing platforms to reduce friction, speed up decision-making, and serve a population that traditional institutions might find difficult to underwrite.

	SHOPIFY CAPITAL	CASH APP	APPLE CARD INSTALLMENTS
TARGET USER	**Shopify merchants**	**Cash App users**	**Apple product buyers**
CREDIT PRODUCT OFFERED	Merchant cash advances and loans	BNPL ("Pay over time") and personal loans ("Borrow")	0% interest installments
UNDERWRITING MODEL	Proprietary revenue history with Shopify	Cash App usage history and other financial signals	User's relationship with Apple and credit history
VALUE PROPOSITION	Fast, frictionless access to business funding for inventory and operations, with automatic repayment.	Flexible payment options for past purchases; quick access to short-term loans.	Seamless, frictionless financing at checkout for high-value purchases

thredd

(Sources: SellersFi, Cash App, Apple)

How issuers are embedding credit into value propositions.

Contextual credit in industry verticals.

Beyond general-purpose platforms, contextual credit is also being applied to solve specific, long-standing problems i n vertical industries. This model leverages unique data to provide credit at the right moment.

Travel

Travel marketplaces are expected to increasingly partner with global, embedded finance platforms to offer contextual financing solutions aimed at helping SMBs like hoteliers and travel agents to maintain healthy cash flow and unlock growth opportunities (HBX, YouLendit 2025).

- New models use business performance data for underwriting and funding instead of traditional methods.
- Application processes are designed to be simple and digital, with funds often available within 48 hours.
- Repayment terms can be tied to a percentage of sales, allowing businesses to adjust payments based on seasonal revenue.

Gig economy

Mobility platforms like Uber and Grab offer embedded credit to drivers directly within their apps for expenses such as fuel, repairs, or lease payments.

- Traditional lenders often struggle to underwrite gig workers due to the lack of standardized pay stubs and variable income.
- These platforms overcome this by basing credit decisions on real-time behavioral data, including trip volume, earnings consistency, and app engagement.
- Repayments are then automatically deducted from future earnings, creating a low-friction, low-risk model that benefits both the driver and the platform (Fannie Mae 2025).

thredd

How issuers are embedding credit into value propositions.

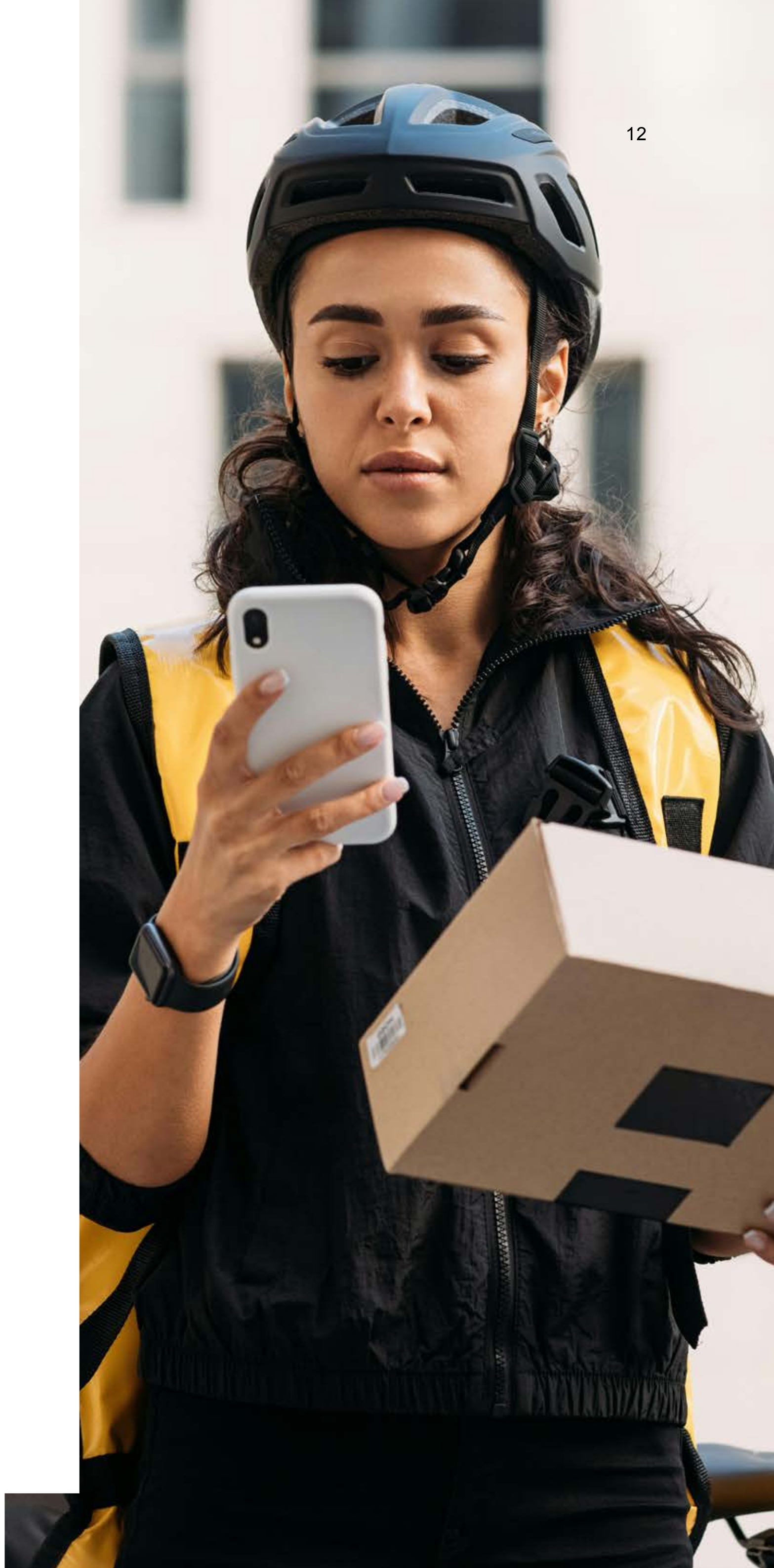
SaaS

The Software-as-a-Service industry is especially poised to benefit, according to Boston Consulting Group (BCG) and Adyen in a joint 2024 report, the market opportunity for SaaS platforms to embed financial products is estimated at $185 billion.

- Revenue Uplift: It is estimated that SaaS platforms embedding financial products are set to amplify their revenues up to 3-4x and that less than 20% of the market had addressed the opportunity.
- SMB Demand: Strong demand is predicted from small and medium-sized businesses (SMBs) for a full range of embedded financial products, including loans, business accounts, and issued cards, which are often underserved by traditional banks.
- Strategic Use of Data and Partnerships: SaaS platforms are advised to leverage their proprietary data for better underwriting, to optimize go-to-market strategies, and to partner with B2B fintechs and modern issuer processors to address complex regulatory and technological requirements.

B2B marketplaces

Similarly, B2B marketplaces integrate working capital and invoice financing into the procurement workflow, leveraging real-time sales and inventory data to offer tailored terms. This verticalization of credit increases order value and retention for the platform while providing a much-needed financial service to underserved businesses.



03 The emergence of Credit-as-a-Service (CaaS) models.

thredd

The emergence of Credit-as-a-Service (CaaS) models.

Unlocking growth through embedded finance.

According to Bain & Company, by 2026, embedded finance will exceed $7 trillion, or more than 10% of total US transaction value, stating,

> **"Demand will grow because the proposition promises to improve customer experiences and financial access,"**

along with providing cost-reduction and risk-reduction benefits to companies across different value chains and maturity levels.

The ability to create these dynamic credit experiences is powered by a new technological model: Credit-as-a-Service (CaaS). CaaS is an API-first infrastructure model that allows any company to embed credit offerings into their platform without the time, cost, and regulatory burden of building a lending program from the ground up.

$7 trillion

Embedded finance's estimated total US transaction value by 2026.

(Source: Bain & Company)

The emergence of Credit-as-a-Service (CaaS) models.

For more cycle-intensive innovators, this model also enables faster experimentation and iteration. For example, instead of launching a preset product, a fintech can test a new installment offering with a specific user segment, gather real-time data, and quickly pivot or scale the product based on performance. This level of agility is practically impossible with legacy systems.

The key to CaaS is that it abstracts away much of the complexity involved in developing and deploying an embedded credit proposition. The partner company—whether it's a B2B SaaS platform or a consumer super-app—can focus on designing the front-end user experience, while the CaaS provider might handle the back-end complexity, such as underwriting, compliance, servicing, and collections.

"We are at an inflection point marked by the proliferation of highly resonating credit and lending propositions. It's informed by consumer behavior and driven by the cross-pollination and sharing of data."

Faran Taher, Global Head of Credit, Thredd

thredd

04 Designing flexible credit journeys.

Designing flexible credit journeys.

Designing credit around the customer.

The CaaS model unlocks the ability to design highly flexible, user-centric credit journeys. With this approach, organizational focus shifts from "what product are we selling?" to "what financial problem are we solving?"

Graduation paths

Many experts agree that the modern lending paradigm is a journey, not a destination. For example, an end customer might begin on a debit card, but with consistent positive financial behavior—saving money or paying bills on time—a modern platform can dynamically extend a secured credit offering. This, in turn, helps the user build a credit history, which then allows them to "graduate" to an unsecured revolving credit line. This approach has the added benefit of building trust and loyalty over time.

Post-purchase options

CaaS models can also allow for post-purchase, split-pay options. A user can make a large purchase with their debit card and then, at a later time, with a simple tap, convert that transaction into an installment plan within their app, paying a small fee for the convenience.

Use-case framing

This is a fundamental shift in product design. In use-case framing, instead of designing "a credit card," a modern fintech designs for specific use cases. For example:

- Embedded Merchant Credit: A platform for restaurant operators can embed a credit product to help its clients purchase inventory.
- Micro-SME Lines of Credit: A gig economy platform can offer small, flexible lines of credit to its drivers to cover unexpected expenses like repairs.
- Credit Builder Products: Products specifically designed to help young adults or new-to-credit consumers in a particular category establish a positive credit history.

05 The infrastructure needed to support this shift.

The infrastructure needed to support this shift.

Reframing credit through CaaS.

To execute on this vision, a sophisticated technological foundation is required. The winning approach is not to build credit capabilities into their own financial silo, but to embed them into a unified issuer platform that already manages cards, payments, fraud, and controls, for example.

Key infrastructure components should include:

Flexible repayment models:
Repayment models must be as flexible as the credit itself. Instead of fixed monthly payments, embedded lending can offer models aligned to consumer income cycles (e.g., bi-weekly payments) or tied to cash flow (e.g., a percentage of daily sales for a merchant).

Embedded compliance guardrails:
The maturation of the BNPL market has led to increased regulatory scrutiny. A robust CaaS model must have embedded compliance from the start, handling disclosures, hardship plans, and auditability automatically. This helps to ensure a business can scale without running afoul of regulators like the CFPB and FCA.

Platform integration vs. silos:
The greatest risk in this new era is vendor sprawl. Tying together disparate vendors for cards, fraud, credit, and compliance creates silos that break down data flows and make it increasingly challenging for organizations to offer a seamless, unified customer experience.
The winning approach is to use a single, modern issuer platform that treats credit as a configurable service within a broader, integrated stack. This ensures consistency across every interaction, from payment to data to compliance.

Real-time decisioning engines:
Traditional lending is slow. Embedded lending requires real-time underwriting decisions at the point of need. This requires sophisticated engines that can analyze a user's transaction history, cash flow, and other alternative data points instantly to provide a relevant offer.

thredd

The infrastructure needed to support this shift.

Regulatory push: How BNPL is being brought into the fold.

The rapid growth and consumer adoption of BNPL products have attracted significant attention from regulators who are working to address the market's initial lack of oversight. This regulatory response is a direct consequence of a financial environment that outpaced its legal framework.

This regulatory shift is transforming BNPL from a disruptive, unregulated market force into a more standardized financial utility. As a result, providers must invest thoughtfully in their compliance and underwriting infrastructure, blurring the lines between them and traditional lenders.

	UNITED KINGDOM	UNITED STATES
ISSUING ORGANIZATION	**Financial Conduct Authority (FCA)**	**Consumer Financial Protection Bureau (CFPB)**
KEY MANDATES	Requires affordability and credit checks; provides access to the Financial Ombudsman Service; requires support for consumers in financial difficulty.	Market monitoring inquiry launched; promotes standardized data furnishing to credit bureaus to address loan stacking and consumer overextension.
DRIVERS	A growing number of users, particularly those who are younger, have higher debt and are in financial difficulty.	Concerns about accumulating debt, regulatory arbitrage, and data harvesting.
BUSINESS IMPACTS	Requires firms to become regulated, with a temporary permissions regime in place until July 15, 2026.	Calls on major credit bureaus to accept BNPL data into core credit files; puts pressure on BNPL firms to develop compliant reporting and risk management protocols.

(Source: Federal Reserve Bank of Boston, Baker McKenzie, FCA, CFPB, Jenner & Block)

thredd

06
Conclusion.

thredd

Conclusion.

Building credit for the real-time economy.

The credit landscape is undergoing a fundamental reordering and expansion as a direct result of the market shift towards embedded lending and CaaS.

The era of the "one-size-fits-all" credit product is ending, replaced by a nuanced, multi-tool credit paradigm that is more aligned with the modern consumer's digital-first and on-demand expectations.

The analysis reveals a complex but consistent narrative:

01 **Real-time decisioning engines:** Traditional lending is slow. Embedded lending requires real-time underwriting decisions at the point of need. This requires sophisticated engines that can analyze a user's transaction history, cash flow, and other alternative data points instantly to provide a relevant offer.

02 **Flexible repayment models:** Repayment models must be as flexible as the credit itself. Instead of fixed monthly payments, embedded lending can offer models aligned to consumer income cycles (e.g., bi-weekly payments) or tied to cash flow (e.g., a percentage of daily sales for a merchant).

03 **Embedded compliance guardrails:** The maturation of the BNPL market has led to increased regulatory scrutiny. A robust CaaS model must have embedded compliance from the start, handling disclosures, hardship plans, and auditability automatically. This helps to ensure a business can scale without running afoul of regulators like the CFPB and FCA.

04 **Platform integration vs. silos:** The greatest risk in this new era is vendor sprawl. Tying together disparate vendors for cards, fraud, credit, and compliance creates silos that break down data flows and make it increasingly challenging for organizations to offer a seamless, unified customer experience. The winning approach is to use a single, modern issuer platform that treats credit as a configurable service within a broader, integrated stack. This ensures consistency across every interaction, from payment to data to compliance.

thredd

Conclusion.

About LoanPro.

LoanPro is the market-leading, modern lending and credit platform enabling financial organizations to innovate quicker, driving increased volume while optimizing operational efficiency and margins. Its API-first platform provides the ability to build, launch, and manage lending programs for virtually any class of loans and credit products. Today, 600+ financial organizations use LoanPro to holistically uplevel their borrower, agent, and back-office experiences. LoanPro's mission of providing the platform to innovate the future of finance is enabled through its composable architecture, allowing lenders to enhance their origination, servicing, collections, and payments using the foundation of a modern lending core.

About Thredd.

Thredd is the trusted next-generation payments processing partner for innovators looking to modernize their payments offerings worldwide. We process billions of debit, prepaid and credit transactions annually, serving over 100 fintechs, digital banks, and embedded finance providers, from consumer to corporate, based across 47 countries.

Meet the authors.

- **Colton Pond,**
  Chief Marketing Officer,
  LoanPro
- **Faran Taher,**
  Global Head of Credit,
  Thredd
- **Jonathan Vaux,**
  Head of Propositions & Partnerships,
  Thredd

thredd

Get in touch