



24 December 2020

Secretariat
Payments System Review
The Treasury
Langton Crescent
Canberra ACT 2600

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SUBMISSION IN RESPONSE TO THE PAYMENTS SYSTEM REVIEW ISSUES PAPER

Brighte Capital Pty Ltd ("**Brighte**") welcomes the opportunity to make a submission in response to the Payments System Review Issues Paper.

This submission focuses on the 'no-surcharge rule' imposed by Buy Now Pay Later ("**BNPL**") providers on merchants. Brighte refers to the merchants that we partner with as vendors.

ABOUT BRIGHTE

Brighte is an award winning, innovative and customer focused fintech, connecting homeowners with home improvement and new energy tech vendors (including solar and batteries) and offering payment plans at the point of sale.

Our purpose is to enable a brighter future today and we believe that every Australian family deserves an affordable way to access a sustainable and comfortable home. We want families to invest in their homes, to live more comfortable lives and to feel empowered in their decisions.

Brighte helps vendors to provide their customers with affordable, frictionless finance solutions and make paying easy so that they can focus on what they do best, their trade. We provide vendors with tools to generate and close sales and to mitigate their cash flow risk.

Brighte has added significant value to consumers, small and medium businesses and the Australian economy since it began operations in 2016. To date, Brighte has assisted 75,000 homes to access finance totalling more than \$615 million, of which 50,000 was for solar. We have more than 1800 vendors and more than 6500 agents.

Brighte obtained Australian Credit Licence 508217 in February 2019. Brighte offers the following finance options:

- 1) BrightePay** is a continuing credit facility or BNPL product. It is not regulated by the National Credit Code ("**NCC**") because this product meets the exception criteria set out in NCC section 6(5).
- 2) The Brighte Personal Loan ("BPL") and Brighte Green Loan ("BGL")** are interest-bearing loan products that are regulated under the National Consumer Credit Protection Act ("**NCCPA**") and NCC.

This submission will focus on Brighte's BNPL product, BrightePay and BNPL products generally.

THE BENEFITS OF BNPL PRODUCTS

The BNPL industry has grown rapidly. According to **ASIC Report 672 Buy now pay later: An industry update** released in November 2020, at p. 3:

‘There were more than 6.1 million open accounts as at June 2019, representing up to 30% of the Australian adult population.’

Fintechs like Brighte use a customer-centric design to deliver BNPL financing options that consumers value for the speed, convenience and transparency of these solutions. BNPL repayments and fees are easier to understand because they are generally expressed in dollars rather than percentage terms. BNPL products give customers greater choice and control to make informed financial decisions.

There has been strong demand for new energy tech solutions from Australian households. The availability of Brighte’s BNPL product BrightePay has brought forward the benefits to these consumers that accrue from switching to energy efficient, renewable-fuel electricity systems. Energy efficient products provide cost savings for households by reducing main electricity consumption (i.e. from drawing less from the grid and from feeding excess back into the grid).

New energy technology solutions and home improvements are a capital investment for any residence. Consumers who cannot, or do not want to, pay for the purchase in full and up front might not be able to access these products without finance. Fintechs provide finance to enable consumers to make these kinds of investments.

In a **Determination of the Australian Competition Tribunal dated the 15th of September 2020** about the New Energy Tech Consumer Code and the use of BNPL to finance energy new tech products, the Tribunal recognised the benefits that BNPL products provide. It stated at p.2:

‘The Tribunal considers that unregulated consumer credit in the form of “buy now pay later” finance is a significant and popular form of finance used by consumers to acquire New Energy Technology products desired by those consumers and therefore the supply of such finance provides economic benefits.’

Brighte respectfully submits that it is important to not stifle innovative technologies and products, like BNPL, that increase competition and deliver significant consumer benefits.

THE NO SURCHARGE RULE

We note that the RBA is undertaking an ongoing review of the ‘no-surcharge’ rule imposed by BNPL providers.

Family and Small and Medium Enterprises (“**SMEs**”) are the engine room of the Australian economy. As noted above, Brighte has accredited more than 1800 vendors with more than 6500 agents. Many of them are family businesses and SMEs. They provide employment for their direct employees, contract installers and allied businesses. Brighte has enabled our vendors to grow their businesses and benefit the economy through job and wealth generation.

Like all businesses, Brighte vendors need to manage cash flows and compete for consumers. Brighte provides useful tools to enable them to effectively and efficiently operate their business including cashflow, business processes and support, customer acquisition and risk mitigation.

Once Brighte has accredited a vendor, Brighte enters into a Vendor Agreement with them. Brighte charges all vendors a Vendor Certainty Fee (“**VCF**”). It is payable when Brighte settles a new finance request for a customer, usually when an installation has been completed. Brighte’s agreement with vendors contains contractually enforceable mechanisms to ensure that vendors do not pass the VCF onto customers.

The VCF represents the cost of the services that Brighte provides to our vendors. These services include customer lead generation, support and training, point of purchase marketing collateral, a digital repayment calculator, Customer Relationship Management tools and expedited payment upon the installation of the products that are the subject of the finance request. In these trades, raw materials and installation are expensive and have to be purchased up front by a vendor. Therefore, in return for the VCF, Brighte provides the vendor's business with the cash flow for them to keep their business working. It also removes the administrative burden associated with following up invoices and mitigates the risk that vendors will be paid late or not at all.

Brighte's value proposition to vendors means that it should not be considered a payment system. It reflects the cost of valuable services provided by Brighte to its vendors. Brighte respectfully submits that it is not in the public interest to remove the 'no-surcharge' rule imposed by BNPL providers like Brighte on vendors. This is especially true in the highly competitive industries like new energy tech where consumers can shop around to get the best price.

CONCLUSION

Brighte appreciates the opportunity to make submission in response to the Payments System Inquiry Issues Paper.

As the economy moves from recovery to growth BNPL providers like Brighte have a key role to play. It is essential that BNPL providers continue to be able to provide innovative financial solutions to consumers, especially where traditional financial institutions cannot or choose not to do so.

Removal of the 'no-surcharge' rule imposed by BNPL providers would reduce innovation and greater competition in a growing and important sector of the economy.

I would welcome the opportunity to provide more information or assistance to the Review about the matters raised in this submission, if required.

Yours sincerely,

A handwritten signature in black ink that reads "Katherine McConnell".

Katherine McConnell
Chief Executive Officer