

Consumer Credit Unit
Financial System Division
The Treasury
Via email: CreditReforms@treasury.gov.au

Regulating Buy Now, Pay Later in Australia

Thank you for the opportunity to respond to the consultation paper on options for the regulation of Buy Now, Pay Later (BNPL) in Australia.

Community Industry Group is the peak body working for non-governmental in Southern NSW. We support community organisations, promote expertise and innovation, foster industry development and pursue social justice in the region. We provide a voice, influence and leadership for our not-for-profit members to ensure they feel heard, supported and informed to continue caring for the most vulnerable people in our society.

The consideration of the best way to regulate BNPL products is a welcome one. Many of the services we represent have expressed concern about the escalating use of BNPL, particularly by vulnerable people and people on low incomes.

Consumer harm

The harms outlined in the consultation paper are consistent with those reported by frontline service providers, including financial counsellors, neighbourhood centres, No Interest Loan Scheme (NILS) providers and services providing food support.

We are advised that the use of BNPL products for essentials is increasing and that people are presenting with multiple BNPL accounts. While the products are often used by people in crisis for essentials, there is also concern about what has been termed sustained usage – where BNPL has become a routine and essential part of budget management in a household. In addition to the issue in the consultation paper of vulnerable consumers being sold inferior quality goods, we have been informed that BNPL can limit the opportunity for customers to negotiate a discounted price on items.

Services have also told us they are seeing people who have incurred significant debts due to BNPL. These individuals end up with a bad credit rating that impacts their ability to apply for NILS loans and other forms of credit and even rent a property. The fees and charges for missed payments can also add to financial hardship and stress.

Research undertaken by NCOSS identified additional potential harms for cohorts of young people who use BNPL¹. Noting that this research was exploratory, the following findings merit further investigation and consideration.

Of those that reported using BNPL, 20% did not know, or couldn't say, how much they owed on BNPL. These BNPL users tended to be younger and less likely to be working than other BNPL users.

¹ NSW Council of Social Service (NCOSS), 2021. *Young People and BNPL, An NCOSS Cost of Living in NSW Report*

Young people in regional areas were more likely to use BNPL compared to those living in Sydney.

Young people with disability were more likely to use BNPL, had a higher median amount owing and were more likely to use a credit card to make repayments compared to other young people.

Feedback from service providers supports the ASIC consumer monitor survey findings cited in the consultation paper. Given that some people cannot readily access traditional forms of credit and that the bar for BNPL is often lower than for other credit, it is not surprising that the users of BNPL experience financial stress and hardship.

We recognise that BNPL is a financial management tool for many people and that some people, particularly young people, use BNPL because they cannot access other forms of credit. However, we are unconvinced that the BNPL model works in the interests of people who experience financial hardship. The expansion of alternatives to BNPL and traditional credit, such as NILS, should be considered.

Regulatory intervention

BNPL products are used by people who cannot access traditional forms of credit. Despite the potential for harm, it is also widely acknowledged that, despite the risks, these products provide a way for people on low incomes to purchase goods. An approach to regulating BNPL should protect consumers whilst not discriminating against vulnerable people and those on low incomes.

Guiding principles

The guiding principles will support the development of a regulatory framework to address the risk of consumer harm.

Consideration should be given to the inclusion of a principle addressing security and privacy of the personal data being collected and monetised by BNPL providers (and other credit providers). Regulatory oversight must address data harvesting by restricting the amount of data that can be collected and stored. The creation of customer profiles based on spending enables unsolicited selling, which can present risks to people on very low incomes or who have trouble managing their finances.

The issue of who owns data on personal spending and who should benefit from the sale of that data is an ongoing issue. We do not support a regulatory option that increases the collection of personal information from individuals without regulatory oversight of the providers.

Preferred option

Option three is the most appropriate approach to regulation. BNPL is a credit product and should be regulated as such. It is fair and reasonable to expect providers to abide by the same responsible lending obligations and requirements as other credit providers. We also support improving the financial capability of BNPL consumers and would welcome the opportunity to contribute to the development of any initiatives.

Yours sincerely



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