



MEDIA RELEASE

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“Buy now, pay later loans need to be subject to strong safe lending tests to protect people from harm”: Consumer groups respond to BNPL reform announcement

Consumer groups and financial counsellors have said that the Government’s plans for regulation of the buy now, pay later (BNPL) sector announced today will need to include strong requirements for lenders to ensure that loans are safe and suitable regardless of the size of the loan in order to protect people from harm.

Assistant Treasurer Stephen Jones MP this morning announced that the Government will bring BNPL products within the Credit Act but without applying all of the requirements that apply to other types of credit. This will include a ‘scalable’ approach to safe lending requirements.

Quotes attributable to Financial Counselling Australia CEO, Fiona Guthrie

“Financial counsellors will be worried that the government’s approach will not be enough to protect vulnerable consumers from the harm of BNPL. The devil is going to be in the detail.”

“Too many financial counselling clients have multiple BNPL accounts. The government’s approach will only work if there is a requirement for BNPL providers to be part of the credit reporting system, to reduce the risk of over-commitment.”

“It is wrong to assume that just because a loan is for a small amount that it is somehow a lower risk. Small amounts can cause big problems.”

Quotes attributable to Financial Rights Legal Centre CEO, Karen Cox

“It is good to see that BNPL providers will be required to be licensed under the Credit Act, subject to the same dispute resolution options as providers of traditional credit, and subject to some form of responsible lending obligation. It is disappointing BNPL will not be treated the same as all other credit. Great attention will be needed in the drafting of these obligations to make sure they address the harms we see every day. Small amount, low cost credit does not equal safe or sustainable lending.”

“The Government needs to ensure that all of the requirements that apply to BNPL lenders are in legislation, rather than relying on the industry code of practice. In our experience, complaints under the BNPL Code don’t lead to any real consequence or change in industry practice.”

“Many people we see owe money across multiple BNPL providers at the same time, with monthly bank statements running to pages and pages of BNPL transactions. Very few BNPL providers use the credit reporting system. To be effective, these responsible lending obligations will need to make sure BNPL lenders are making decisions based on much better information than they are now.”

Quotes attributable to Consumer Action Law Centre CEO, Stephanie Tonkin

“People are regularly calling our frontline services who have borrowed money through BNPL that they could never afford to repay. In the cost of living crisis, callers to our services report using multiple BNPL accounts – often more than five accounts at once – to afford essentials like food and energy. With over 20% of BNPL users reported to have missed a payment in 2019, the amounts borrowed can quickly spiral with late fees and charges.”

“Many BNPL users in hardship that we speak with still manage to keep their accounts open by skipping meals to prioritise repaying BNPL, so that they can access credit in future.”

“From our frontline perspective, convenient access to credit must be carefully considered against the harm that falling into debt spirals is causing people experiencing vulnerability. We welcome the opportunity to consult on the consumer protections necessary to make BNPL a safer product for everyone in the community.”

Quotes attributable to CHOICE CEO, Alan Kirkland

“To protect people from the unsafe lending practices we are seeing now, these changes will need to include strong requirements for BNPL providers to check that a loan is suitable, regardless of the size of the amount involved.”

“We will be particularly concerned about how the safe lending provisions of these reforms are drafted. While the government has said these will be scalable, we should not assume that small loans are automatically safe. Many of the people who end up in financial hardship as a result of BNPL have smaller loans, often many of them.”

“We need to remember how we got into this mess - through loopholes in our credit laws that allowed a whole new type of credit to emerge without proper regulation. The government needs to resist pressure from the industry to build carve outs in these new laws.”

“According to CHOICE research, over one in four BNPL users have had to cut back on essentials to pay for BNPL fees or debts. With many people struggling with the rising cost of living, it is now more important than ever that they are protected from rogue lenders.”

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Editor's notes:

In May 2022, more than 120 community groups signed [an open letter calling on the new Government to regulate BNPL](#) as conventional credit, with the same safe lending rules as other comparable forms of credit, following the groups' experience of mounting cases of financial hardship fueled by BNPL.

In December 2022, advocates published [their submission](#) supporting Option 3 outlined by Treasury, with additional consumer protections including prohibiting buy now pay later debt being paid from a credit card. The submission includes dozens of stories on consumer harm.

CHOICE research - CHOICE Consumer Pulse September 2022 is based on a survey of 1,090 Australian households. Quotas were applied for representations in each age group as well as genders and location to ensure coverage in each state and territory across metropolitan and regional areas. Fieldwork was conducted from 6th to 26th of June 2022.