



# CHOICE



## MEDIA RELEASE

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# Afterpay's latest move a 'recipe for a debt disaster', advocates warn

Buy Now Pay Later (BNPL) giant Afterpay is luring Australians into even more debt with a new product that consumer advocates warn will only add to Australia's BNPL debt bubble.

Afterpay recently launched Afterpay Plus which charges a \$10 monthly subscription to allow customers to enter into Afterpay loans using Apple Pay, Google Pay or Samsung Pay. The new service will give shoppers instant access to an Afterpay loan at the tap of a card and with virtually no affordability checks.

The Afterpay move comes amid mounting evidence from financial counsellors that people are increasingly using BNPL to pay for everyday essentials and getting into serious financial difficulty as a result. Afterpay's latest foray also comes as consumer advocates argue for greater consumer safeguards around BNPL due to the sharp rise in financial hardship resulting from its use.

Financial Counselling Australia CEO Fiona Guthrie said the sector has long been sounding the alarm about the rise in financial harms from BNPL.

“As if it weren’t easy enough already to get a BNPL loan, shoppers can now access an Afterpay loan at even more retailers, even more easily with the tap of a card,” Ms Guthrie said. “These are loans, plain and simple, but with no credit checks and inadequate affordability checks. Financial counsellors are already inundated by clients struggling with BNPL debts – tempting people to take on even more debt will only make this worse.

“Consumers should think long and hard about this new product. They will be paying \$120 a year for what is effectively a low-limit credit card. The pay-in-four model actually makes it harder to manage money.”

Consumer Action Law Centre CEO Stephanie Tonkin said BNPL firms like Afterpay like to cloak themselves as innovative ‘fin-techs’, when in reality it’s the careful navigation of legal loopholes to evade regulation which has enabled these credit products to gain such prominence.

“I am really concerned, as our financial counsellors on the National Debt Helpline often hear from people using BNPL for daily essentials like food, energy, and telco services. Let’s not forget, these are credit products with little or no regulation, and people shouldn’t have to pay a monthly fee on top.”

CHOICE’s head of Campaigns Andrew Kelly said the Afterpay Plus model was further reducing the barriers to using poorly regulated loans at any place that accepts Apple or Google Pay – including supermarkets.

“In a 2022 national survey, we found that one in four buy now, pay later customers already uses BNPL for essential products or services. In the ongoing cost-of-living crisis, that is only going to get worse,” Mr Kelly said.

“BNPL lenders like Afterpay have exploited gaps in Australia’s consumer laws for years, and this new product only proves that they’ll continue to do so until the loopholes are closed. It’s crucial that new regulation to rein in BNPL companies places strong safe lending obligations on these providers.”

Principal Solicitor with the Consumer Credit Legal Service in WA Roberta Grealish said her organisation had expressed real concerns in submissions to the Treasury consultation and the BNPL Code review by the Australian Finance Industry Association (AFIA), both about the ease of access to BNPL loans and the lack of friction that leads to increased indebtedness and over-commitment.

“We maintain that regulation needs to take the impulse out of BNPL-driven purchases, but this new move does the complete opposite,” Ms Grealish said.

“People are doing it tough right now and are extremely vulnerable to unregulated credit. People who are resorting to BNPL for essentials like food are obviously struggling to put a meal on the table – they do not need additional fees added to the mix – it’s a recipe for a debt disaster!”

CEO of Financial Rights Legal Centre Karen Cox said “the further integration of this frictionless, poorly regulated product into everyday life” was a huge concern.

“We are starting to see consumers looking at insolvency options with BNPL debts,” Ms Cox

said.” As the cost-of-living crisis continues to bite, the lure of these products becomes even stronger – but they are not a real solution.”

Mob Strong Debt Help Financial Counsellor Bettina Cooper slammed Afterpay’s move as “yet another adaption of a product to capture our youth and most vulnerable in a debt trap”.

“This expansion of Afterpay will only hasten the growing mountain of debt for the asset-poor. We continue to consider regulations for the 80 per cent and leave the 20 per cent in harm’s way, allowing poorly regulated finance companies to profit from the 20 per cent who can least afford it.”

## **BACKGROUND**

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 May 2023, the Government revealed it would regulate BNPL by introducing modified responsible lending obligations under the credit laws.

## **MEDIA CONTACTS**

Financial Counselling Australia, Mike Bruce 03 8554 6978

CHOICE, 0430 172 669

Financial Rights, [media@financialrights.org.au](mailto:media@financialrights.org.au)

Consumer Action, Mark Pearce 0413 299 567 or email [media@consumeraction.org.au](mailto:media@consumeraction.org.au)