

Buy Now Pay Later | Low Cost Credit Contracts

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What is Buy Now Pay Later (BNPL)?

A BNPL arrangement allows you to buy goods or services immediately and then pay for those purchases in instalments over time.

A BNPL arrangement involves a contract between you, as a consumer, and a BNPL provider, under which the BNPL provider pays the merchant for the goods or services and then collects repayments from you in instalments. This does not affect your consumer guarantee right to a refund, but make sure the shop processes the return to the BNPL provider; otherwise, you may continue to make instalment payments for something you no longer have.

BNPL is credit!

From 10 June 2025, the National Consumer Credit Protection Act 2009 and the National Credit Code (the **Credit Act**) applies to BNPL, and providers must hold a credit licence. This means consumers will now have important consumer protections, including access to:

- Financial hardship assistance
- Internal dispute resolution (IDR) processes

Providers are also required to be members of the Australian Financial Complaints Authority (AFCA). This means if you are unable to resolve a complaint with the provider's IDR team, you may escalate a complaint to AFCA as the independent umpire.

You can make a complaint to AFCA online at www.afca.org.au or you can telephone AFCA on 1800 931 678 (free call).

What is a Low Cost Credit Contract (LCCC)?

The amendments to the Credit Act introduced a new category of credit, the LCCC.

A LCCC is a BNPL contract that meets the requirements prescribed by the regulations relating to fees and charges.

LCCC providers are required to cap their annual fees and charges as follows:

| First 12 months | | | Subsequent years | | |
|-----------------|-----------------------------------|-------------------|------------------|---|-----------------------------|
| | Max. account admin fees allowable | Max. default fees | | Max. account admin fees allowable each year | Max. default fees each year |
| Yearly | \$200 | \$120 | Yearly | \$125 | \$120 |

Or, if **only** default fee or charges are, or may be payable, then:

| First 12 months | | | Subsequent years | | |
|-----------------|-----------------------------------|-------------------|------------------|--|-----------------------------|
| | Max. account admin fees allowable | Max. default fees | | Max. account admin fees allowable in other years | Max. default fees each year |
| Yearly | \$0 | \$320 | Yearly | \$0 | \$245 |

Responsible lending obligations

BNPL contracts entered after 10 June 2025 must also comply with responsible lending obligations under the Credit Act. If a BNPL contract is also a LCCC, then the provider may elect to comply with modified responsible lending obligations. The election must be made in writing and included in all LCCCs covered by the election.

Responsible lending obligations require providers to assess the suitability of a credit contract by:

- Making reasonable enquiries about your requirements and objectives
- Making reasonable requirements about your financial situations
- Taking reasonable steps to verify your financial situation

LCCC providers must have a written policy detailing how they will comply with their suitability assessment obligations.

Modified responsible lending obligations may reduce suitability assessment criteria by:

- Creating a rebuttable presumption that LCCCs of less than \$2000 meet your requirements and objectives; and
- Mandating credit checks:
 - A partial credit check is required if the combined value of a consumer's LCCCs with a provider is \$2,000 or more.
 - A partial credit check provides some credit history, but not all the details found in your full credit report. It includes a negative credit check plus information about any other debts you have (e.g. credit provider, account type, credit limit).
 - A negative credit check is required where the value of the combined LCCCs with a provider is less than \$2,000.
 - A negative credit check identifies negative information on your credit report that may indicate you are at higher risk of default. It includes default information, personal insolvency information, and court proceedings.

BNPL and LCCC providers may make listings on your credit file, which may affect your credit rating and impact your ability to obtain credit in the future. Future lenders may also consider your spending habits when assessing your credit worthiness.

For more information on what may be a reasonable assessment by a BNPL provider, see [ASIC Regulatory Guide 281](#)

For free, confidential, non-judgmental legal advice on BNPL and LCCC, call the CCLS advice line:

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