



MEDIA RELEASE | Tuesday 12 July 2022

Consumer and social service groups welcome community consultation on removing buy-now-pay-later and other credit loopholes

Key consumer and social service groups are welcoming the Federal Government's announcement that the process of introducing better safeguards for buy now pay later (BNPL) and other credit products has now begun.

This morning the Assistant Treasurer and Minister for Financial Services, Stephen Jones, has told participants at a conference that the consultation process has started and it's time to get on with ensuring BNPL is treated as credit and included in the credit code.

The Minister also said the Government will examine wage advance products and the point-of-sale exemption that allows retailers to sell credit unregulated.

Financial Counselling Australia, Anglicare Australia, CHOICE, Financial Rights Legal Centre and the Consumer Action Law Centre are welcoming the news after campaigning for stricter laws since BNPL first emerged.

The organisations are looking forward to engaging with the Government to ensure consistent safeguards apply for all consumer credit products, and removing nonsensical exemptions and qualifications in the law.

There are loopholes in the current laws allowing BNPL providers to offer loans up to \$30,000 without doing proper checks on whether people can afford the credit. Research from ASIC shows that one in five people with BNPL debts have cut back on essentials to make their payments.

We want the Government to close these gaps and protect people from harmful debts they can't afford. Closing these gaps should also catch other unregulated credit products like wage advance, and other fringe credit products that use deceptive arrangements to avoid regulation.

Consumer groups also warmly welcome the government's:

- commitment to the retention of responsible lending laws, something the previous government recklessly tried to dismantle.
- prioritisation of the implementation of the reforms that will make payday loans and consumer leases safer. We have had draft legislation to do this sitting on the books since 2017, which the previous government did not act on. The only additional reform needed is to remove access to Centrepay for consumer lease providers so they are treated like all other credit providers.

Quotes from Fiona Guthrie, CEO of Financial Counselling Australia.

"Regulation for BNPL and wage advance products can't come soon enough. Financial Counsellors are delighted the government wants to see fast action on this."

"The ridiculous arguments over whether BNPL is credit are now over."

For comment call Fiona Guthrie on 0402 426 835.

Quotes from Alan Kirkland, CEO of CHOICE.

"The buy-now, pay-later industry aggressively markets unregulated loans as a way to pay for essentials like food, fuel and energy. We welcome the government's commitment to close the loophole so that these rogue operators have to follow safe lending laws."

Quotes from Maiy Azize, Acting Executive Director of Anglicare.

"This is good news for thousands of Australians, who are turning to these products to cope with rising costs.

"We congratulate the Government for listening to the community's call for action.

"Our hope is that these changes will stop people from being stuck with debts they can't afford."

Quotes from Karen Cox, CEO of Financial Rights Legal Centre.

"It is fantastic to see the government taking a broad approach to bringing new credit products within protective guardrails of the credit regime"

"We are seeing combination of BNPL and other unregulated credit products like wage advance pushing consumers into a stress laden quagmire of unmanageable payments."

For comment call

Quotes from Gerard Brody, CEO of Consumer Action Law Centre.

“It is great news that the Government is starting the consultations to finally put real safeguards in place around Buy Now Pay Later and wage advance products,” said Gerard Brody, CEO Consumer Action.

“These products tempt people who have the most to lose, and every day we hear from people who call the National Debt Helpline caught in shocking debt spirals, unable to pay their rent, or essential services, and don't have enough money for even food.

“Just as encouraging is the Government's plan to address longstanding reforms for payday loans, consumer leases and retailers selling people credit products without proper oversight. The previous Government did nothing despite the harm caused by these arrangements being well documented - it is good to finally see some action”.

People in financial stress and who may be struggling with BNPL and wage advance debts can contact a free and independent financial counsellor on 1800 007 007 or visit ndh.org.au.

ENDS

To arrange an interview with one of the spokespeople above, please contact James Hunt on 0452304193 or Mark Pearce on 0413299567