

COMPARATIVE ANALYSIS OF
credit card interest rates
vs BNPL fees
IN THE CONSUMER CREDIT MARKET

JULY 2022

Dr Lien Duong | Professor Grantley Taylor | Dr Baban Eulaiwi

SCHOOL OF ACCOUNTING, ECONOMICS AND FINANCE



Curtin University

**financial
counselling
australia**



This report was commissioned and paid for by
Financial Counselling Australia.

Executive summary

In this report, we calculate the actual costs of the most popular BNPL products for smaller purchases of up to \$2,000 (i.e. *Afterpay*, *Commonwealth Bank of Australia (CBA) StepPay*, *Humm – Little things*, *LatitudePay* and *Zip Pay*) and compare these with the costs typically incurred with use of a traditional credit card.

The effective annual interest rate is adopted as we are comparing different nominal interest rates. The purchase amount for each BNPL transaction is analysed in a range from \$30 to \$2,000 so that it covers the minimum \$40 purchase for the *Afterpay* capped late fee and the maximum \$2,000 purchase for *Humm – Little things* customers.

We found that the fee structure of BNPL companies is, in general, highly regressive, i.e. the less customers owe, the greater the effective interest rate they are charged. For a purchase amount of \$40 for example, where a customer incurs maximum late fees, the effective annual interest rate is 16.13% for *Humm – Little things (5 fortnightly repayments)*, 28.25% for *Afterpay*, 28.33% for *LatitudePay*, 29.32% for *Zip Pay*, and 177.44% for *Humm – Little things (10 fortnightly repayments)*.

In contrast, the interest rates on credit cards are equivalent to annual effective interest rates of approximately 22%.

It's evident in Table 2 that BNPL is, indeed, not a free or low-cost option compared to traditional credit cards.

Introduction and Methodology

The buy-now-pay-later (BNPL) companies often market themselves as having free or low cost products. In this report, we calculate the actual costs of some of the most popular BNPL products on the market (i.e. *Afterpay*, *Commonwealth Bank of Australia (CBA) StepPay*, *Humm*, *Latitude* and *Zip*) and compare these with the costs typically incurred with use of a traditional credit card.

While *Afterpay* and *CBA StepPay* only offer a product for smaller purchases (up to \$1,500 per transaction), there are two slightly different BNPL products that cater for both small and larger purchases with *Humm*, *Latitude* and *Zip*. To make the analysis comparable with other BNPL products, we therefore concentrate on *Humm – Little things*, *LatitudePay* and *Zip Pay* as they are for smaller purchases of up to \$2,000.

Table 1 provides a summary of the above BNPL products. While *LatitudePay* requires weekly repayments, *Afterpay*, *CBA StepPay* and *Humm – Little things* all offer fortnightly instalments. *Zip Pay*, on the other hand, provides their customers flexibility in choice of payment frequency (i.e. weekly, fortnightly or monthly) as long as the minimum repayment of \$40 per month is met.

Most BNPL companies charge customers late payment fees if they are unable to meet their repayment schedules, and two of them (*Humm – Little things* and *Zip Pay*) also charge a monthly account keeping fee.¹ They all promote themselves as “interest-free” providers, however, their late payment fees and monthly account fees can incrementally add up to a material amount which effectively equates to a quasi-interest charge.

We initially compute the quasi-interest charge (or nominal interest rate) for each of the BNPL companies. That rate is calculated separately for the maximum total late fee incurred for each purchase and the relevant monthly fee for customers using *Zip Pay* and *Humm – Little things (10 fortnightly repayments)*. The analysis assumes that *Zip Pay* customers choose to make a monthly repayment over a year period. To take into account different repayment frequencies of BNPL companies, the nominal interest rate is converted to an effective annual interest rate with the following formula:

$$\text{Effective annual interest rate} = (1+i/n)^n - 1$$

i = nominal annual interest rate

n = number of compounding periods

The effective annual interest rate is the real interest rate when the effects of compounding over time are taken into account. It is important to evaluate the real interest rate, especially when comparing different nominal interest rates with various compounding periods² as we are dealing with the case of BNPL companies.

For *Zip Pay* and *Humm – Little things (10 fortnightly repayments)*, their effective annual rates are calculated under two scenarios: (1) customers pay on time and pay a monthly

1 While *Zip Pay* charges a monthly fee of \$6 or \$7.95 depending the account balance, *Humm – Little things* only charges a \$8 monthly fee for longer repayment schedules (i.e. only for 10 fortnightly repayments, but not for 5 fortnightly repayments).

2 Peirson, G., R. Brown, S. Easton, P. Howard and S. Pinder. 2015. *Business Finance*. 12th edition. McGraw-Hill Education, Sydney, Australia.

fee, their interest is thus computed for the monthly fee only; (2) customers do not pay on time and incur the maximum late fee, so their interest is the sum of the effective interest rate for both the late fee and the monthly fee.

The purchase amount for each BNPL transaction is analysed in a range from \$30 to \$2,000 so that it covers the minimum \$40 purchase for the *Afterpay* capped late fee and the maximum \$2,000 purchase for *Humm – Little things* customers. Details of the calculation of the effective annual interest rates for each BNPL product are in Appendix 1 (Panels A-E).

Results and Discussion

Table 2 presents a summary of the effective annual interest rates for all BNPL products based on the same purchase amount, starting from \$30 to the maximum credit allowed for each product, i.e. \$1,000 for *CBA StepPay*, *LatitudePay* and *Zip Pay*, \$1,500 for *Afterpay*, and \$2,000 for *Humm – Little things*. This shows that the fee structure of BNPL companies is, in general, highly regressive, i.e. the less customers owe, the greater the effective interest rate they are charged.

Compared with other BNPL products for smaller credit transactions, *Humm – Little things* with 5 fortnightly repayments appears to be the cheapest option while their option of 10 fortnightly instalments attracts the highest effective annual interest rate due to the accumulation of the \$8 monthly fee. For example, with the same purchase amount of \$40 and falling behind the payment schedule,³ the effective annual interest is lowest at 16.13% for *Humm – Little things (5 fortnightly repayments)*, then 28.25% for *Afterpay*, 28.33% for *LatitudePay*, slightly higher at 29.32% for *Zip Pay*, and culminating at 177.44% for *Humm – Little things (10 fortnightly repayments)*.

Based on a higher purchase amount of \$350, and maximum late fees the lowest annual effective interest rate is for *CBA StepPay* (5.87%) and the highest one is still *Humm – Little things (10 fortnightly repayments)* at 26.70%. For the same purchase amount of \$350, and a monthly account fee only, the effective annual interest rate for *Humm – Little things (10 fortnightly repayments)* is 12.05% and *Zip Pay* is 14.61%.

According to the Reserve Bank Australia (RBA)⁴, the average annual credit card rate in Australia as at October 2021 is 19.94%. As currently listed on the CBA website⁵, the annual purchase interest for low-fee credit cards (i.e. those without an annual fee) is 19.74%. Since the interest on credit cards is compounding monthly, they are equivalent to the annual effective interest rates of 21.87% and 21.63%, respectively. It is evident in Table 2 that BNPL is indeed not a free or low cost option compared to traditional credit cards.

3 There is no interest charged for CBA StepPay customers with purchases under \$40 as customers are expected to pay all upfront in one go, like an ordinary purchase from a transaction account.

4 Table F5 – Indicator Lending Rate. <https://www.rba.gov.au/statistics/tables/>

5 https://www.commbank.com.au/credit-cards.html?ei=hp-prodnv_CC

| Table 1: BNPL product features | | | | | | |
|--|---|---|--|--|---|--|
| | Afterpay | CBA StepPay | Humm – Little things (5 fortnightly repayments) | Humm – Little things (10 fortnightly repayments) | LatitudePay | Zip Pay |
| Time to pay | 4 instalments due every fortnight | 4 instalments due every fortnight (for purchases of \$100 or more) | 5 instalments due every fortnight | 10 instalments due every fortnight | 10 instalments due every week | Choose weekly, fortnightly, or monthly repayment as long as you pay minimum of \$40 per month |
| Maximum amount per transaction/ credit | \$1,500 (maximum credit of \$2,000) | \$1,000 | \$2,000 | | \$1,000 | \$1,000 (maximum credit of \$350-\$1,000) |
| Monthly fee | Nil | Nil | Nil | \$8 | Nil | \$6 for balance \$500 and below \$7.95 if balance is more than \$500 |
| Late payment fee | <p>Initial \$10 late fee and a further \$7 if the payment remains unpaid 7 days after the due date.</p> <p>Late fees are capped at one \$10 for purchases below \$40.</p> <p>For each purchase of \$40 or above, late fees are capped at 25% of the original purchase value to a maximum of \$68.</p> <p>\$272 is the minimum purchase for a capped late fee of \$68.</p> | <p>\$10 if miss a payment.</p> <p>For each purchase below \$100, customers expect to pay all in one instalment at the time of purchase.</p> <p>For purchases at \$100 or above, repayment is automatically split into 4 equal, fortnightly repayments.</p> <p>Late fees are capped: 1 late fee per instalment; 2 late fees per purchase; 1 late fee per day; 12 late fees per year.</p> | <p>\$6 if miss a payment.</p> <p>Late fees are capped at \$6 for purchases less than or equal to \$65.</p> <p>For purchases greater than \$65, late fees are capped at 18% of the purchase or maximum \$48.</p> <p>\$267 is the minimum purchase for a capped late fee of \$48</p> | | <p>\$10 if miss a payment.</p> <p>For purchases less than \$50, late fees are capped at \$10.</p> <p>For purchases \$50 or above, late fees are capped at \$50.</p> | <p>\$5 if miss a payment.</p> <p>An additional late fee \$5 where customers miss another repayment subsequently.</p> |

| Table 1: BNPL product features | | | | | | |
|--------------------------------|--|-------------|--|---|-------------|---------|
| | Afterpay | CBA StepPay | Humm – Little things (5 fortnightly repayments) | Humm – Little things (10 fortnightly repayments) | LatitudePay | Zip Pay |
| Capped late fee | Yes | Yes | Yes | | Yes | Yes |
| Sources | https://www.afterpay.com/en-AU/terms-of-service https://www.commbank.com.au/banking/buy-now-pay-later/steppay.html https://www.shophumm.com/au/how-it-works/#returns-and-fees https://www.latitudepay.com/customer-terms-conditions/latitudepay-february-2021/ https://zip.co/au/how-zip-works https://afia.asn.au/BNPL-Fees | | | | | |

Table 2: Comparison of effective annual interest rates for different BNPL products

| Effective annual interest rate | | | | | | | | |
|--------------------------------|------------------|------------------|--|---|------------------------------------|----------------|-------------------------------------|---------------------------------|
| | Afterpay | CBA StepPay | Humm – Little things (5 fortnightly repayments) | Humm – Little things (10 fortnightly repayments) | | LatitudePay | ZipPay | |
| Purchase amount | Maximum late fee | Maximum late fee | Maximum late fee | Monthly fee only and no late fee | Max late fee and monthly fee | Max late fee | Monthly fee only and no late fee | Max late fee and monthly fee |
| \$30.00 | 39.27% | N/A | 22.05% | 254.07% | 276.12% | 39.41% | 21.94% | 39.94% |
| \$40.00 | 28.25% | N/A | 16.13% | 161.30% | 177.44% | 28.33% | 16.08% | 29.32% |
| \$50.00 | 28.25% | N/A | 12.72% | 116.94% | 129.66% | 169.26% | 12.68% | 23.15% |
| \$65.00 | 28.25% | N/A | 9.65% | 82.23% | 91.89% | 114.60% | 9.63% | 17.60% |
| \$100.00 | 28.25% | 22.05% | 19.65% | 48.21% | 67.86% | 64.48% | 12.68% | 23.15% |
| \$150.00 | 28.25% | 14.22% | 19.65% | 30.18% | 49.83% | 39.41% | 12.68% | 19.56% |
| \$200.00 | 28.25% | 10.50% | 19.65% | 21.94% | 41.59% | 28.33% | 16.08% | 21.19% |
| \$267.00 | 28.25% | 7.77% | 19.62% | 16.05% | 35.67% | 20.55% | 14.35% | 18.16% |
| \$272.00 | 28.25% | 7.62% | 19.23% | 15.74% | 34.97% | 20.14% | 14.07% | 17.81% |
| \$350.00 | 21.36% | 5.87% | 14.66% | 12.05% | 26.70% | 15.33% | 14.61% | 17.50% |
| \$400.00 | 18.46% | 5.12% | 12.72% | 10.47% | 23.19% | 13.30% | 16.08% | 18.60% |
| \$500.00 | 14.53% | 4.08% | 10.06% | 8.30% | 18.36% | 10.51% | 15.39% | 17.41% |
| \$700.00 | 10.18% | 2.90% | 7.09% | 5.87% | 12.95% | 7.40% | 14.51% | 15.95% |
| \$1,000.00 | 7.03% | 2.02% | 4.91% | 4.07% | 8.99% | 5.12% | 9.97% | 10.97% |
| \$1,500.00 | 4.63% | | 3.25% | 2.70% | 5.95% | | | |
| \$2,000.00 | | | 2.43% | 2.02% | 4.45% | | | |

This table presents the effective annual interest rates for five different *BNPL products* (*Afterpay*, *CBA StepPay*, *Humm*, *LatitudePay* and *Zip Pay*). It is assumed that the maximum late fee is incurred for each purchase and *Zip Pay* customers choose to make monthly repayments over a one year period. The interest rate is calculated based on the maximum total late fee incurred for each purchase plus the relevant monthly fee for customers using *Zip Pay* and *Humm – Little things* (10 fortnightly repayments).

The effective interest rates in bold indicate the purchase amount that triggers the capped late payment fee. It is a \$40 purchase for *Afterpay*, a \$50 purchase for *LatitudePay*, a \$65 purchase for *Humm – Little things*, a \$100 purchase for *CBA StepPay*, and a \$500 purchase for *Zip Pay*. The minimum purchase amount for a capped late fee of \$68 for *Afterpay* customers is \$272, and the equivalent amount for a capped late fee of \$48 for *Humm - Little things* customers is \$267.

Appendix 1: Detail calculations of effective annual interest rates for BNPL products

Panel A: Afterpay

| Afterpay - Purchase amount | Max late fee | Number of fortnight over interest calculation | Nominal interest rate | No of compounding periods (over the year) | Effective annual interest rate |
|--|--------------|---|--|---|--------------------------------|
| \$30.00 | \$10.00 | 1 | 33.33% | 26 | 39.27% |
| \$40.00 | \$10.00 | 1 | 25.00% | 26 | 28.25% |
| \$50.00 | \$12.50 | 2 | 25.00% | 26 | 28.25% |
| \$65.00 | \$16.25 | 2 | 25.00% | 26 | 28.25% |
| \$100.00 | \$25.00 | 4 | 25.00% | 26 | 28.25% |
| \$150.00 | \$37.50 | 5 | 25.00% | 26 | 28.25% |
| \$200.00 | \$50.00 | 6 | 25.00% | 26 | 28.25% |
| \$267.00 | \$66.75 | 7 | 25.00% | 26 | 28.25% |
| \$272.00 | \$68.00 | 7 | 25.00% | 26 | 28.25% |
| \$350.00 | \$68.00 | 7 | 19.43% | 26 | 21.36% |
| \$400.00 | \$68.00 | 7 | 17.00% | 26 | 18.46% |
| \$500.00 | \$68.00 | 7 | 13.60% | 26 | 14.53% |
| \$700.00 | \$68.00 | 7 | 9.71% | 26 | 10.18% |
| \$1,000.00 | \$68.00 | 7 | 6.80% | 26 | 7.03% |
| \$1,500.00 | \$68.00 | 7 | 4.53% | 26 | 4.63% |
| This table details the calculation of effective annual interest rates for <i>Afterpay</i> purchases. It is assumed that the maximum late fee is incurred for each purchase. There is no monthly fee. Customers incur a \$10 late fee initially for missing a repayment, and a further \$7 if the payment remains unpaid 7 days after the due date. | | | Late fees are capped at \$10 for a purchase below \$40, and 25% of the original purchase value to a maximum of \$68 for each purchase of \$40 or above. The minimum purchase for a capped late fee of \$68 is \$272. | | |

Panel B: CBA – StepPay

| StepPay - Purchase amount | Max late fee | No of fortnights over interest calculation | Nominal interest rate | No of compounding periods (over 26 fortnights) | Effective annual interest rate |
|--|--------------|--|---|--|--------------------------------|
| \$30.00 | \$0 | 0 | N/A | | N/A |
| \$40.00 | \$0 | 0 | N/A | | N/A |
| \$50.00 | \$0 | 0 | N/A | | N/A |
| \$65.00 | \$0 | 0 | N/A | | N/A |
| \$100.00 | \$20.00 | 2 | 20.00% | 26 | 22.05% |
| \$150.00 | \$20.00 | 2 | 13.33% | 26 | 14.22% |
| \$200.00 | \$20.00 | 2 | 10.00% | 26 | 10.50% |
| \$267.00 | \$20.00 | 2 | 7.49% | 26 | 7.77% |
| \$272.00 | \$20.00 | 2 | 7.35% | 26 | 7.62% |
| \$350.00 | \$20.00 | 2 | 5.71% | 26 | 5.87% |
| \$400.00 | \$20.00 | 2 | 5.00% | 26 | 5.12% |
| \$500.00 | \$20.00 | 2 | 4.00% | 26 | 4.08% |
| \$700.00 | \$20.00 | 2 | 2.86% | 26 | 2.90% |
| \$1,000.00 | \$20.00 | 2 | 2.00% | 26 | 2.02% |
| This table details the calculation of effective annual interest rates for <i>CBA StepPay</i> purchases. It is assumed that the maximum late fee is incurred for each purchase. There is no monthly fee. Customers incur \$10 late fee initially for missing a repayment. For each purchase below \$100, customers expect to pay all in one instalment at the time of purchase. | | | For purchases at \$100 or above, repayment is automatically split into 4 equal, fortnightly repayments. Late fees are capped with 1 late fee per instalment; 2 late fees per purchase; 1 late fee per day; 12 late fees per year. | | |

Panel C1 – Humm – Little things (5 fortnightly repayments)

| 5 fortnightly repayments (no monthly fee) | | | | | |
|---|----------------|---|---|---|--------------------------------|
| Humm – Purchase mount | Max late fee | No of fortnight over interest calculation | Nominal interest rate | No of compounding periods (over the year) | Effective annual interest rate |
| \$30.00 | \$6.00 | 1.0 | 20.00% | 26 | 22.05% |
| \$40.00 | \$6.00 | 1.0 | 15.00% | 26 | 16.13% |
| \$50.00 | \$6.00 | 1.0 | 12.00% | 26 | 12.72% |
| \$65.00 | \$6.00 | 1.0 | 9.23% | 26 | 9.65% |
| \$100.00 | \$18.00 | 3.0 | 18.00% | 26 | 19.65% |
| \$150.00 | \$27.00 | 5.0 | 18.00% | 26 | 19.65% |
| \$200.00 | \$36.00 | 6.0 | 18.00% | 26 | 19.65% |
| \$267.00 | \$48.00 | 8.0 | 17.98% | 26 | 19.62% |
| \$272.00 | \$48.00 | 8.0 | 17.65% | 26 | 19.23% |
| \$350.00 | \$48.00 | 8.0 | 13.71% | 26 | 14.66% |
| \$400.00 | \$48.00 | 8.0 | 12.00% | 26 | 12.72% |
| \$500.00 | \$48.00 | 8.0 | 9.60% | 26 | 10.06% |
| \$700.00 | \$48.00 | 8.0 | 6.86% | 26 | 7.09% |
| \$1,000.00 | \$48.00 | 8.0 | 4.80% | 26 | 4.91% |
| \$1,500.00 | \$48.00 | 8.0 | 3.20% | 26 | 3.25% |
| \$2,000.00 | \$48.00 | 8.0 | 2.40% | 26 | 2.43% |
| This table details the calculation of effective annual interest rates for <i>Humm – Little things (5 fortnightly repayments)</i> purchases. It is assumed that the maximum late fee is incurred for each purchase. There is no monthly fee. Customers incur \$6 late fee for missing a repayment. | | | Late fees are capped at \$6 for purchases less than or equal to \$65, and 18% of the purchase to a maximum of \$48 for each purchase of \$65 or above. The minimum purchase for a capped late fee of \$48 is \$267. | | |

Panel C2 – Humm – Little things (10 fortnightly repayments)

| 10 fortnightly repayments (with monthly fees) | | | | | | | | | | | |
|---|----------------|-------------------|---|----------------------------------|--|---|--|-------------------------------------|--|--|---|
| Humm – Purchase amount | Max late fee | Total monthly fee | Late fee – No of fortnights over interest calculation | Late fee – Nominal interest rate | Late fee – No of compounding periods (over the year) | Late fee - Effective annual interest rate | Monthly fee - No of months over interest calculation | Monthly fee - Nominal interest rate | Monthly fee - No of compounding periods (over 12 months) | Monthly fee - Effective annual interest rate | Late fee and monthly fee - Total effective annual interest rate |
| \$30.00 | \$6.00 | \$40.00 | 1 | 20.00% | 26 | 22.05% | 5 | 133.33% | 12 | 254.07% | 276.12% |
| \$40.00 | \$6.00 | \$40.00 | 1 | 15.00% | 26 | 16.13% | 5 | 100.00% | 12 | 161.30% | 177.44% |
| \$50.00 | \$6.00 | \$40.00 | 1 | 12.00% | 26 | 12.72% | 5 | 80.00% | 12 | 116.94% | 129.66% |
| \$65.00 | \$6.00 | \$40.00 | 1 | 9.23% | 26 | 9.65% | 5 | 61.54% | 12 | 82.23% | 91.89% |
| \$100.00 | \$18.00 | \$40.00 | 3 | 18.00% | 26 | 19.65% | 5 | 40.00% | 12 | 48.21% | 67.86% |
| \$150.00 | \$27.00 | \$40.00 | 5 | 18.00% | 26 | 19.65% | 5 | 26.67% | 12 | 30.18% | 49.83% |
| \$200.00 | \$36.00 | \$40.00 | 6 | 18.00% | 26 | 19.65% | 5 | 20.00% | 12 | 21.94% | 41.59% |
| \$267.00 | \$48.00 | \$40.00 | 8 | 17.98% | 26 | 19.62% | 5 | 14.98% | 12 | 16.05% | 35.67% |
| \$272.00 | \$48.00 | \$40.00 | 8 | 17.65% | 26 | 19.23% | 5 | 14.71% | 12 | 15.74% | 34.97% |
| \$350.00 | \$48.00 | \$40.00 | 8 | 13.71% | 26 | 14.66% | 5 | 11.43% | 12 | 12.05% | 26.70% |
| \$400.00 | \$48.00 | \$40.00 | 8 | 12.00% | 26 | 12.72% | 5 | 10.00% | 12 | 10.47% | 23.19% |
| \$500.00 | \$48.00 | \$40.00 | 8 | 9.60% | 26 | 10.06% | 5 | 8.00% | 12 | 8.30% | 18.36% |
| \$700.00 | \$48.00 | \$40.00 | 8 | 6.86% | 26 | 7.09% | 5 | 5.71% | 12 | 5.87% | 12.95% |
| \$1,000.00 | \$48.00 | \$40.00 | 8 | 4.80% | 26 | 4.91% | 5 | 4.00% | 12 | 4.07% | 8.99% |
| \$1,500.00 | \$48.00 | \$40.00 | 8 | 3.20% | 26 | 3.25% | 5 | 2.67% | 12 | 2.70% | 5.95% |
| \$2,000.00 | \$48.00 | \$40.00 | 8 | 2.40% | 26 | 2.43% | 5 | 2.00% | 12 | 2.02% | 4.45% |
| This table details the calculation of effective annual interest rates for <i>Humm – Little things (10 fortnightly repayments)</i> purchases. It is assumed that the maximum late fee is incurred for each purchase. There is \$8 monthly fee. Customers incur \$6 late fee for missing a repayment. | | | | | | Late fees are capped at \$6 for purchases less than or equal to \$65, and 18% of the purchase to a maximum of \$48 for each purchase of \$65 or above. The minimum purchase for a capped late fee of \$48 is \$267. | | | | | |

Panel D: LatitudePay

| 10 weekly repayments | | | | | |
|---|----------------|---------------------------------------|---|--|--------------------------------|
| LatitudePay – Purchase amount | Max late fee | No of weeks over interest calculation | Nominal interest rate | No of compounding periods (over the year – 52 weeks) | Effective annual interest rate |
| \$30.00 | \$10.00 | 10 | 33.33% | 52 | 39.41% |
| \$40.00 | \$10.00 | 10 | 25.00% | 52 | 28.33% |
| \$50.00 | \$50.00 | 10 | 100.00% | 52 | 169.26% |
| \$65.00 | \$50.00 | 10 | 76.92% | 52 | 114.60% |
| \$100.00 | \$50.00 | 10 | 50.00% | 52 | 64.48% |
| \$150.00 | \$50.00 | 10 | 33.33% | 52 | 39.41% |
| \$200.00 | \$50.00 | 10 | 25.00% | 52 | 28.33% |
| \$267.00 | \$50.00 | 10 | 18.73% | 52 | 20.55% |
| \$272.00 | \$50.00 | 10 | 18.38% | 52 | 20.14% |
| \$350.00 | \$50.00 | 10 | 14.29% | 52 | 15.33% |
| \$400.00 | \$50.00 | 10 | 12.50% | 52 | 13.30% |
| \$500.00 | \$50.00 | 10 | 10.00% | 52 | 10.51% |
| \$700.00 | \$50.00 | 10 | 7.14% | 52 | 7.40% |
| \$1,000.00 | \$50.00 | 10 | 5.00% | 52 | 5.12% |
| This table details the calculation of effective annual interest rates for <i>LatitudePay</i> purchases. It is assumed that the maximum late fee is incurred for each purchase. There is no monthly fee. Customers incur \$10 late fee for missing a repayment. Late fees are capped at \$10 for purchases less than \$50, and at \$50 for purchases of \$50 or above. | | | Customers incur \$10 late fee for missing a repayment. Late fees are capped at \$10 for purchases less than \$50, and at \$50 for purchases of \$50 or above. | | |

Panel E: Zip Pay

| For customers choosing monthly repayment over one year period and late payment every month | | | | | | | | | | | | | |
|---|----------------------------|-----------------------------------|-------------------------|-------------------|---|----------------------------------|---|---|--|-------------------------------------|--|--|---|
| ZipPay – Purchase amount | Repayment amount per month | No of monthly repayments per year | Total late fee per year | Total monthly fee | Late fee – No of months over interest calculation | Late fee – Nominal interest rate | Late fee – No of compounding periods (over 12 months) | Late fee – Effective annual interest rate | Monthly fee – No of months over interest calculation | Monthly fee – Nominal interest rate | Monthly fee – No of compounding periods (over 12 months) | Monthly fee – Effective annual interest rate | Late fee and monthly fee – Total effective annual interest rate |
| \$30.00 | \$30.00 | 1 | \$5.00 | \$6.00 | 1 | 16.67% | 12 | 18.00% | 1 | 20.00% | 12 | 21.94% | 39.94% |
| \$40.00 | \$40.00 | 1 | \$5.00 | \$6.00 | 1 | 12.50% | 12 | 13.24% | 1 | 15.00% | 12 | 16.08% | 29.32% |
| \$50.00 | \$50.00 | 1 | \$5.00 | \$6.00 | 1 | 10.00% | 12 | 10.47% | 1 | 12.00% | 12 | 12.68% | 23.15% |
| \$65.00 | \$65.00 | 1 | \$5.00 | \$6.00 | 1 | 7.69% | 12 | 7.97% | 1 | 9.23% | 12 | 9.63% | 17.60% |
| \$100.00 | \$50.00 | 2 | \$10.00 | \$12.00 | 2 | 10.00% | 12 | 10.47% | 2 | 12.00% | 12 | 12.68% | 23.15% |
| \$150.00 | \$50.00 | 3 | \$10.00 | \$18.00 | 2 | 6.67% | 12 | 6.87% | 3 | 12.00% | 12 | 12.68% | 19.56% |
| \$200.00 | \$40.00 | 5 | \$10.00 | \$30.00 | 2 | 5.00% | 12 | 5.12% | 5 | 15.00% | 12 | 16.08% | 21.19% |
| \$267.00 | \$44.50 | 6 | \$10.00 | \$36.00 | 2 | 3.75% | 12 | 3.81% | 6 | 13.48% | 12 | 14.35% | 18.16% |
| \$272.00 | \$45.33 | 6 | \$10.00 | \$36.00 | 2 | 3.68% | 12 | 3.74% | 6 | 13.24% | 12 | 14.07% | 17.81% |
| \$350.00 | \$43.75 | 8 | \$10.00 | \$48.00 | 2 | 2.86% | 12 | 2.89% | 8 | 13.71% | 12 | 14.61% | 17.50% |
| \$400.00 | \$40.00 | 10 | \$10.00 | \$60.00 | 2 | 2.50% | 12 | 2.53% | 10 | 15.00% | 12 | 16.08% | 18.60% |
| \$500.00 | \$41.67 | 12 | \$10.00 | \$72.00 | 2 | 2.00% | 12 | 2.02% | 12 | 14.40% | 12 | 15.39% | 17.41% |
| \$700.00 | \$58.33 | 12 | \$10.00 | \$95.40 | 2 | 1.43% | 12 | 1.44% | 12 | 13.63% | 12 | 14.51% | 15.95% |
| \$1,000.00 | \$83.33 | 12 | \$10.00 | \$95.40 | 2 | 1.00% | 12 | 1.00% | 12 | 9.54% | 12 | 9.97% | 10.97% |
| This table details the calculation of effective annual interest rates for <i>Zip Pay</i> purchases. It is assumed that the maximum late fee is incurred for each purchase, and customers choose to have monthly repayment over one year period. | | | | | | | | There is \$6 monthly fee for account balance \$500 and below, \$7.95 if the account is more than \$500 in balance. Customers incur \$5 late fee for missing a repayment. An additional late fee \$5 is charged when they miss another repayment subsequently. | | | | | |