

Media Release

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Consumer and community groups welcome Government's commitment to regulate buy now pay later products

Key consumer and community groups are welcoming comments by the new Minister for Financial Services, Stephen Jones, that the Government will move to regulate buy now pay later (BNPL).

Minister Jones made the comments in The Guardian, saying, "let's start working on regulating [them] within the credit space."

Financial Counselling Australia (FCA), CHOICE, Anglicare Australia, the Consumer Action Law Centre (CALC) and the Financial Rights Legal Centre (FRLC) are all advocating to have buy now pay later and wage advance products properly regulated.

"This is fantastic news for consumers, giving them better protection and rights under the credit laws," says Fiona Guthrie, the CEO of Financial Counselling Australia.

BNPL and wage advance products are unregulated credit products, using a loophole in our credit laws to bypass basic consumer protections – like assessing someone's ability to repay or having hardship processes

"Buy now pay later is unregulated credit and is causing harm to consumers. We welcome closing this loophole as a priority for the new government," says Alan Kirkland, the CEO of CHOICE.

"Governments in countries like the UK and New Zealand have recognised the need to protect people from these unregulated products. It is time for Australia to catch up," he says.

BNPL is currently self-regulated by a voluntary industry code, which is inadequate at protecting consumers.

"The industry code has far too many gaps. It isn't mandatory and there are many BNPL companies that haven't signed up. There are only vague upfront assessment processes, that do not require the company to only provide loans that are affordable and suitable," says Gerard Brody, CEO of the Consumer Action Law Centre.

"Moreover, there is virtually no consequences for breaching the code – it does not contain sanctions or consumer rights equivalent to credit laws."

The BNPL and wage advance industry is growing rapidly as the cost-of-living surges, with more people using these products to pay for essentials.

Anglicare Australia's Executive Director, Kasy Chambers says, "BNPL products are hurting low- income and vulnerable people. We're thrilled the Government has listened and is taking action. Now we need a strong regulatory framework, that will protect people from harm."

Research from ASIC shows that one in five people with BNPL debts have cut back on essentials to make their repayments.

"The days of unregulated credit like BNPL and wage advance must come to an end. These products are causing harm and they need to be properly regulated," says Karen Cox, CEO of Financial Rights Legal Centre.

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.

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To arrange an interview with Fiona Guthrie from FCA please contact media@financialcounsellingaustralia.org.au.

To arrange an interview with Alan Kirkland please contact CHOICE Media on 0430 172 669.

To arrange an interview with Gerard Brody please contact Mark Pearce on 0413 299 567, media@consumeraction.org.au

To arrange an interview with Kasy Chambers from Anglicare please contact Brooke McKail on 0438 100 175 or email brooke.mckail@anglicare.asn.au.

