



## TOUGHER REGULATIONS FOR 'BUY NOW PAY LATER' SCHEMES ON THE CARDS

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Plans by the Federal Government to tighten regulations around the 'buy now pay later' industry have been welcomed by one of Australia's leading social services networks.

The Treasury discussion paper, to be released today, says the relatively looser regulatory environment, together with the sector's rapid growth, may be contributing to poor consumer outcomes, including 19% of users cutting back or going without essentials to make payments on time.

Francis Sullivan, Chair of Catholic Social Services Australia, said BNPL plans could be a trap at any time of the year. But, for low-income families, in the lead-up to Christmas, they are particularly dangerous.

"Everyone deserves to celebrate Christmas, but for low-income families, this can look very different to the more affluent in our communities.

"The facts are that using BNPL companies to buy presents, food, and other Christmas-related goods can often lead to a debt spiral that many low-income families struggle to get out of."

The reforms proposed by the Government could see BNPL schemes face the same oversight as credit cards or loan products, ensuring a balance between consumer protection and new buy now pay later products.

The Treasury discussion paper, to be released today, identifies three reform options:

- more robust self-regulation and affordability tests
- partially bringing BNPL under the Credit Act, requiring providers to get an Australian credit license and strengthen its industry code
- fully bringing the sector under the Act and making currently responsible lending obligations applied to credit card providers also apply to BNPL.

The BNPL sector is growing rapidly with about 20 services, including Afterpay, Zip Pay, humm, and Klarna operating in Australia.

In the last financial year, the number of accounts has grown from 5 million to 7 million, mostly held by vulnerable people and those aged 18 to 35.

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